

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
Fiscal Year Ended June 30, 2021

AUDIT REPORT

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA

Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-5
Independent Auditor’s Report	6-8
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	9
Statement of Activities	10
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position– Proprietary Fund Types	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Types	16
Statement of Cash Flows – Proprietary Fund Types	17
Statement of Changes in Net Position - Fiduciary Fund Types	18
Notes to Financial Statements	19-59
Required Supplementary Information	
Budgetary Comparison Schedule	60
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	61
Schedule of Changes in the Total OPEB Liability and Related Ratios	62
Schedule of Proportionate Share of the Net Pension Liability	63
Schedule of Contributions	64
Notes to Required Pension Supplementary Information	65-70
Supplemental Information	
Schedule of Enrollment	71
Schedule of Revenues and Expenditures – Extracurricular Fund – All Fund Accounts	72-73
Balance Sheets General Funds	74
Balance Sheets Impact Aid Funds	75
Statement of Revenues, Expenditures and Changes in Fund Balances – General Funds	76
Statement of Revenues, Expenditures, and Changes in Fund Balances – Impact Aid Funds	77

BROWNING PUBLIC SCHOOLS

GLACIER COUNTY, MONTANA

TABLE OF CONTENTS - Continued

Single Audit Section

Schedule of Expenditures of Federal Awards	78-79
Notes to the Schedule of Expenditures of Federal Awards	80
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	81-82
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance	83-84
Schedule of Findings and Questioned Costs	85-90
Report on Prior Audit Recommendations	91
Auditee's Corrective Action Plan	92-93

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2021

BOARD OF TRUSTEES

Brain Gallup
Mistee Rides At The Door
Kristy Salway Bullshoe
Stephen Conway
Brenda Croff
James Evans
Rae Tall WhiteMan-Armnstrong
Donna Yellow Owl

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Crystal Tailfeathers
Corrina Guardipee-Hall
Darryl Omsberg
Terryl Matt

District Clerk
Superintendent
County Superintendent
County Attorney

**Browning Public Schools
School District #9
Management's Discussion and Analysis**

The following discussion and analysis of the District's financial performance provides an overview of the government's financial statements.

FINANCIAL HIGHLIGHTS

- Net position changed by \$1,969,619 this is an increase of 3%.
- During the year, the District had expenses that were \$980,383 less than the \$44,274,845 generated in tax and other revenues for governmental programs.
- The General Fund traditionally expends the entire budget every year.
- There were not any significant budget variances to note.

USING THIS AUDIT REPORT

This annual report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as, what remains for future spending. Fund financial statements also report the government's operations in more detail than the government-wide statements by providing information about the most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide financial statements

One of the most important questions asked about the school's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the government as a whole and about its activities in a way that helps answer this question. These statements included all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the net position and changes in it. You can think of net position-the difference between assets and liabilities-as one way to measure the school's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether the District's financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the economy, enrollment and changes in the State's funding of educational costs to assess the overall health.

Fund Financial statements

The financial statements are further broken down into proprietary and fiduciary funds. Some funds are required to be established by State law. Also, the school establishes other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain grants and other money. We utilize the following type of funds:

**Browning Public Schools
School District #9
Management's Discussion and Analysis**

Governmental Activities – Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

Proprietary (business-type) fund. This fund is used to account for resources held for the benefit of parties outside the school. These funds also use the accrual basis of accounting. We exclude these activities from the other financial statements because we cannot use these assets to finance our operations. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Day Care/Pre-School program and the internal service funds for the Purchasing Fund and Self-Insurance Fund can be found here.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In our case, assets have increased as of June 30, 2021. This is a net change of 3%.

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
Current and other assets	\$ 50,585,267	\$ 52,252,784	\$ (1,667,517)	\$ 447	\$ -	\$ 447
Capital assets	70,155,478	56,707,040	13,448,438	-	-	-
Total assets	\$ 120,740,745	\$ 108,959,824	\$ 11,780,921	\$ 447	\$ -	\$ 447
Long-term debt outstanding	\$ 39,386,149	\$ 30,579,421	\$ 8,806,728	\$ 3,215	\$ 5,121	\$ (1,906)
Other liabilities	4,142,542	3,137,968	1,004,574	-	-	-
Total liabilities	\$ 43,528,691	\$ 33,717,389	\$ 9,811,302	\$ 3,215	\$ 5,121	\$ (1,906)
Net investment in capital assets	\$ 62,285,478	\$ 52,287,040	\$ 9,998,438	\$ -	\$ -	\$ -
Restricted	6,186,769	3,822,007	2,364,762	-	-	-
Unrestricted (deficit)	8,739,807	19,133,388	(10,393,581)	(2,768)	(5,121)	2,353
Total net position	\$ 77,212,054	\$ 75,242,435	\$ 1,969,619	\$ (2,768)	\$ (5,121)	\$ 2,353

The reason only the totals are compared is because the way to report assets has changed. The board adopted a policy to prioritize and categorize the cash. The capital assets have increased 24%. This was mainly due to the Middle School Addition CIP project of which \$8,415,413 in CIP was added in FY21 for a total of \$12,969,676 spent to date and additions of \$5,561,299 in CIP for the Sports Complex for a total of \$8,190,107 spent to date. The sports complex has continued into the FY 22. There was an increase to in long term debt outstanding of 29%. Long term liabilities at year end consisted of \$30,081,945 in net pension liability, \$7,870,000 in bonds outstanding, \$1,437,419 in compensated absences, and \$173,124 in other post-employment benefits. The unrestricted net position has decreased by \$10,393,581.

The following table shows the change in net position for governmental and business type activities by breaking out the expenses by function and breaking out the revenue by source of income. In a traditional accounting spread sheet, you might see the expenses delineated by department or by type of expenditure such as salary, overhead etc. In school accounting the delineation is by student, administration, food services, etc. and the terms used are function and program.

**Browning Public Schools
School District #9
Management's Discussion and Analysis**

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY21</u>	<u>FY20</u>	<u>Change Inc (Dec)</u>	<u>FY21</u>	<u>FY20</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 26,463	\$ 100,228	\$ (73,765)	\$ -	\$ 27,084	\$ (27,084)
Operating grants and contributions	9,609,889	7,507,804	2,102,085	20,300	8,000	12,300
Capital grants and contributions	63,000	213,728	(150,728)	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	2,769,266	2,572,890	196,376	-	-	-
State and County Equalization	4,415,770	4,463,397	(47,627)	-	-	-
Grants and entitlements not restricted to specific programs	7,243,700	7,226,588	17,112	-	-	-
Investment earnings	47,505	837,312	(789,807)	-	-	-
Miscellaneous (other revenue)	134,428	216,705	(82,277)	-	-	-
Federal Impact Aid	14,906,645	13,933,007	973,638	-	-	-
State technology	13,013	13,530	(517)	-	-	-
Montana Oil and Gas Tax	78,253	67,087	11,166	-	-	-
State pension aid	2,198,551	1,560,240	638,311	-	-	-
County retirement	2,737,528	2,831,009	(93,481)	-	-	-
Student activity	30,834	-	30,834	-	-	-
Total revenues	\$ 44,274,845	\$ 41,543,525	\$ 2,731,320	\$ 20,300	\$ 35,084	\$ (14,784)
Program expenses						
Instructional - regular	\$ 20,163,441	\$ 15,705,653	\$ 4,457,788	\$ -	\$ -	\$ -
Instructional - special education	2,202,114	2,375,130	(173,016)	-	-	-
Instructional - vocational education	302,708	239,191	63,517	-	-	-
Supporting services - operations & maintenance	3,047,433	2,954,959	92,474	-	-	-
Supporting services - general	3,733,536	2,989,109	744,427	-	-	-
Supporting services - educational media services	3,617,378	2,458,978	1,158,400	-	-	-
Administration - general	1,837,837	1,667,118	170,719	-	-	-
Administration - school	2,109,078	2,525,022	(415,944)	-	-	-
Administration - business	985,648	582,098	403,550	-	-	-
Student transportation	1,809,886	2,016,458	(206,572)	-	-	-
Extracurricular	1,032,105	767,681	264,424	-	-	-
School food	1,825,889	1,772,085	53,804	-	-	-
Community services	95,688	35,197	60,491	-	-	-
Debt service expense - interest	421,057	207,540	213,517	-	-	-
Unallocated depreciation*	81,354	81,352	2	-	-	-
Miscellaneous	-	737,559	(737,559)	-	-	-
Enterprise services	29,312	33,209	(3,897)	-	-	-
Elementary Day Care	-	-	-	19,362	34,098	(14,736)
Total expenses	\$ 43,294,462	\$ 37,148,339	\$ 6,146,123	\$ 19,362	\$ 34,098	\$ (14,736)
Increase (decrease) in net position	\$ 980,383	\$ 4,395,186	\$ (3,414,803)	\$ 938	\$ 986	\$ (48)

The noticeable difference here is that we had a 6.2% increase to our revenue for governmental activities and we increased spending by about 16.5% primarily due to Covid-19 pandemic response. The Daycare fund decreased in the current year as it was not in operation. There was a small portion of salaries paid out of the Covid-19 grant the District received as the policy of the District was to pay all employees.

**Browning Public Schools
School District #9
Management's Discussion and Analysis**

FUND FINANCIALS

The District's General Fund for both the Elementary and High School are used for the salaries and benefits for the certified and classified staff and a small portion is used for some administrative and classified staff. We had a 10% decrease in the Elementary General Fund and 1% increase in the High School General Fund. This is due to a decrease in the elementary enrollment and an increase in the high school enrollment. The Transportation Fund is used strictly to transport students from home to school and school to home. There was a 18% decrease to the Elementary transportation revenue and zero change in the High School revenue. The Bus Deprecation Fund indicates there was zero revenue received in the Elementary revenues with 0% and the High School had a revenue increase of 1%. The two new construction projects continue, one is an addition to the middle school that completed construction early FY 22 and the other is a sports complex that will finish in FY 22. The Elementary fund decreased by 11% overall due to school closure related to Covid 19. The high school fund remained the same overall.

BUDGETARY VARIATIONS

There were no variations between the budget and the actual for the General Fund.

THE GOVERNMENT'S FUTURE

The District Board of Trustees recognizes the need to maintain the facilities, while balancing the increasing costs of meeting the needs of our students. This financial statements reflects that philosophy by maintaining a positive balance in the balance sheet. The Board of Trustees is also pursuing possible solutions to better utilize the space available for a safe learning environment.

In the years to come we have to be diligent in our work to keep sequestration off the table. We won one small battle and the funding has been restored to almost what it was in 2014, but during this unstable time in federal funding, we must stay diligent and watch expenditures so we can fund the District when the funding is short.

The Covid-19 Pandemic may have a potential impact on the District's finances in the future.

The continued pressure to meet test score requirements, drop-out rate reductions and attendance requirements poses great challenges to the schools in Montana. The District will continue to strive for excellence regardless of what funding changes come their way.

Contact Information

If you have any questions about this report, or if you would like further information, please contact the Browning School District Administration Office, located at 129 1st Ave SE, or at PO Box 610, Browning, MT 59417. Please also feel free to call Superintendent Corrina Guardipee-Hall or Director of Finance Crystal R. Tailfeathers at 406-338-2715.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Browning Public Schools
Glacier County
Browning, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Browning Public Schools, Glacier County, Montana, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Browning Public Schools, Glacier County, Montana, as of and for the year ended 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.

