Ekalaka Public Schools

Independent Auditor's Report and
Financial Statements

Year Ended June 30, 2023

WIPFLI

Ekalaka Public Schools

Year Ended June 30, 2023

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Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Ekalaka Public Schools (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-type Activities	Unmodified
Combined General Fund	Unmodified
High School Bus Depreciation Fund	Unmodified
Elementary Miscellaneous Fund	Unmodified
Elementary Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the governmental activities financial statements referred to above present fairly, in all material respects, the financial position of Ekalaka Public Schools as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-type Activities, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Ekalaka Public Schools as of June 30, 2023, and respective changes in financial position and where applicable, cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

Matter Giving Rise to Qualified Opinion on Governmental Activities

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ekalaka Public Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our basis for qualified and unmodified audit opinions.

As discussed in Note 6 to the financial statements, management of the District has not implemented the requirements of GASB Statement No. 75 and has not determined the District's annual other postemployment benefit (OPEB) cost and net OPEB obligation. Accounting principles generally accepted in the United States of America require that such costs and obligations, which would increase the liabilities and change the expenditures in the statement of net position and the statement of activities, respectively, be recorded. The amount by which this departure would affect the liabilities and expenditures of the District's government-wide financial statements is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ekalaka Public Schools ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ekalaka Public Schools internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ekalaka Public Schools ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information, schedules of proportionate share of the net pension liability, and schedules of contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Ekalaka Public Schools has omitted a a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary 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 accompanying combining balance sheet - general fund, combining schedule of revenues, expenditures, and changes in fund balances - general fund, extracurricular activities schedule - schedule of cash receipts, disbursements and changes in fund balance and schedule of reported enrollment, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ekalaka Public Schools internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Billings, Montana
October 30, 2024

Ekalaka Public Schools

Statement of Net Position

June 30, 2023	Primary Government Governmental Activities	Business-type Activities	Total
Assets:			
Cash and equivalents	$ 1,255,617	$ 18,210	$ 1,273,827
Taxes receivable	1,491	-	1,491
Due from other governments	750	-	750
Inventories	13,220	-	13,220
Capital assets:			
Land	81,828	-	81,828
Construction in progress	10,000	-	10,000
Depreciable assets, net	7,462,291	-	7,462,291
Right of use asset subscriptions, net	21,135	-	21,135
Total capital assets	7,575,254	-	7,575,254
Total assets	8,846,332	18,210	8,864,542
Deferred outflows of resources:			
Pension contributions and related differences and changes	415,833	-	415,833
Total deferred outflows of resources	415,833	-	415,833
Liabilities:			
Long-term liabilities:			
Due within one year:			
Bond payable	620,000	-	620,000
Due in more than one year:			
Compensated Absences	66,351	-	66,351
Net pension liability	1,730,967	-	1,730,967
Total liabilities	2,417,318	-	2,417,318
Deferred inflows of resources:			
Pension related differences and changes	151,249	-	151,249
Total deferred inflows of resources	151,249	-	151,249
Net position:			
Net investment in capital assets	6,955,254	-	6,955,254
Restricted for:			
Compensated absences	6,379	-	6,379
Other fund activities	886,194	-	886,194
Debt service	9,500	-	9,500
Capital projects	180,905	-	180,905
Unassigned	(1,344,634)	18,210	(1,326,424)
Total net position	$ 6,693,598	$ 18,210	$ 6,711,808

See accompanying notes to financial statements.

Ekalaka Public Schools
Statement of Activities

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
For the Year Ended June 30, 2023	**Expenses**	**Charges for Services**	**Operating Grants**	**Net (Expense) Revenue**	**Business-type Activities**	**Total**
Primary Government:						
Instruction:						
Regular programs	$ 1,428,217	$ -	$ 535,771	$ (892,446)	$ -	$ (892,446)
Special programs	65,569	-	24,860	(40,709)	-	(40,709)
Vocational programs	148,456	-	-	(148,456)	-	(148,456)
Traffic education	2,738	2,100	2,461	1,823	-	1,823
Support services	772,869	-	-	(772,869)	-	(772,869)
Operations and maintenance	487,897	-	-	(487,897)	-	(487,897)
Student transportation	293,651	-	81,855	(211,796)	-	(211,796)
Food service	190,820	23,069	98,212	(69,539)	-	(69,539)
Extracurricular	267,928	193,469	-	(74,459)	-	(74,459)
Interest on long-term debt	31,400	-	-	(31,400)	-	(31,400)
Unallocated depreciation	123,277	-	-	(123,277)	-	(123,277)
Total governmental activities	3,812,822	218,638	743,159	(2,851,025)	-	(2,851,025)
Business-type activities:						
Daycare	6,661	-	24,776	-	18,115	18,115
Total business-type activities	6,661	-	24,776	-	18,115	18,115
General revenues:						
Property taxes, levied for general purposes				2,149,061	-	2,149,061
County retirement distribution				203,063	-	203,063
State aid				848,845	-	848,845
Interest				31,998	-	31,998
Miscellaneous				24,168	95	24,263
Compensation for loss of assets				10,969	-	10,969
Total general revenues				3,268,104	95	3,268,199
Change in net position				417,079	18,210	435,289
Net position, beginning of year				6,249,402	-	6,249,402
Prior period adjustment				27,117	-	27,117
Net position, beginning of year, restated				6,276,519	-	6,276,519
Net position, end of year				$ 6,693,598	$ 18,210	$ 6,711,808

See accompanying notes to financial statements.