Change in Accounting Principle

As described in Note 1 to the financials statements, in 2021, the District adopted new accounting guidance, GASB No. 84 *Fiduciary Activities*. This created restatements in the financial statements in both the Governmental Activities and the Fiduciary Activities in the amount of \$428,114. The restatements are further described in Note 12 to the Financial Statements. Our opinion is not modified with respect to this matter as we determined it to be appropriate.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 5, and 60 through 64 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 schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

The accompanying schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2022, on our consideration of the Browning Public Schools, Glacier County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Browning Public Schools, Glacier County, Montana's internal control over financial reporting and compliance.

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

April 21, 2022

Browning Public Schools, Glacier County, Montana
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 39,289,541	\$ 447	\$ 39,289,988
Taxes and assessments receivable, net	1,589,150	-	1,589,150
Accounts receivable - net	307,160	-	307,160
Due from other governments	2,283,324	-	2,283,324
Total current assets	<u>\$ 43,469,175</u>	<u>\$ 447</u>	<u>\$ 43,469,622</u>
Noncurrent assets			
Restricted cash and investments	\$ 795,950	\$ -	\$ 795,950
Capital assets - land	839,008	-	839,008
Capital assets - construction in progress	21,184,592	-	21,184,592
Capital assets - depreciable, net	48,131,878	-	48,131,878
Total noncurrent assets	<u>\$ 70,951,428</u>	<u>\$ -</u>	<u>\$ 70,951,428</u>
Total assets	<u>\$ 114,420,603</u>	<u>\$ 447</u>	<u>\$ 114,421,050</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 6,312,377	\$ -	\$ 6,312,377
Deferred outflows of resources - OPEB	7,765	-	7,765
Total deferred outflows of resources	<u>\$ 6,320,142</u>	<u>\$ -</u>	<u>\$ 6,320,142</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 120,740,745</u>	<u>\$ 447</u>	<u>\$ 120,741,192</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 1,434,301	\$ -	\$ 1,434,301
Accounts payable	869,885	-	869,885
Accrued payroll	601,050	-	601,050
Due to other governments	146,344	-	146,344
Other payroll liabilities	254,314	-	254,314
Current portion of long-term capital liabilities	1,080,000	-	1,080,000
Current portion of compensated absences payable	1,025,264	1,958	1,027,222
Total current liabilities	<u>\$ 5,411,158</u>	<u>\$ 1,958</u>	<u>\$ 5,413,116</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities - OPEB	\$ 173,124	\$ -	\$ 173,124
Noncurrent portion of long-term capital liabilities	6,790,000	-	6,790,000
Noncurrent portion of compensated absences	408,940	1,257	410,197
Net pension liability	30,081,945	-	30,081,945
Total noncurrent liabilities	<u>\$ 37,454,009</u>	<u>\$ 1,257</u>	<u>\$ 37,455,266</u>
Total liabilities	<u>\$ 42,865,167</u>	<u>\$ 3,215</u>	<u>\$ 42,868,382</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - other	\$ 21,657	\$ -	\$ 21,657
Deferred inflows of resources - pensions	230,998	-	230,998
Deferred inflows of resources - OPEB	410,869	-	410,869
Total deferred inflows of resources	<u>\$ 663,524</u>	<u>\$ -</u>	<u>\$ 663,524</u>
NET POSITION			
Net investment in capital assets	\$ 62,285,478	\$ -	\$ 62,285,478
Restricted for capital projects	3,252,912	-	3,252,912
Restricted for debt service	337,980	-	337,980
Restricted for special projects	2,595,877	-	2,595,877
Unrestricted	8,739,807	(2,768)	8,737,039
Total net position	<u>\$ 77,212,054</u>	<u>\$ (2,768)</u>	<u>\$ 77,209,286</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 120,740,745</u>	<u>\$ 447</u>	<u>\$ 120,741,192</u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Functions/Programs Primary government:	Net (Expenses) Revenues and Changes in Net Position					
	Program Revenues		Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business- type Activities	Total
Governmental activities:						
Instructional - regular	\$ 20,163,441	\$ 1,587	\$ 3,246,190	\$ -	\$ (16,915,664)	\$ (16,915,664)
Instructional - special education	2,202,114	-	692,675	-	(1,509,439)	(1,509,439)
Instructional - vocational education	302,708	-	104,809	-	(197,899)	(197,899)
Supporting services - operations & maintenance	3,047,433	22,820	35,893	-	(2,988,720)	(2,988,720)
Supporting services - general	3,753,536	-	1,292,763	-	(2,440,773)	(2,440,773)
Supporting services - educational media services	3,617,378	-	2,533,252	-	(1,084,126)	(1,084,126)
Administration - general	1,837,837	-	58,291	-	(1,779,546)	(1,779,546)
Administration - school	2,109,078	-	-	-	(2,109,078)	(2,109,078)
Administration - business	985,648	-	-	-	(985,648)	(985,648)
Student transportation	1,809,886	-	146,686	63,000	(1,600,200)	(1,600,200)
Extracurricular	1,032,105	-	344	-	(1,031,761)	(1,031,761)
School food	1,825,889	2,056	1,432,478	-	(391,355)	(391,355)
Community services	93,688	-	66,508	-	(29,180)	(29,180)
Debt service expense - interest	421,057	-	-	-	(421,057)	(421,057)
Unallocated depreciation*	81,354	-	-	-	(81,354)	(81,354)
Enterprise services	29,312	-	-	-	(29,312)	(29,312)
Total governmental activities	\$ 43,294,462	\$ 26,463	\$ 9,609,889	\$ 63,000	\$ (33,595,110)	\$ (33,595,110)
Business-type activities:						
Elementary Day Care	\$ 19,362	\$ -	\$ 20,300	\$ -	\$ 938	\$ 938
Total business-type activities	\$ 19,362	\$ -	\$ 20,300	\$ -	\$ 938	\$ 938
Total primary government	\$ 43,313,824	\$ 26,463	\$ 9,630,189	\$ 63,000	\$ (33,595,110)	\$ (33,594,172)
General Revenues:						
Property taxes for general purposes			\$		\$ 2,769,266	\$ 2,769,266
State and County Equalization					4,415,770	4,415,770
Grants and entitlements not restricted to specific programs					7,243,700	7,243,700
Investment earnings					47,305	47,305
Miscellaneous (other revenue)					134,428	134,428
Federal Impact Aid					14,906,645	14,906,645
State technology					13,013	13,013
Montana Oil and Gas Tax					78,253	78,253
State pension aid					2,198,551	2,198,551
County retirement					2,737,528	2,737,528
Student activity					30,834	30,834
Total general revenues, special items and transfers					\$ 34,575,493	\$ 34,575,493
Change in net position					\$ 980,383	\$ 981,321
Net position - beginning					\$ 75,242,435	\$ 75,237,314
Restatements					989,236	990,651
Net position - beginning - restated					\$ 76,231,671	\$ 76,227,965
Net position - end					\$ 77,212,054	\$ 77,209,286

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

Browning Public Schools, Glacier County, Montana
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Elementary Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ 33,440,191	\$ 281,064	\$ 5,001,665	\$ 38,722,920
Taxes and assessments receivable, net	649,398	-	939,752	1,589,150
Due from other funds	1,969,091	-	-	1,969,091
Due from other governments	-	2,239,107	44,217	2,283,324
Total current assets	<u>\$ 36,058,680</u>	<u>\$ 2,520,171</u>	<u>\$ 5,985,634</u>	<u>\$ 44,564,485</u>
Noncurrent assets:				
Restricted cash and investments	\$ 795,950	\$ -	\$ -	\$ 795,950
Total noncurrent assets	<u>\$ 795,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795,950</u>
TOTAL ASSETS	<u>\$ 36,854,630</u>	<u>\$ 2,520,171</u>	<u>\$ 5,985,634</u>	<u>\$ 45,360,435</u>
LIABILITIES				
Current liabilities:				
Warrants payable	\$ 1,434,301	\$ -	\$ -	\$ 1,434,301
Accounts payable	56,708	22,778	19,739	99,225
Accrued payroll	461,623	-	139,427	601,050
Due to other funds	-	1,969,091	-	1,969,091
Due to other governments	-	65,334	81,010	146,344
Other payroll liabilities	254,314	-	-	254,314
Deferred inflows of resources - other	-	21,657	-	21,657
Total liabilities	<u>\$ 2,206,946</u>	<u>\$ 2,078,860</u>	<u>\$ 240,176</u>	<u>\$ 4,525,982</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - taxes	\$ 649,398	\$ -	\$ 939,752	\$ 1,589,150
Total deferred inflows of resources	<u>\$ 649,398</u>	<u>\$ -</u>	<u>\$ 939,752</u>	<u>\$ 1,589,150</u>
FUND BALANCES				
Restricted	\$ -	\$ 441,311	\$ 4,805,706	\$ 5,247,017
Assigned	2,009,603	-	-	2,009,603
Unassigned fund balance	31,988,683	-	-	31,988,683
Total fund balance	<u>\$ 33,998,286</u>	<u>\$ 441,311</u>	<u>\$ 4,805,706</u>	<u>\$ 39,245,303</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 36,854,630</u>	<u>\$ 2,520,171</u>	<u>\$ 5,985,634</u>	<u>\$ 45,360,435</u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2021

Total fund balances - governmental funds	\$	39,245,303
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		70,155,478
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		1,589,150
An internal service fund is used by management to charge the costs of providing services within the government. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets		103,121
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(9,477,328)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(30,081,945)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		6,312,377
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(230,998)
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred outflows of resources and are not payable in the current period, therefore are not reported in the funds.		7,765
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(410,869)
Total net position - governmental activities	\$	<u><u>77,212,054</u></u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	<u>General</u>	<u>Elementary Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local revenue	\$ 906,883	\$ 117,816	\$ 1,878,884	\$ 2,903,583
County revenue	-	-	2,780,616	2,780,616
State revenue	14,417,416	15,614	219,336	14,652,366
Federal revenue	14,906,644	6,870,092	1,983,091	23,759,827
Total revenues	<u>\$ 30,230,943</u>	<u>\$ 7,003,522</u>	<u>\$ 6,861,927</u>	<u>\$ 44,096,392</u>
EXPENDITURES				
Instructional - regular	\$ 11,479,017	\$ 2,508,356	\$ 1,419,151	\$ 15,406,524
Instructional - special education	1,675,742	162,427	255,711	2,093,880
Instructional - vocational education	227,776	-	74,932	302,708
Supporting services - operations & maintenance	2,626,967	28,185	273,173	2,928,325
Supporting services - general	2,042,432	1,192,870	343,246	3,578,548
Supporting services - educational media services	920,260	2,469,149	104,273	3,493,682
Administration - general	1,080,834	58,291	95,289	1,234,414
Administration - school	1,706,342	-	279,040	1,985,382
Administration - business	921,712	-	48,474	970,186
Student transportation	393,094	2,359	981,574	1,377,027
Extracurricular	850,790	-	156,506	1,007,296
School food	220,564	-	1,556,413	1,776,977
Community services	9,846	85,477	365	95,688
Debt service expense - principal	-	-	4,345,000	4,345,000
Debt service expense - interest	-	-	421,057	421,057
Capital outlay	11,661,589	408,205	2,948,449	15,018,243
Enterprise services	-	-	29,312	29,312
Total expenditures	<u>\$ 35,816,965</u>	<u>\$ 6,915,319</u>	<u>\$ 13,331,965</u>	<u>\$ 56,064,249</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (5,586,022)</u>	<u>\$ 88,203</u>	<u>\$ (6,470,038)</u>	<u>\$ (11,967,857)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ 7,795,000	\$ 7,795,000
Transfers in	-	-	326,173	326,173
Transfers out	(326,173)	-	-	(326,173)
Total other financing sources (uses)	<u>\$ (326,173)</u>	<u>\$ -</u>	<u>\$ 8,121,173</u>	<u>\$ 7,795,000</u>
Net Change in Fund Balance	<u>\$ (5,912,195)</u>	<u>\$ 88,203</u>	<u>\$ 1,651,135</u>	<u>\$ (4,172,857)</u>
Fund balances - beginning	\$ 39,589,052	\$ 353,108	\$ 2,657,031	\$ 42,599,191
Restatements	321,429	-	497,540	818,969
Fund balances - beginning, restated	<u>\$ 39,910,481</u>	<u>\$ 353,108</u>	<u>\$ 3,154,571</u>	<u>\$ 43,418,160</u>
Fund balance - ending	<u>\$ 33,998,286</u>	<u>\$ 441,311</u>	<u>\$ 4,805,706</u>	<u>\$ 39,245,303</u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	(4,172,857)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		15,018,243
- Depreciation expense		(1,569,805)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		178,453
The change in compensated absences is shown as an expense in the Statement of Activities		
		(562,291)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Long-term debt principal payments		4,345,000
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:		
- Proceeds from the sale of long-term debt		(7,795,000)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		(228,864)
Internal service funds are used by management to share the costs of certain activities, to individual funds. The net revenue of the internal service funds is reported with the governmental activities of the Government-Wide Statement of Activities net of the amounts allocated to business-type activities and depreciation expense.		
		(1,546,195)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activites and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		
		(2,686,301)
Change in net position - Statement of Activities	\$	<u><u>980,383</u></u>

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-Type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Non-major Enterprise	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 447	\$ 566,621
Accounts receivable - net	-	307,160
TOTAL ASSETS	\$ 447	\$ 873,781
LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	\$ 770,660
Current portion of compensated absences payable	1,958	-
Total current liabilities	<u>\$ 1,958</u>	<u>\$ 770,660</u>
Noncurrent liabilities:		
Noncurrent portion of compensated absences	\$ 1,257	-
Total noncurrent liabilities	<u>\$ 1,257</u>	<u>\$ -</u>
Total liabilities	<u>\$ 3,215</u>	<u>\$ 770,660</u>
NET POSITION		
Unrestricted	\$ (2,768)	\$ 103,121
Total net position	<u>\$ (2,768)</u>	<u>\$ 103,121</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 447	\$ 873,781

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Non-major Enterprise	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ -	\$ 4,886,349
Miscellaneous revenues	-	465
Total operating revenues	\$ -	\$ 4,886,814
OPERATING EXPENSES		
Personal services	\$ 13,862	\$ -
Employee benefits	-	6,432,544
Supplies	5,500	465
Total operating expenses	\$ 19,362	\$ 6,433,009
Operating income (loss)	\$ (19,362)	\$ (1,546,195)
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	\$ 20,300	\$ -
Total non-operating revenues (expenses)	\$ 20,300	\$ -
Change in net position	\$ 938	\$ (1,546,195)
Net Position - Beginning of the year	\$ (5,121)	\$ 1,479,049
Restatements	1,415	170,267
Net Position - Beginning of the year - Restated	\$ (3,706)	\$ 1,649,316
Net Position - End of the year	\$ (2,768)	\$ 103,121

See accompanying Notes to the Financial Statements

Browning Public Schools, Glacier County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2021

	Business - Type Activities		
	Non-major Enterprise	Internal Service Fund	Totals
Cash flows from operating activities:			
Cash received from providing services	\$ 1,415	\$ 4,859,499	\$ 4,860,914
Cash received from miscellaneous sources	-	465	465
Cash payments to suppliers	(5,500)	673,372	667,872
Cash payments to employees	(15,768)	(6,432,544)	(6,448,312)
Net cash provided (used) by operating activities	<u>\$ (19,853)</u>	<u>\$ (899,208)</u>	<u>\$ (919,061)</u>
Cash flows from non-capital financing activities:			
Cash received from other governments	\$ 20,300	\$ -	\$ 20,300
Net cash provided (used) from non-capital financing activities	<u>\$ 20,300</u>	<u>\$ -</u>	<u>\$ 20,300</u>
Net increase (decrease) in cash and cash equivalents	\$ 447	\$ (899,208)	\$ (898,761)
Cash and cash equivalents at beginning	-	1,295,562	1,295,562
Restatements to cash		170,267	170,267
Cash and cash equivalents at end	<u>\$ 447</u>	<u>\$ 566,621</u>	<u>\$ 567,068</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (17,947)	\$ (1,546,195)	\$ (1,564,142)
Changes in assets and liabilities:			
Accounts receivable	-	(26,850)	(26,850)
Due from other governments	-	98,442	98,442
Deferred inflows of resources - Cash from County	-	(19,034)	(19,034)
Accounts payable	-	594,429	594,429
Compensated absences	(1,906)	-	(1,906)
Net cash provided (used) by operating activities	<u>\$ (19,853)</u>	<u>\$ (899,208)</u>	<u>\$ (919,061)</u>

See accompanying notes to the financial statements

Browning Public Schools, Glacier County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

		Private Purpose Trust Funds
Net Position - Beginning of the year	\$	428,114
Restatements	\$	(428,114)
Net Position - End of the year	\$	-

See accompanying Notes to the Financial Statements

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

GASB No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the District, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as a financed purchased of an asset, or accounts payable. In addition, the Statement requires that the District disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The District has implemented this pronouncement for the current fiscal year and it is related in the debt footnotes below if applicable.

GASB No. 84 *Fiduciary Activities* is effective for years beginning after December 15, 2020. The Statement establishes accounting and financial reporting standards for fiduciary activities though defining specific criteria on the types of fiduciary activities that includes fiduciary component units and fiduciary activities. The criteria specifically defined in the statement determine the reporting of the fiduciary activities that include pension trust funds, private purpose trust funds, investment trust funds, and custodial funds (previously reported as agency funds). At Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position required for all of the fiduciary activities previously mentioned above. The District has implemented this pronouncement in the current fiscal year.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Financial Reporting Entity

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

Primary Government

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. The District actually consists of two legally separate districts. The Elementary District provides education from kindergarten through the eighth grade and the High School District provides education from grades nine through twelve. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

Separate accounting records must be maintained for each District because of differences in funding and legal requirements. However, both districts are managed as a single system by a central board of trustees, elected in district-wide elections, and by a central administration appointed by and responsible to the Board. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercises responsibility.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the District except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

Measurement Focus and Basis of Accounting

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

Fund Financial Statements:

Basis of Presentation

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

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

Measurement Focus and Basis of Accounting

Governmental Funds:

Modified Accrual

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

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

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

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal Service Funds:

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies for the government on a cost-reimbursement basis. The District maintains one internal service fund. The fund is a self-insurance fund which provides medical coverage to the District employees. The Internal service fund is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded as the same time the liability is incurred, regardless of when the related cash flows take place. All assets and liabilities are recorded in the internal service fund financial statements.

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

Fiduciary Funds:

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

Private-purpose Trust Funds – To report the fiduciary activities of those resources held in a trust that are not required to be reported in Pension (and other employee benefit) or Investment Trust funds. These funds are used for specific purposes that were originally defined by the individual or organization that gave the funds to the government. The Student Activities Fund and the Student Scholarship Fund have been reclassified to the Miscellaneous Programs Fund per the implementation of GASB No. 84 *Fiduciary Activities*. The District no longer reports any fiduciary funds.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash deposits and investments at fair value on June 30, 2021 are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Petty Cash	\$ 511
Cash in banks:	
Demand deposits	8,312,542
Savings deposits	15,826,215
Time deposits	10,025,612
<u>Investments:</u>	
U.S. Government Securities	<u>5,921,058</u>
Total	<u>\$ 40,085,938</u>

Cash equivalents

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The District's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings and time deposits, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the District's cash management pool to be cash equivalents.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Fair Value Measurements

Investments are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined annually at fiscal year-end and requires use of valuation techniques described below.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted account principles. The hierarchy, as follows, is based on the valuation inputs used to measure fair value. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs that include the following:

- (a) Level 1 Inputs — Quotes prices in active markets for identical assets; these investments are valued using prices quoted in active markets.
- (b) Level 2 Inputs — Significant other observable inputs other than quoted prices included within Level 1; these investments are valued using matrix pricing.
- (c) Level 3 Inputs — Significant unobservable inputs, these investments are valued using consensus pricing.

The U.S Treasury Bills and U.S Government Securities are valued using quoted market prices (Level 1 inputs).

Credit Risk

As a means of limiting exposure to credit risk, the District is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state Montana Code Annotated (MCA).

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and public money not necessary for immediate use by a county, city, or town that is not invested as authorized in Section 7-6-202, MCA, may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-213, MCA.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2021, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2021
	<u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 11,408,932
- Collateral held by the pledging bank's trust department but not in the County's name	21,583,566
- Uninsured and Uncollateralized	65,097
Total deposits and investments	<u>\$ 33,057,595</u>

Deposit Security

Section 7-6-207, Montana Code Annotated (MCA), states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for District deposits at June 30, 2021, equaled or exceeded the amount required by State statutes.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2021 along with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
First American Treasury Obligation	0.01%	N/A	\$ 240,862
First American Treasury Obligation	0.01%	N/A	154,315
First American Treasury Obligation	0.01%	N/A	908,124
Fed Home Loan Bank Bond	0.66%	2/25/2026	247,150
Fed Home Loan Bank Bond	0.70%	2/25/2026	99,043
Fed Home Loan Mtg Corp Bond	0.30%	10/28/2022	500,081
Fed Natl Mtg Assn Note	0.50%	6/17/2025	248,124
Goldman Saches Finl Square Treasury Instruments	0.17%	N/A	3,523,359
Total			<u>\$ 5,921,058</u>

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the District as of June 30, 2021. These amounts are reported within the cash/investment account on the Combined Balance Sheet.

<u>Description</u>	<u>Amount</u>
Elementary Impact Aid Bond - Current	\$ 394,450
High School Impact Aid Bond – Current	244,500
High School Impact Aid Bond - Future	<u>157,000</u>
Total	<u>\$ 795,950</u>

NOTE 4. RECEIVABLES

Tax Receivables

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

NOTE 5. CAPITAL ASSETS

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

Buildings	75 years
Improvements	20 – 75 years
Equipment	5 – 15 years

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

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

Governmental activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	Balance <u>June 30, 2021</u>
Capital assets not being depreciated:			
Land	\$ 839,008	\$ -	\$ 839,008
Construction in progress	7,183,071	14,001,521	21,184,592
Total capital assets not being depreciated	<u>\$ 8,022,079</u>	<u>\$ 14,001,521</u>	<u>\$ 22,023,600</u>
Other capital assets:			
Buildings	\$ 52,321,365	\$ -	\$ 52,321,365
Improvements other than buildings	6,119,681	-	6,119,681
Machinery and equipment	9,497,261	1,016,722	10,513,983
Total other capital assets at historical cost	\$ 67,938,307	\$ 1,016,722	\$ 68,955,029
Less: accumulated depreciation	(19,253,346)	(1,569,805)	(20,823,151)
Total	<u>\$ 56,707,040</u>	<u>\$ 13,448,438</u>	<u>\$ 70,155,478</u>

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

Governmental Activities:

Instructional – regular	\$ 490,902
Supporting services – operations and maintenance	41,798
Supporting services – general	631
Supporting services – student	368
Administration – general	556,406
Student transportation	371,011
Extracurricular	9,347
School food	17,988
Unallocated	81,354
Total governmental activities depreciation expense	<u>\$ 1,569,805</u>

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance <u>July 1, 2020</u>	Balance <u>June 30, 2021</u>
Other capital assets:		
Buildings	\$ 14,128	\$ 14,128
Total other capital assets at historical cost	\$ 14,128	\$ 14,128
Less: accumulated depreciation	(14,128)	(14,128)
Total	<u>\$ -</u>	<u>\$ -</u>

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide and proprietary, financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
General obligation bonds	\$ 3,715,000	\$ -	\$ (3,715,000)	\$ -	-
Revenue bonds	705,000	-	(230,000)	475,000	235,000
Compensated absences	871,913	562,291	-	1,434,204	1,025,264
General obligation bonds from direct placements	-	3,840,000	(400,000)	3,440,000	565,000
Revenue bonds from direct placements	-	3,955,000	-	3,955,000	280,000
Total	<u>\$ 5,291,913</u>	<u>\$ 8,357,291</u>	<u>\$ (4,345,000)</u>	<u>\$ 9,304,204</u>	<u>\$ 2,105,264</u>

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

Business-type Activities:

	Balance July 1, 2020	Deletions	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 5,121	\$ (1,906)	\$ 3,215	\$ 1,958
Total	<u>\$ 5,121</u>	<u>\$ (1,906)</u>	<u>\$ 3,215</u>	<u>\$ 1,958</u>

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2021, were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2021
Elementary General Obligation Refunding Bonds, Series 2021	3/25/21	0.69%	7 yrs	7/1/27	2,300,000	varies	\$ 2,055,000
High School General Obligation Refunding Bonds, Series 2021	3/25/21	0.69%	7 yrs	7/1/27	1,540,000	varies	1,385,000
					<u>\$12,190,000</u>		<u>\$ 3,440,000</u>

Reported in the governmental activities.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 565,000	\$ 22,580
2023	570,000	18,665
2024	565,000	14,731
2025	575,000	10,816
2026	575,000	6,849
2027	590,000	2,864
Total	<u>\$ 3,440,000</u>	<u>\$ 76,505</u>

Impact Aid Revenue Bonds

Impact Aid Revenue Bonds outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2021</u>
High School Impact Aid Refunding Bond 2015	4/29/15	2.00%	5 yrs	10/1/22	\$1,570,000	\$ 475,000
Elementary Impact Aid Revenue Bond 2020	7/15/20	3.00%	12 yrs	10/1/32	<u>3,955,000</u>	<u>3,955,000</u>
Total					<u>\$ 5,525,000</u>	<u>\$ 4,430,000</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 515,000	\$ 123,950
2023	525,000	110,775
2024	295,000	97,275
2025	305,000	88,275
2026	315,000	78,975
2027	325,000	69,375
2028	330,000	59,550
2029	340,000	49,500
2030	355,000	39,075
2031	365,000	28,275
2032	375,000	17,175
2033	385,000	5,775
Total	<u>\$ 4,430,000</u>	<u>\$ 767,975</u>

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

The impact aid revenue bond resolutions included various restricted covenants. The most significant covenants are detailed below:

- 1) For the Elementary and High School Impact Aid Bonds, the District was to maintain restricted cash equal to the principle and interest coming due in the 12-month period after year end. The amount totaled \$638,950 as shown in Note 3.
- 2) For the High School Impact Aid Bond, the District is also required to restrict cash for future reserves in the lessor of 10% of the principle outstanding as of June 30, 2021, or the maximum amount of principle and interest payable on outstanding bonds in any succeeding year. The District chose to restrict cash for future debt at 10% of the principle outstanding as of June 30, 2021, \$157,000, as that was the lessor amount. See Note 3 for the restricted cash.

The District was in compliance with their revenue bond requirements as of June 30, 2021.

Compensated Absences

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

Each teacher is awarded ten days annually of sick leave. Unused sick leave may accumulate to 100 days. Tenured teachers are paid \$80 per day of unused sick leave upon separation from the District.

The liability associated with governmental fund-type employees is reported in the governmental-type activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities and respective fund.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

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

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

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

Employees covered by benefit terms. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	209
Active employees	1
Total employees	210

Total OPEB Liability

The District’s total OPEB liability of \$173,124 at June 30, 2021, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was June 30, 2021.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2021 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	61.74
Discount rate (average anticipated rate)	2.27%
Average salary increase (Consumer Price Index)	2.50%

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>Medical</u>	<u>Prescription Drugs</u>
2021*	9.3%	9.3%
2022	7.0%	7.0%
2023	6.5%	6.5%
2024	6.0%	6.0%
2025	5.9%	5.9%
2026	5.7%	5.7%
2027	5.6%	5.6%
2028	5.5%	5.5%
2029	5.3%	5.3%
2030-2046	5.2%	5.2%
2047	5.1%	5.1%
2048-2049	5.0%	5.0%
2050-2052	4.9%	4.9%

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

2053-2056	4.8%	4.8%
2057-2061	4.7%	4.7%
2062-2068	4.6%	4.6%
2069	4.5%	4.5%
2070	4.4%	4.4%
2071	4.3%	4.3%
2072-2073	4.2%	4.2%
2074	4.1%	4.1%
2075-2076	4.0%	4.0%
2077	3.9%	3.9%
2078+	3.8%	3.8%

* Trends based on actual renewal rates

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

For PERS, mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table projected to 2015 using Scale AA with no collar adjustment for males and females.

For TRS, mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table projected to 2022 using Scale BB, set back two years for both males and females.

For PERS, disabled mortality is assumed to follow the RP 2000 Disabled Mortality Table with no projections and no collar adjustment for males and females.

For TRS, disabled mortality is assumed to follow the RP 2000 Disabled Mortality Table projected to 2022 using Scale BB, set back three years for males and set forward two years for females.

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

Changes in the Total OPEB Liability

Balance at 6/30/2020	\$ <u>519,962</u>
Changes for the year:	
Service Cost	\$ 42,158
Interest	14,220
Differences in experience	(378,276)
Change in assumptions	(24,828)
Benefit payments	<u>(112)</u>
Net Changes	\$ <u>(346,838)</u>
Balance at 6/30/2021	\$ <u>173,124</u>

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

	1% Decrease (1.27%)	Discount Rate (2.27%)	1% Increase (3.27%)
Total OPEB Liability	\$ 200,848	\$ 173,124	\$ 148,254

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	\$ 137,973	\$ 173,124	\$ 216,101

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

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

For the year ended June 30, 2021, the District recognized an OPEB expense of \$228,864. The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resourced related to OPEB from the following sources:

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Differences between expected and actual economic experience	\$ -	378,276
Changes in actuarial assumptions	7,765	32,593
Total	\$ <u>7,765</u>	\$ <u>410,869</u>

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

OPEB: Year ended June 30:		Amount recognized in OPEB Expense as an increase or (decrease) to OPEB Expense
2021	\$	40,946
2022	\$	11,143
2023	\$	10,348
2024	\$	10,077
2025	\$	9,869
Thereafter	\$	31,129

NOTE 9. NET PENSION LIABILITY (NPL)

As of June 30, 2021, the District reported the following balances as its proportionate share of PERS and TRS pension amounts:

District's Proportionate Share Associated With:

	PERS		TRS		Pension Totals
Net Pension Liability	\$ 7,157,128	\$	22,924,817	\$	30,081,945
Deferred outflows of resources*	\$ 1,759,392	\$	4,552,985	\$	6,312,377
Deferred inflows of resources	\$ 204,633	\$	26,365	\$	230,998
Pension expense	\$ 1,589,679	\$	5,077,224	\$	6,666,903

*Deferred outflows for PERS and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$430,725, and \$1,349,837, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2021.

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

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

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

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

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

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

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

Vesting

- 5 years of membership service

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

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

Fiscal Year	Member		School Districts	
	Hired < 07/01/11	Hired > 07/01/11	Employer	State
2021	7.900%	7.900%	8.500%	0.370%
2020	7.900%	7.900%	8.400%	0.370%
2019	7.900%	7.900%	8.300%	0.370%
2018	7.900%	7.900%	8.200%	0.370%
2017	7.900%	7.900%	8.100%	0.370%
2016	7.900%	7.900%	8.000%	0.370%
2015	7.900%	7.900%	7.900%	0.370%
2014	7.900%	7.900%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	6.800%	0.370%
2010 – 2011	6.900%		6.800%	0.370%
2008 – 2009	6.900%		6.800%	0.235%
2000 - 2007	6.900%		6.800%	0.100%

1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is 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.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

3. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
4. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$33,951,150.

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

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

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2021, and 2020, reporting periods, are displayed below. The District proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The District recorded a liability of \$7,157,128 and the District's proportionate share was 0.271287 percent.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 7,157,128	\$ 5,404,208	0.271287%	0.258536%	0.012751%
State of Montana Proportionate Share associated with Employer	2,460,450	1,918,484	0.093262%	0.091780%	0.001482%
Total	<u>\$ 9,617,578</u>	<u>\$ 7,322,692</u>	<u>0.364549%</u>	<u>0.350316%</u>	<u>0.014233%</u>

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 were no changes in benefit terms since the previous measurement date

Changes in proportionate share:

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

Pension Expense:

At June 30, 2021, the District recognized a Pension Expense of \$1,187,292 for its proportionate share of the pension expense. The District also recognized grant revenue of \$402,387 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 1,187,292	\$ 758,459
State of Montana Proportionate Share associated with the Employer	402,387	130,245
Total	<u>\$ 1,589,679</u>	<u>\$ 888,704</u>

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

Recognition of Beginning Deferred Outflow

At June 30, 2020, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2021 contributions of \$397,306

Recognition of Deferred Inflows and Outflows:

At June 30, 2021, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 115,531	\$ 204,633
Actual vs. Expected Investment Earnings	619,743	-
Changes in Assumptions	495,604	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	97,789	-
Employer contributions subsequent to the measurement date - FY21*	430,725	-
Total	<u>\$ 1,759,392</u>	<u>\$ 204,633</u>

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

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2021	\$ 276,085
2022	\$ 476,570
2023	\$ 216,544
2024	\$ 154,835
Thereafter	\$ -

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.30%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2020 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign 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	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

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 would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
\$ 9,851,363	\$ 7,157,128	\$ 4,893,989

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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.

PERS Disclosure for the defined contribution plan

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

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

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

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

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

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Teachers Retirement System

Summary of Significant Accounting Policies

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

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

Plan Descriptions

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

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

Summary of Benefits

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

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

Contributions

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

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

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

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

School District and Other Employers

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

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

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 22,924,817	\$ 19,363,338	1.0191%	1.0042%	0.0149%
State of Montana Proportionate Share associated with Employer	13,556,361	11,723,395	0.6026%	0.6080%	-0.0054%
Total	<u>\$ 36,481,178</u>	<u>\$ 31,086,733</u>	<u>1.6217%</u>	<u>1.6122%</u>	<u>0.0095%</u>

At June 30, 2021, the District recorded a liability of \$22,924,817 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 District contributions received from all of TRS' participating employers. At June 30, 2021, the District's proportion was 1.0191 percent.

Changes in actuarial assumptions and methods:

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

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

Changes in benefit terms:

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

Changes in proportionate share:

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

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Pension Expense:

At June 30, 2021, the District recognized a Pension Expense of \$5,077,224 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$1,796,164 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

		<u>Pension Expense as of 6/30/21</u>
Employer Proportionate Share	\$	3,281,060
State of Montana Proportionate Share associated with the Employer		1,796,164
Total	\$	<u>5,077,224</u>

Recognition of Beginning Deferred Outflow

At June 30, 2021, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2020 contributions of \$1,283,476.

Recognition of Deferred Inflows and Outflows:

At June 30, 2021, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

		<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	222,232	\$	-
Actual vs. Expected Investment Earnings		1,605,984		-
Changes in Assumptions		1,200,676		26,365
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions		174,256		-
Employer contributions subsequent to the measurement date - FY21*		1,349,837		-
Total	\$	<u>4,552,985</u>	\$	<u>26,365</u>

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

*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.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2022	\$ 1,132,656
2023	\$ 88,460
2024	\$ 752,611
2025	\$ 403,056
2026	\$ -
Thereafter	\$ -

Actuarial Assumptions

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

- Total Wage Increases* 3.25% - 7.76% for Non-University Members and 4.25% for University Members
- Investment Return 7.34%
- Price Inflation 2.40%
- Postretirement Benefit Increases
 - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years
- Mortality among disabled members
 - RP 2000 Disabled Mortality Table for, set back three years for males and set forward two years for females, with mortality improvements projected by Scale BB to 2022.

*Total Wage Increases include 3.25% general wage increase.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

Discount Rate

TRS

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

Target Allocations

<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%
Total	<u>100.00%</u>	

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

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

Sensitivity Analysis

1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
\$ 30,523,706	\$ 22,924,817	\$ 16,567,097

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

TRS

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.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2021, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
To cover deficit cash balance	General – Major Governmental	Elementary Miscellaneous Programs – Major Governmental	<u>\$ 1,969,091</u>

Note: The District has \$2,239,107 due from other governments at year end, once these were received, the District had sufficient cash in the fund.

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2021:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating for Impact Aid Revenue Bond payments	Elementary Debt Service – Nonmajor Governmental	Elementary Impact Aid* – Nonmajor Governmental	\$ 84,373
Operating for Impact Aid Revenue Bond payments	High School Debt Service – Nonmajor Governmental	High School Impact Aid* – Nonmajor Governmental	<u>241,800</u>
			<u>\$ 326,173</u>

* These funds are reported with the General Fund under GASB 54 for financial reporting purposes.

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

Assigned – constraint is internally imposed by the body or official authorized to assign amounts for a specific purpose.

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

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

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

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

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Elementary Miscellaneous Programs	\$ 441,311	Third party grantor restrictions
All other aggregate	126,561	Student transportation
	1,451,128	Bus replacement
	137,399	Student food services
	440,437	Employer costs of benefits
	485,956	Third party grant restrictions
	37,692	Adult education
	32,216	Student instructional services
	303,816	Operations and maintenance
	67,491	Traffic education services
	102,742	Future technology upgrades
	98,378	Debt service
	<u>1,521,890</u>	Future capital costs
Total	<u>\$ 5,247,017</u>	

Assigned Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Assignment</u>
General	\$ <u>2,009,603</u>	Encumbrances

NOTE 12. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ 1,193	Understated previous year cash that was due from the County
Elementary Bus Depreciation	21,087	Understated previous year cash that was due from the County
Elementary Tuition	1,082	Understated previous year cash that was due from the County
Elementary Retirement	1,672	Understated previous year cash that was due from the County
Elementary Adult Education	1,068	Understated previous year cash that was due from the County
Elementary Lease Rental	392	Understated previous year cash that was due from the County

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

Elementary Impact Aid*	114,519	Understated previous year cash that was due from the County
Elementary Technology	1,614	Understated previous year cash that was due from the County
Elementary Flexibility*	11,624	Understated previous year cash that was due from the County
Elementary Debt Service	3,946	Understated previous year cash that was due from the County
Elementary Building	6,901	Understated previous year cash that was due from the County
Elementary Building Reserve	3,941	Understated previous year cash that was due from the County
Elementary Interlocal	8,395	Understated previous year cash that was due from the County
High School Transportation	1,255	Understated previous year cash that was due from the County
High School Bus Depreciation	6,659	Understated previous year cash that was due from the County
High School Miscellaneous Programs	2,384	Understated previous year cash that was due from the County
High School Traffic Education	2,084	Understated previous year cash that was due from the County
High School Impact Aid*	175,931	Understated previous year cash that was due from the County
High School Technology	1,224	Understated previous year cash that was due from the County
High School Flexibility*	18,162	Understated previous year cash that was due from the County
High School Debt Service	2,678	Understated previous year cash that was due from the County
High School Building	2,023	Understated previous year cash that was due from the County
High School Building Reserve	1,021	Understated previous year cash that was due from the County
High School Miscellaneous Programs	428,114	Implementation of GASB 84 which combined the Student Activities and High school Scholarship funds with the Miscellaneous Programs fund
Elementary Day Care	1,415	Understated prior year due from other governments
High School Self Insurance	19,034	Understated PY cash that was due from the County
High School Self Insurance	151,233	Closed Retiree Fund to the Self Insurance Fund for the retiree premiums - the Retiree Fund only showed cash and accounts payable
High School Student Activities	(355,599)	Implementation of GASB 84 which combined the Student Activities Fund with the High School Miscellaneous Programs Fund

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

		Implementation of GASB 84 which combined the High school Scholarship fund with the High School Miscellaneous Programs
High School Scholarship Fund	(72,515)	Fund
Total	<u>\$ 562,537</u>	

*These funds were combined with the General Fund under GASB 54 for financial reporting purposes.

NOTE 13. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

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

NOTE 14. RISK MANAGEMENT

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

Insurance Policies:

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

Insurance Pools:

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

BROWNING PUBLIC SCHOOLS
 GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

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

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

Self-Insurance

The District provides medical insurance coverage for its employees via a partially self insured plan administered by EMBS as of the end of the year. A portion of the year the District self-insurance. It provides medical, dental and vision benefits and is operated as an Internal Service Fund. Rates are determined in consultation with the broker, Levitt Group, based on past claim experience plus and administrative fee. The rates include a premium for a commercial "stop-loss" policy for when claims, in total, exceeds \$85,000 in covered charges during a year. A reconciliation of claims payable follows:

Claims payable, June 30, 2020	\$	176,231
Claims incurred		6,963,973
Claims paid		<u>6,432,544</u>
Claims payable, June 30, 2021	\$	<u>707,660</u>

NOTE 15. SUBSEQUENT EVENTS

- 1) In response to the COVID-19 pandemic, Congress passed the CARE Act, Coronavirus Aid, Relief, and Economic Security Act in March 2020. With the CARES Act there was several funding sources that were created to support state and local governments. These funding sources include the Coronavirus Relief Fund (CRF) and the Elementary and Secondary School Emergency Relief Fund (ESSER). In December 2020, Congress again passed further funding for the COVID-19 pandemic allocated through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), that included \$54 billion for ESSER II funding. Lastly, in March 2021 Congress passed the American Rescue Plan (ARP) that authorized another \$122 billion for ESSER III funding.

The State of Montana also received roughly \$40 million from the ESSER Funds. The District has been awarded \$1,375,926 of this funding, and has spent and received \$1,336,534 as of March 2022.

BROWNING PUBLIC SCHOOLS
GLACIER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

For ESSER II and III the State of Montana received \$170 million and \$382 million in funding to be distributed to schools across the state. In April 2021, the State determined the distributions of these funds for ESSER II based on Title I funding, and have projections for ESSER III. The allocated ESSER II funds for the District equal \$5,785,295. The awarded ESSER III funds for the District equal to \$12,913,427. The ESSER II funds are to be expended by September 30, 2023, and the ESSER III to be expended by September 30, 2024.

The District has spent \$2,063,330 and received \$1,136,644 ESSER II Funds as of March 2022. The District has spent but not yet received \$842,971 ESSER III funds as of March 2022.

The District, like all Districts in the United States is still dealing with the effects of the COVID-19 virus. Possible operational changes or even shutdowns may still occur. Additionally, the financial effect to the District are equally as uncertain.

- 2) Construction on the Middle School Addition continued into fiscal year 2022. The District had spent \$641,571 on the construction subsequent to year end out of a fiscal year 2022 budget of \$12,179,308.
- 3) The Sports Plex construction continued into fiscal year 2022. The District had spent \$254,398 subsequent to year end of the fiscal year 2022 budget of \$638,787.

NOTE 16. SIGNIFICANT CONSTRUCTION COMMITMENTS AND/OR OTHER CONTINGENCIES

The District continued the following projects into fiscal year 2022 as follows:

Middle School Addition – The District has expended from July 2021 to March 2022 \$337,271 of the \$7,888,308 budget in the Elementary Impact Aid Fund and \$284,172 of the \$3,844,630 budget in the Elementary Building Fund. As of June 30, 2021, the District had already expended \$12,969,676 on the project

Sports Complex – The District has expended from July 2021 to March 2022 \$254,398 of the budgeted amount of \$638,787. As of June 30, 2021, the District had already expended \$3,331,347 on the project.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Browning Public Schools, Glacier County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 824,213	\$ 824,213	\$ 843,353	\$ 19,140
State revenue	12,140,612	12,140,612	12,140,612	-
Amounts available for appropriation	<u>\$ 12,964,825</u>	<u>\$ 12,964,825</u>	<u>\$ 12,983,965</u>	<u>\$ 19,140</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 9,323,705	\$ 9,323,705	\$ 8,386,872	\$ 936,833
Instructional - special education	1,064,294	1,064,294	949,397	114,897
Instructional - vocational education	236,062	236,062	227,776	8,286
Supporting services - operations & maintenance	56,612	56,612	56,000	612
Supporting services - general	1,523,610	1,523,610	1,545,579	(21,969)
Supporting services - educational media services	378,190	378,190	293,123	85,067
Administration - general	69,119	69,119	172,860	(103,741)
Administration - school	351,332	351,332	1,160,806	(809,474)
Administration - business	-	-	189,061	(189,061)
Extracurricular	92,800	92,800	114,250	(21,450)
Total charges to appropriations	<u>\$ 13,095,724</u>	<u>\$ 13,095,724</u>	<u>\$ 13,095,724</u>	<u>\$ -</u>
Net change in fund balance			<u>\$ (111,759)</u>	
Fund balance - beginning of the year			\$ 1,415,031	
Restatements			1,193	
Fund balance - beginning of the year - restated			<u>\$ 1,416,224</u>	
Fund balance - end of the year			<u>\$ 1,304,465</u>	

Browning Public Schools, Glacier County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 12,983,965
Combined funds (GASBS 54 and GASB 85) revenues	17,246,978
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 30,230,943
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 13,095,724
Combined funds (GASBS 54 and GASB 85) expenditures	22,721,241
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 35,816,965

Note B

The Elementary Miscellaneous Programs Fund is a major special revenue fund for which a legally adopted budget is not required.

Browning Public Schools, Glacier County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service Cost	\$ 42,158	\$ 41,239	\$ 19,747	\$ 22,269
Interest	14,220	15,270	7,691	7,853
Differences in experience	(378,276)	-	173,286	-
Change in assumptions and inputs	(24,828)	47,614	30,271	560
Benefit payments	<u>(112)</u>	<u>-</u>	<u>(15,150)</u>	<u>(22,575)</u>
Net change in total OPEB liability	(346,838)	104,123	215,845	8,107
Total OPEB Liability - beginning	519,962	415,839	199,994	137,946
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,941</u>
Total OPEB Liability - ending	<u>\$ 173,124</u>	<u>\$ 519,962</u>	<u>\$ 415,839</u>	<u>\$ 199,994</u>
Covered-employee payroll	\$ 12,199,481	\$ 11,107,583	\$ 11,107,583	\$ 13,305,938
 Total OPEB liability as a percentage of covered -employee payroll	 1%	 5%	 4%	 2%

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

Browning Public Schools, Glacier County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021

	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.271287%	0.258536%	0.243312%	0.282273%	0.281500%	0.290941%	0.286976%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 7,157,128	\$ 5,404,208	\$ 5,078,264	\$ 5,497,626	\$ 4,794,923	\$ 4,066,981	\$ 3,575,758
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 2,460,450	\$ 1,918,484	\$ 1,864,541	\$ 253,627	\$ 224,094	\$ 191,107	\$ 167,155
Total	<u>\$ 9,617,578</u>	<u>\$ 7,322,692</u>	<u>\$ 6,942,805</u>	<u>\$ 5,751,253</u>	<u>\$ 5,019,017</u>	<u>\$ 4,258,088</u>	<u>\$ 3,742,913</u>
Employer's covered payroll	\$ 4,698,056	\$ 4,404,579	\$ 4,133,150	\$ 3,616,644	\$ 3,485,681	\$ 3,510,507	\$ 2,730,175
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	152.34%	122.70%	122.87%	152.01%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>TRS</u> <u>2021</u>	<u>TRS</u> <u>2020</u>	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Employer's proportion of the net pension liability	1.0191%	1.0042%	0.9832%	0.9515%	0.9161%	0.8712%	0.9068%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 22,924,817	\$ 19,363,338	\$ 18,248,928	\$ 16,042,426	\$ 16,735,998	\$ 14,313,175	\$ 13,953,893
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 13,556,361	\$ 11,723,395	\$ 11,337,623	\$ 10,183,190	\$ 10,905,771	\$ 9,588,336	\$ 9,559,086
Total	<u>\$ 36,481,178</u>	<u>\$ 31,086,733</u>	<u>\$ 29,586,551</u>	<u>\$ 26,225,616</u>	<u>\$ 27,641,769</u>	<u>\$ 23,901,511</u>	<u>\$ 23,512,979</u>
Employer's covered payroll	\$ 14,026,773	\$ 13,631,406	\$ 13,132,416	\$ 12,549,504	\$ 11,891,476	\$ 11,118,964	\$ 11,435,163
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	163.44%	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

Browning Public Schools, Glacier County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2021

	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Contractually required contributions	\$ 430,725	\$ 398,794	\$ 366,889	\$ 338,918	\$ 293,090	\$ 281,840	\$ 279,790
Contributions in relation to the contractually required contributions	\$ 430,725	\$ 398,794	\$ 366,889	\$ 338,918	\$ 293,090	\$ 283,092	\$ 281,366
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,067,353	\$ 4,698,056	\$ 4,404,579	\$ 4,133,150	\$ 3,616,644	\$ 3,485,681	\$ 3,510,507
Contributions as a percentage of covered payroll	8.50%	8.49%	8.33%	8.20%	8.10%	8.12%	8.02%
	<u>TRS</u> <u>2021</u>	<u>TRS</u> <u>2020</u>	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Contractually required contributions	\$ 1,349,837	\$ 1,283,476	\$ 127,618	\$ 1,184,864	\$ 1,113,323	\$ 1,070,508	\$ 983,124
Contributions in relation to the contractually required contributions	\$ 1,349,837	\$ 1,283,476	\$ 127,618	\$ 1,184,864	\$ 1,113,323	\$ 1,070,508	\$ 983,124
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 14,694,674	\$ 14,026,773	\$ 13,631,406	\$ 13,132,416	\$ 12,549,504	\$ 11,891,476	\$ 11,118,964
Contributions as a percentage of covered payroll	9.19%	9.15%	9.08%	9.02%	8.87%	9.00%	8.84%

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

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2021

Teachers' Retirement System of Montana (TRS)

Changes of Benefit Terms:

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

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

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

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

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

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

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2021

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

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

- Annual State contribution equal to 425 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 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2021

- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to “retain membership in the System” are covered by the \$500 death benefit after termination.

The following changes to the actuarial assumptions were adopted in 2014:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members was updated to the following:

For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	26 years
Asset valuation method	4-year smoothed market
Inflation	3.25%
Salary increase	4.00% – 8.51%, including inflation for Non-University members and 5.00% for University Members
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2021

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454
Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

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

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

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

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2021

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

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

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

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

Browning Public Schools, Glacier County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2021

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

SUPPLEMENTAL INFORMATION

**Browning Public School
Glacier County, Montana
Schedule of Enrollment/ANB Schedule
For the Fiscal Year Ended June 30, 2021**

Students Grade K – 8

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	185	185	0
Grades 1-6	917	917	0
Grades 7-8	301	301	0
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	169	168	1
Grades 1-6	843	851	(8)
Grades 7-8	276	275	1

Part Time Students:

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

Students Grades 9 – 12:

Full-Time Students:

Fall Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grades 9 - 12	611	611	0
19-year olds included	8	8	0
Job Corps	0	0	0
Youth challenge	0	0	0
Spring Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grades 9 - 12	570	570	0
19-year olds included	7	7	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	0	0	0

Part Time Students:

Fall Enrollment - HS District	Per MAEFAIRS Enrollment Reports				Per District Reports				Difference
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Grades 9 - 12	0	0	1	5	0	0	1	5	0
Spring Enrollment-HS District	Per MAEFAIRS Enrollment Reports				Per District Reports				Difference
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Grades 9 - 12	0	0	0	0	0	0	0	0	0

Browning Public Schools
 Glacier County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
 Fiscal Year Ended June 30, 2021

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Elementary - 4 Year Old	\$ 1,168	\$ 1,031	\$ 4	\$ -	\$ 2,195
Elementary - Activities Babb	3,873	1	328	-	3,546
Elementary - Activities Browning	1	295	66	-	230
Elementary - Activities First Grade	648	-	2	-	646
Elementary - Activities Kindergarten Bergan	1,615	1	4	-	1,612
Elementary - Napi American Indian Business Leader	1,456	-	4	1	1,453
Elementary - Napi Athletic Events	637	-	2	1	636
Elementary - Chess Club Napi	301	-	1	-	300
Elementary - Culture Club Browning Elementary (Formerly Drum	526	-	1	(1)	524
Elementary - Culture Club Napi	239	-	1	-	238
Elementary - KW/Vina Library	2,272	1	6	-	2,267
Elementary - Library Club Browning	5,063	1	7	(1)	5,056
Elementary - Napi Activities	601	-	2	-	599
Elementary - Santa Store	2,096	1	5	-	2,092
High School - Academic Challenge	6,235	1	159	1	6,078
High School - Activities Browning	5,303	1	12	1	5,293
High School - After Prom	742	-	2	-	740
High School - Aises Browning	2,975	1	7	(1)	2,968
High School - American Indian Business Leader	5,702	1	14	1	5,690
High School - Art Browning	1,813	-	4	-	1,809
High School - Athletic Events Browning	98,715	9,814	64,494	-	44,035
High School - Attendance Awards	2,167	1	5	-	2,163
High School - Beautification	10,018	2	24	-	9,996
High School - Blackfeet Academy Yearbook Club	525	-	1	(2)	522
High School - Blackft Academy Activities	989	-	2	-	987
High School - Booster Club	1	-	-	-	1
High School - Business Professionals of America	70	-	-	-	70
High School - B-You	977	-	2	-	975
High School - C/O 2013	1	-	-	(1)	-
High School - C/O 2017	1	-	-	(1)	-
High School - C/O 2019	(365)	-	-	-	(365)
High School - C/O 2020	17,026	4	41	-	16,989
High School - C/O 2021	8,414	2	270	-	8,146
High School - C/O 2022	900	548	5,262	-	(3,814)
High School - C/O 2023	489	375	1	-	863
High School - Cheerleading Club	640	2,020	2,134	-	526
High School - Chorus	1,690	-	4	-	1,686
High School - Close-Up Project	992	-	2	-	990
High School - College Club	285	-	1	-	284
High School - Concessions	69,280	12	14,604	-	54,688
High School - Drama Club Browning	4,857	1	12	1	4,847
High School - Drug Free Activities	7,011	2,704	2,784	-	6,931
High School - Eagle Claw Society	167	-	-	-	167
High School - ETAKASI Yearbook	9,132	2	22	-	9,112
High School - ETUMOE	1,099	-	3	1	1,097
High School - Explore America	46	-	-	-	46
High School - FCCLA	49	-	-	-	49
High School - FFA	227	16	-	-	243
High School - Football Club	3,837	1	9	-	3,829
High School - Health Occupation Student	491	-	1	-	490
High School - Human Rights	1,218	-	3	-	1,215
High School - International Club	4,290	1	10	-	4,281
High School - Jazz Band	1,551	-	4	-	1,547
High School - Jobs for Montana Graduates	576	-	1	-	575
High School - Library Clubing Browning	480	150	1	-	629

Browning Public Schools
 Glacier County, Montana
 EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS - continued
 Fiscal Year Ended June 30, 2021

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
High School - National Honor Society Browning	626	-	707	-	(81)
High School - Native Players	14	-	-	-	14
High School - New Year's Eve	4,370	1	11	-	4,360
High School - Outdoor Leadership	178	-	1	-	177
High School - Pep Club	(200)	-	-	-	(200)
High School - Rising Voices Club	3,954	-	6	1	3,949
High School - Random Acts of Kindness	3,562	1	9	-	3,554
High School - Rodeo Browning	11,353	-	3,003	-	8,350
High School - Shop	417	-	1	-	416
High School - Spanish Club	319	-	1	-	318
High School - Speech & Debate	3,359	1	8	-	3,352
High School - Spirit of the Buffalo Dance Troop	2,807	1	7	(1)	2,800
High School - Student Advisory Board Browning	409	-	1	-	408
High School - Toy Drive	6,673	13,856	20,118	(1)	410
High School - Weight Lifters	4,462	251	1,040	-	3,673
Middle School - Activities Browning	1,419	-	3	-	1,416
Middle School - Aises Science	719	-	2	1	718
Middle School - Art Browning	545	-	1	(1)	543
Middle School - Athletic Events Browning	(824)	-	-	-	(824)
Middle School - Avid	12,043	3	28	-	12,018
Middle School - Band	1,114	-	3	1	1,112
Middle School - Browning Culinary Club	53	-	-	-	53
Middle School - Browning Culture Club	126	-	-	-	126
Middle School - Browning Drama Club	70	-	-	-	70
Middle School - Industrial Arts Middle	636	-	1	-	635
Middle School - I-TA-MA-PI-(WA)	443	-	1	-	442
Middle School - JR Academy	9	-	-	-	9
Middle School - Leather Club	417	-	1	-	416
Middle School - National Honor Society Browning	(77)	-	-	-	(77)
Middle School - Odyssey of the Mind Browning	92	-	-	-	92
Middle School - Rodeo Browning	158	-	-	-	158
Middle School - Spirit	207	-	-	-	207
Middle School - Student Advisory Board Browning	1,166	-	2	-	1,164
Middle School - Student Needs	785	-	2	-	783
Middle School - Yearbook Club	575	-	1	-	574
Two is Better Than One	64	-	-	-	64
William Buffalo Hide Academy	2,444	1	6	-	2,439
High School - GSA/LBGTQ	-	133	-	-	133
Total	\$ 355,599	\$ 31,236	\$ 115,292	\$ -	\$ 271,543

**Browning Public Schools
Glacier County, Montana
Supplemental Information
Balance Sheets
General Funds
June 30, 2021**

	Elementary General	High School General	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,381,895	2,375,813	\$ 3,757,708
Taxes and assessments receivable, net	478,864	170,534	649,398
Total assets	\$ 1,860,759	\$ 2,546,347	\$ 4,407,106
LIABILITIES			
Warrants Payable	\$ -	1,434,301	\$ 1,434,301
Accrued payroll	28,081	22,091	50,172
Other payroll liabilities	-	254,314	254,314
Total liabilities	\$ 28,081	\$ 1,710,706	\$ 1,738,787
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - taxes receivable	\$ 478,864	170,534	\$ 649,398
Total deferred inflows of resources	\$ 478,864	\$ 170,534	\$ 649,398
FUND BALANCE			
Unassigned	\$ 1,353,814	665,104	\$ 2,018,918
Total fund balance	\$ 1,353,814	\$ 665,104	\$ 2,018,918
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1,860,759	\$ 2,546,344	\$ 4,407,103

Note: The General Fund above include the Flexibility Funds and the Payroll and Claims Clearing Funds.

Glacier County, Montana
Supplemental Information
Balance Sheets
Impact Aid Funds
June 30, 2021

	Elementary Impact Aid	High School Impact Aid	Total
ASSETS			
Current assets			
Cash and investments	\$ 21,154,893	9,323,540	\$ 30,478,433
Due from other funds	1,969,091		1,969,091
Total assets	\$ 23,123,984	\$ 9,323,540	\$ 32,447,524
Current liabilities:			
Accounts Payable	\$ 39,668	17,040	\$ 56,708
Accrued payroll	261,524	149,927	411,451
Total current liabilities	\$ 301,192	\$ 166,967	\$ 468,159
Total liabilities	\$ 301,192	\$ 166,967	\$ 468,159
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - cash from the County	\$ -	-	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -
FUND BALANCE			
Assigned	\$ 1,426,882	582,721	\$ 2,009,603
Unassigned	21,395,913	8,573,852	29,969,765
Total fund balance	\$ 22,822,795	\$ 9,156,573	\$ 31,979,368
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 23,123,987	\$ 9,323,540	\$ 32,447,527

Browning Public Schools
Glacier County, Montana
Supplemental Information
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Funds
For the Fiscal Year Ended June 30, 2021

	<u>Elementary General</u>	<u>High School General</u>	<u>Total</u>
REVENUES			
Local revenue	\$ 656,494	192,706	\$ 849,200
State revenue	9,644,091	4,773,325	14,417,416
Total revenues	<u>\$ 10,300,585</u>	<u>\$ 4,966,031</u>	<u>\$ 15,266,616</u>
EXPENDITURES			
Instructional - regular	\$ 8,000,378	2,585,045	\$ 10,585,423
Instructional - special education	513,063	436,334	949,397
Instructional - vocational education	50,533	177,243	227,776
Supporting services - operations & maintenance	54,164	1,836	56,000
Supporting services - general	765,958	779,621	1,545,579
Supporting services - educational media services	163,320	129,803	293,123
Administration - general		172,860	172,860
Administration - school	682,261	478,545	1,160,806
Administration - business	124,997	64,064	189,061
Extracurricular		114,250	114,250
Total expenditures	<u>\$ 10,354,674</u>	<u>\$ 4,939,601</u>	<u>\$ 15,294,275</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (54,089)</u>	<u>\$ 26,430</u>	<u>\$ (27,659)</u>
Net Change in Fund Balance	<u>\$ (54,089)</u>	<u>\$ 26,430</u>	<u>\$ (27,659)</u>
Fund balances - beginning	\$ 1,395,085	620,513	\$ 2,015,598
Restatements	12,817	18,162	30,979
Fund balances - beginning - restated	<u>\$ 1,407,902</u>	<u>\$ 638,675</u>	<u>\$ 2,046,577</u>
Fund balances - ending	<u>\$ 1,353,813</u>	<u>\$ 665,105</u>	<u>\$ 2,018,918</u>

Note: The General Funds include the activity in the Flexibility Funds as well.

Browning Public Schools
Glacier County, Montana
Supplemental Information
Statement of Revenues, Expenditures, and Changes in Fund Balances
Impact Aid Funds
For the Fiscal Year Ended June 30, 2021

	<u>Elementary Impact Aid</u>	<u>High School Impact Aid</u>	<u>Total</u>
REVENUES			
Local revenue	\$ 49,644	8,039	\$ 57,683
Federal revenue	12,576,766	2,329,878	14,906,644
Total revenues	<u>\$ 12,626,410</u>	<u>\$ 2,337,917</u>	<u>\$ 14,964,327</u>
EXPENDITURES			
Instructional - regular	\$ 632,836	260,758	\$ 893,594
Instructional - special education	673,268	53,077	726,345
Instructional - vocational education			-
Supporting services - operations & maintenance	1,887,653	683,314	2,570,967
Supporting services - general	413,597	83,256	496,853
Supporting services - educational media services	470,855	156,282	627,137
Administration - general	773,546	134,428	907,974
Administration - school	424,957	120,579	545,536
Administration - business	561,250	171,401	732,651
Student transportation	281,099	111,995	393,094
Extracurricular	129,298	607,242	736,540
School food	201,828	18,736	220,564
Community services	7,391	2,455	9,846
Miscellaneous			-
Capital outlay	7,307,199	4,354,390	11,661,589
Total expenditures	<u>\$ 13,764,777</u>	<u>\$ 6,757,913</u>	<u>\$ 20,522,690</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,138,367)</u>	<u>\$ (4,419,996)</u>	<u>\$ (5,558,363)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ 84,373	241,800	\$ 326,173
Total other financing sources (uses)	<u>\$ 84,373</u>	<u>\$ 241,800</u>	<u>\$ 326,173</u>
Net Change in Fund Balance	<u>\$ (1,222,740)</u>	<u>\$ (4,661,796)</u>	<u>\$ (5,884,536)</u>
Fund balances - beginning	\$ 23,931,016	13,642,438	\$ 37,573,454
Restatements	114,519	175,931	290,450
Fund balances - beginning - restated	<u>\$ 24,045,535</u>	<u>\$ 13,818,369</u>	<u>\$ 37,863,904</u>
Fund balances - ending	<u>\$ 22,822,795</u>	<u>\$ 9,156,573</u>	<u>\$ 31,979,368</u>

SINGLE AUDIT SECTION

Browning Public Schools, Glacier County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<i>Child Nutrition Cluster</i>			
<u>United States Department of Agriculture</u>			
<i>Passed through Montana Office of Public Instruction</i>			
National School Lunch Program	10.555	N/A	\$ 96,746
Summer Food Service Program for Children	10.559	N/A	1,766,255
Total United States Department of Agriculture			\$ 1,863,001
Total Child Nutrition Cluster			\$ 1,863,001
<i>Special Education Cluster (IDEA)</i>			
<u>Department of Education</u>			
<i>Passed through Montana Office of Public Instruction</i>			
Special Education Grants to States	84.027	018-0400-77-2021	\$ 535,739
Special Education Grants to States	84.027	018-0400-77-2020	22,537
Special Education Preschool Grants	84.173	018-0400-79-2020	602
Special Education Preschool Grants	84.173	018-0400-79-2021	17,711
Total Department of Education			\$ 576,589
Total Special Education Cluster (IDEA)			\$ 576,589
<i>Other Programs</i>			
<u>United States Department of Justice</u>			
<i>Direct</i>			
STOP School Violence	16.839	N/A	\$ 32,994
Total United States Department of Justice			\$ 32,994
<u>Department of Education</u>			
<i>Passed through Montana Office of Public Instruction</i>			
Title I Grants to Local Educational Agencies	84.010	018-0400-37-2020	\$ 15,000
Title I Grants to Local Educational Agencies	84.010	018-0400-31-2020	2,012
Title I Grants to Local Educational Agencies	84.010	018-0400-31-2021	3,554
Title I Grants to Local Educational Agencies	84.010	018-0401-37-2020	3,500
Title I Grants to Local Educational Agencies	84.010	018-0400-37-2021	53,040
Title I Grants to Local Educational Agencies	84.010	018-0401-37-2021	41,298
Title I Grants to Local Educational Agencies	84.010	018-0400-32-2021	1,621,566
Title I Grants to Local Educational Agencies	84.010	018-0400-32-2020	230,867
Career and Technical Education - Basic Grants to States	84.048	018-0401-81-2021	68,433
Career and Technical Education - Basic Grants to States	84.048	018-0401-81-2020	11,394
Education for Homeless Children and Youth	84.196	018-0400-57-2021	9,386
Twenty First Century Community Learning Centers	84.287	018-0401-17-2021	121,139
Twenty First Century Community Learning Centers	84.287	018-0401-17-2020	2,242
Comprehensive Literacy Development	84.371	018-0400-35-2020	90,352
Comprehensive Literacy Development	84.371	018-0400-39-2021	261,891
Education Stabilization Fund	84.425	N/A	18,500
Education Stabilization Fund	84.425	018-0400-91-2020	1,297,192

Browning Public Schools, Glacier County, Montana
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2021

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<i>Direct</i>			
Impact Aid	84.041	N/A	16,174,677
Indian Education Grants to Local Educational Agencies	84.060	N/A	360,791
Indian Education National Activities (State Tribal Education Partnership (STEP) and Native American Language (NAL))	84.415	N/A	17,147
<i>Passed through Montana Commissioner of Higher Education</i>			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S170020-20	138,374
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S17002020-20	94,260
Total Department of Education			\$ 20,636,615
<u>Department of Health and Human Services</u>			
<i>Direct</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	\$ 255,914
Total Department of Health and Human Services			\$ 255,914
<u>Department of Housing and Urban Development</u>			
<i>Direct</i>			
Youth Homeless Demonstration Programs	14.276	N/A	\$ 33,992
Total Department of Housing and Urban Development			\$ 33,992
<u>Department of the Treasury</u>			
<i>Montana Office of the Governor</i>			
Coronavirus Relief Fund	21.019	N/A	\$ 247,370
Coronavirus Relief Fund	21.019	N/A	66,508
Coronavirus Relief Fund	21.019	N/A	694,753
Coronavirus Relief Fund	21.019	N/A	1,000,000
<i>Blackfeet Tribe</i>			
Coronavirus Relief Fund	21.019	N/A	800
Total Department of the Treasury			\$ 2,009,431
<u>United States Department of Agriculture</u>			
<i>Montana Office of Public Instruction</i>			
Fresh Fruit and Vegetable Program	10.582	N/A	\$ 11,159
Total United States Department of Agriculture			\$ 11,159
Total Other Programs			\$ 22,980,105
Total Federal Financial Assistance			\$ 25,419,695

The accompanying notes are an integral part of this schedule

BROWNING PUBLIC SCHOOLS

GLACIER COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2021

Basis of Presentation and Significant Accounting Policies

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Value of Federal Awards Expended in the form of Noncash Assistance

- *Food Commodities value equals the fair value at the time of the receipt, \$96,746.*

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

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

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

To the Board of Trustees
Browning Public Schools
Glacier County
Browning, 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, business-type activities, each major fund, and the aggregate remaining fund information of Browning Public Schools, Glacier County, Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Browning Public School’s basic financial statements and have issued our report thereon dated April 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Browning Public Schools, Glacier County, Montana’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 Browning Public Schools, Glacier County, Montana’s internal control. Accordingly, we do not express an opinion on the effectiveness of Browning Public School’s internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as identified as items 2021-001, 2021-002, and 2021-003.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as identified as item 2021-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Browning Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-005.

Browning Public School's Response to Findings

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

Purpose of this Report

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

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

April 21, 2022

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

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

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

To the Board of Trustees
Browning Public Schools
Glacier County
Browning, Montana

Report on Compliance for Each Major Federal Program

We have audited Browning Public Schools, Glacier County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Browning Public School'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 Browning Public Schools, Glacier County, Montana'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 the audit requirement of Title 2 U.S., *Code of Federal Regulations (CFR) 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, Browning Public Schools, Glacier County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Browning Public Schools, Glacier County, Montana 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, 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 our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-006 that we consider to be material weaknesses.

Browning Public Schools, Glacier County, Montana's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Browning Public Schools, Glacier County, Montana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

April 21, 2022

BROWNING PUBLIC SCHOOLS

GLACIER COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid
21.019	Coronavirus Relief Fund
84.425	Elementary and Secondary School Emergency Relief (ESSER) Fund
84.027 & 84.173	IDEA Cluster

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2021-001 Cash Balancing (Repeat Finding 2020-005)

Condition:

Cash was not being reconciled on a monthly basis.

Context:

As part of audit procedures, we test cash reconciliations and noted that reconciliations were not being performed on a monthly basis.

Criteria:

An adequate system of internal control would ensure a bank reconciliation, taking into accounts all transactions and investigating all errors, should be completed on a monthly basis to ensure that the accounting records accurately reflect the cash balance of the District.

Effect:

There is a lack of internal controls over cash balancing which could lead to misappropriation of assets.

Cause:

Cash was not being reconciled on a monthly basis.

Recommendation:

We recommend that cash is reconciled on a monthly basis and all discrepancies be immediately investigated and corrected.

2021-002 Miscellaneous Programs Funds

Condition:

We noted the following in the Miscellaneous Programs Funds:

- Due from other governments was materially understated
- There were monies received in excess of the expenditures and thus owed back to the State
- Requests for reimbursements were not being done timely

Context:

We tested the revenues for fiscal year 2021 in the Miscellaneous Programs Funds to determine if they were fairly stated and if requests for reimbursements were being made timely.

Criteria:

A proper system of internal control would ensure that

- Due from other governments are recognized to match revenues to the period in which the expenditures occurred,
- Revenues are not requested until the expenditures have been incurred or excess revenues received in advance are spent by the deadline or returned to the State
- Requests for reimbursements are made timely

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

We found that:

- There was \$265,893 in unrecorded due from other governments in the Elementary Miscellaneous Programs Fund. This was corrected for financial reporting purposes
- There was \$65,334 that was due back to the State in the Elementary Miscellaneous Programs. We also found \$81,010 in the High School Miscellaneous Programs Fund that was owed back to the State. This was corrected for financial reporting purposes.
- We found that the District was not completing many requests for reimbursement until 4-6 months after the end of the year or even later.

Cause:

Grants are not being managed appropriately or effectively which led to the errors noted above and untimely requests for reimbursement.

Recommendation:

We recommend that

- All due from other governments be recorded at year end
- Grant monies received and not expended by the end of period of performance should be returned to the State
- Request for reimbursements should be made timely.

2021-003 Food Service Inventory (Repeat Finding 2020-001, 2019-001, 2018-002, 2017-003, 2016-003, 2015-006, 2014-006)

Condition:

The District does not have a system in place to track inventory that is maintained in the food service warehouse and is not performing physical counts of inventory.

Context:

The auditor met with the District Clerk to update the controls over food service inventory. It was noted that the District still does not maintain a system for tracking the inventory coming in and going out of the warehouse nor have physical counts been completed.

Criteria:

An adequate system of internal controls should include a system that tracks the delivery of inventory from vendors, orders to school buildings, and ending inventory to be used in inventory counts performed in warehouse.

Effect:

There is a lack of internal controls over school food inventory increasing the risk the misappropriation of assets.

Cause:

The District does not maintain an inventory tracking system, and operates on paper system documenting the individual activities of the food service warehouse and due to staffing issues was unable to perform physical inventory counts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

We recommend that the District use a perpetual inventory system to track all purchases and usages of inventory at the food service warehouse giving the District an inventory listing to compare to when performing physical inventory counts and that physical inventory counts be completed routinely.

2021-004 Student Activity Deposits (Repeat Finding 2020-006, 2019-004, 2018-005)

Condition:

The District has the following control weaknesses related to its deposits of student activity funds:

- (1) Receipts are not deposited at the bank timely
- (2) There is no procedure to monitor and research unapplied receipts

Context:

The auditor completed a walkthrough of the internal controls procedures using inquiry and observation, then completed detailed testing of system to include timeliness of deposits and unapplied receipts.

Criteria:

- (1) An adequate system of internal controls would ensure deposits are made on a weekly basis to ensure that monies are not kept for long periods at the District office.
- (2) An adequate system of internal controls would ensure that receipts entered into the system are properly applied to deposit and any receipts unapplied are monitored and resolved timely.

Effect:

- (1) The student activity controls are weakened increasing the risk of misappropriation of assets or error.
- (2) The cash balance of the student activity funds, reported in the High School Miscellaneous Programs Fund is overstated \$35,564.

Cause:

- (1) The District does not have a policy in place to ensure that deposits are made on a weekly basis.
- (2) The District did not properly apply receipts to deposits resulting in unapplied receipts that were not being monitored and researched to determine issues.

Recommendation:

- (1) We recommend the District implement a procedures requiring that all receipts from student activities are deposited at the bank on a weekly basis.
- (2) We recommend that the District implement policies and procedures to review the unapplied receipts on a monthly basis when completing the reconciliation of account. In addition, for the unapplied receipts in system at end of fiscal year 2020 be canceled as they are duplicates.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2021-005 Enrollment

Condition:

The underlying attendance records did not agree to the enrollment counts (Maefairs) reported to the Montana Office of Public Instruction in the spring count during fiscal year 2021. In addition, the District included a student in Grade 8 who was absent more than 10 consecutive days prior to the count date.

Context:

We compared the attendance register from the District's Infinite Campus system to the enrollment counts reported to OPI.

Criteria:

Adequate internal controls should be in place to accurately report enrollment counts and ensure the underlying attendance records agree to the reported counts and that students who have been consecutively absent for 10 or more days should not be counted.

Effect:

For the spring count, Kindergarten was overstated by 1, Grade 1 was understated by 7, Grade 3 was understated by 1 and Grade 8 was overstated by 1.

Cause:

The District does not have adequate controls in place to ensure the proper counts are reported accurately based on the underlying attendance records.

Recommendation:

We recommend the District implement controls to ensure the enrollment counts are accurate and the underlying attendance records agree to the amount reported.

Section III – Federal Award Findings and Questioned Costs

2021-006 Period of Performance and Questioned Costs – Coronavirus Relief Fund

CFDA Title: Coronavirus Relief Fund

CFDA Number: 21.019

Federal Award Number: 2020

Federal Agency: U.S. Department of Treasury

Pass-through Entity: Montana Office of the Governor

Condition:

The District had expenditures from January 2021 through June 2021 which were reported as part of the Coronavirus Relief Fund expenditures.

Criteria:

The Coronavirus Relief Fund period of performance ended December 31, 2020. According to the Uniform Guidance, any questioned costs exceeding \$25,000 should be reported in a finding.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Context:

We reviewed the expenditures coded to the project assigned for Coronavirus Relief Funds and noted dates outside the period of performance.

Effect:

The District has expenditures totaling \$71,500 which were outside the period of performance and therefore are questioned costs. These were identified by the date posted to the accounting system.

Cause:

Error in coding payroll for several staff members.

Recommendation:

The District should implement internal control procedures to ensure the period of performance is adhered to for all grants.

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

To the Board of Trustees
Browning Public Schools
Glacier County
Browning, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2020-001 Food Services Inventory	Repeated
2020-002 Enrollment	Repeated
2020-003 Daycare Grant	Implemented
2020-004 Daycare Compensated Absences	Implemented
2020-005 Cash Balancing	Repeated
2020-006 Student Activity Deposits	Repeated
2020-007 Pledged Securities	Implemented
2020-008 Budget Overdraft	Implemented

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

April 21, 2022

Browning Public Schools

Department of Finance
129 First Avenue S.E.
P.O. Box 610
Browning, MT 59417-0610
Phone (406) 338-2715 Fax (406) 338-2708 =



Contact Person:
Crystal Tailfeathers

Expected Completion Date of Corrective Action Plan: Thursday, April 28, 2022

CORRECTIVE ACTION PLAN

FINDING 2021-001: Cash Balancing

Response: Currently we have a consultant who is assisting Crystal Tailfeathers with cash balancing. Cash balancing will occur monthly and will be presented to the board of trustees for approval each month.

FINDING 2021-002: Miscellaneous Programs Fund

Response: Teri DeRoche is the Assistant Finance Director; she will be completing the cash requests monthly. Cash Requests will be supported with documentation from Black Mountain Software to ensure the correct amount is requested.

FINDING 2021-003: Food Service Inventory

Response: Lynne Keenan who is the Food Service Director is in the process of purchasing inventory software from Titan. Currently, Lynne does a manual inventory with a paper back up, which is not entered into a computerized system. Once the inventory software is purchased, inventory will be conducted at least once a month.

FINDING 2021-004: Student Activity Deposits

Response: Sasheen Campbell is the accounts payable clerk and responsible for depositing the student activity deposits. Sasheen deposits on a weekly basis and if necessary, will deposit daily.

FINDING 2021-005: Enrollment

Response: Jocko Parrent, is responsible for monitoring student enrollment counts. He will file the Infinite Campus Student Enrollment Summary Report that match the final MAEFAIRS ANB report and keep it on file. The final matching report will be given to the auditor at the auditor's request.

FINDING 2021-006: Period of Performance and Questioned Costs - Coronavirus Relief Fund

Response: Crystal Tailfeathers and Teri DeRoche will ensure the project control box is checked in Black Mountain Software. This will ensure all funds encumbered will be within the specified timeline according to each grant. Teri DeRoche will be monitoring each grant closely and will address any issues/concerns as they arise.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2020-001: Food Service Inventory

Response: See Response to Finding 2021-003

We are in the process of correcting this repeat finding. Inventory software will be purchased, and a count of inventory will be done at least once a month.

FINDING 2020-002: Enrollment

Response: See Response to Finding 2021-005

We are in the process of correcting this repeat finding by maintaining better control of our records and filing all supporting documentation with the appropriate MAEFAIR ANB report.

FINDING 2020-003: Daycare Grant

Response: Implemented

FINDING 2020-004: Daycare Compensated Absences

Response: Implemented

FINDING 2020-005: Cash Balancing

Response: See Response to Finding 2021-001

We are in the process of correcting this repeat finding; a consultant has been hired to assist Crystal Tailfeathers with monthly cash balancing. The board of trustees hired several consultants in the past to assist with this and each consultant did not assist due to personal reasons.

FINDING 2020-006: Student Activity Deposits

Response: See Response to Finding 2021-004

We are in the process of correcting this repeat finding by ensuring weekly deposits are made. The student account deposits are made at the local Native American Bank "NAB." NAB had limited services to the public due to COVID 19 and just recently opened the lobby for in person deposits. The closure of the bank affected our weekly deposits.

FINDING 2020-007: Pledged Securities

Response: Implemented

FINDING 2020-008: Budget Overdraft

Response: Implemented