Ekalaka Public Schools

Balance Sheet - Governmental Funds

June 30, 2023	Combined General Fund	High School Bus Depreciation Fund	Elementary Debt Service Fund	Elementary Miscellaneous Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 174,312	$ 324,820	$ 8,945	$ 24,051	$ 723,489	$ 1,255,617
Taxes receivable	568	26	555	-	342	1,491
Due from other governments	-	-	-	-	750	750
Inventories	13,220	-	-	-	-	13,220
Total assets	$ 188,100	$ 324,846	$ 9,500	$ 24,051	$ 724,581	$ 1,271,078
Liabilities, deferred inflows of resources and fund balances:						
Deferred inflows of resources:						
Unavailable tax revenue	$ 568	$ 26	$ 555	$ -	$ 342	$ 1,491
Total deferred inflows of resources	568	26	555	-	342	1,491
Fund balances:						
Nonspendable:						
Inventories	13,220	-	-	-	-	13,220
Restricted for:						
Compensated absences	-	-	-	-	6,379	6,379
Other fund activities	-	324,820	-	24,051	537,042	885,913
Debt service	-	-	8,945	-	-	8,945
Capital projects	-	-	-	-	180,818	180,818
Unassigned	174,312	-	-	-	-	174,312
Total fund balances	187,532	324,820	8,945	24,051	724,239	1,269,587
Total liabilities, deferred inflows of resources and fund balances	$ 188,100	$ 324,846	$ 9,500	$ 24,051	$ 724,581	$ 1,271,078

See accompanying notes to financial statements.

Ekalaka Public Schools

Reconciliation of the Balance Sheet - Governmental Funds to the Government-Wide Statement of Net Position

June 30, 2023

Total fund balances, governmental funds	$ 1,269,587
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.	7,575,254
Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.	1,491
Deferred outflow and inflow of resources are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.	
Deferred outflows (pension contributions and related differences and changes)	415,833
Deferred inflows (pension related differences and changes)	(151,249)
Some liabilities such as compensated absences, bonds payable and net pension liability, are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	
Compensated absences	(66,351)
Bonds payable	(620,000)
Net pension liability	(1,730,967)
Net position of governmental activities in the statement of net position	$ 6,693,598

Ekalaka Public Schools

Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds

For the Year Ended June 30, 2023	Combined General Fund	High School Bus Depreciation Fund	Elementary Debt Service Fund	Elementary Miscellaneous Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes for general purposes	$ 876,271	$ 64,383	$ 632,390	$ -	$ 576,689	$ 2,149,733
Tuition	-	-	-	-	2,100	2,100
Intergovernmental:						
County sources	-	-	-	-	247,825	247,825
State sources	778,118	1,537	-	-	58,927	838,582
Federal sources	-	-	-	492,015	141,774	633,789
Interest on investments	4,910	8,746	8,233	-	10,109	31,998
Food services (Charges for Services)	-	-	-	-	23,069	23,069
Extracurricular	-	-	-	-	193,469	193,469
Miscellaneous	899	-	-	2,019	21,250	24,168
Total revenues	1,660,198	74,666	640,623	494,034	1,275,212	4,144,733
Expenditures:						
Current:						
Instruction	833,150	-	-	214,565	263,888	1,311,603
Support services	352,298	-	-	215,831	148,688	716,817
Operations and maintenance	254,269	-	-	48,625	163,883	466,777
Student transportation	18,223	-	-	-	203,296	221,519
Food services	51,624	-	-	-	84,999	136,623
Extracurricular	70,111	-	-	3,500	194,317	267,928
Capital outlay	-	-	-	11,400	16,140	27,540
Debt service	-	-	636,400	-	-	636,400
Total expenditures	1,579,675	-	636,400	493,921	1,075,211	3,785,207
Excess of revenues over expenditures	80,523	74,666	4,223	113	200,001	359,526
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	10,969	10,969
Transfers in	-	-	-	-	212,224	212,224
Transfers out	(120,000)	(40,000)	-	-	(52,224)	(212,224)
Total other financing sources and uses	(120,000)	(40,000)	-	-	170,969	10,969
Net change in fund balances	(39,477)	34,666	4,223	113	370,970	370,495
Fund balances, beginning of year	227,009	290,154	4,722	23,938	353,269	899,092
Fund balances, end of year	$ 187,532	$ 324,820	$ 8,945	$ 24,051	$ 724,239	$ 1,269,587

See accompanying notes to financial statements.

Ekalaka Public Schools

Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds to Government-Wide Statement of Activities

For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds:	$	370,495
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation and amortization expense for the period.		(492,211)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		(672)
Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:		
Compensated absences expense		3,652
Pension expense, net of state on-behalf revenue		(96,725)
Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in statement of activities:		
Capital outlays		27,540
Principal payments on debt		605,000
Change in net position of governmental activities	$	417,079

Ekalaka Public Schools

Statement of Net Position - Proprietary Funds

June 30, 2023	Business Type Activities Daycare Fund
Assets:	
Cash	$ 18,210
Total current assets	18,210
Net position:	
Unassigned	18,210
Total net position	$ 18,210

See accompanying notes to financial statements.

Ekalaka Public Schools

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

For the Year Ended June 30, 2023		Business Type Activities Daycare Fund
Operating revenues:		
Local sources	$	24,776
Miscellaneous		95
Total operating revenues		24,871
Operating expenses:		
Contractual services		3,229
Supplies and materials		3,432
Total operating expenses		6,661
Operating income		18,210
Net position, beginning of year		-
Net position, end of year	$	18,210

Ekalaka Public Schools

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2023	Business Type Activities Daycare Fund
Cash flows from operating activities:	
Cash received from providing services	$ 24,871
Cash paid for:	
Payment of claims	(3,229)
Payment to suppliers	(3,432)
Net cash from operating activities	18,210
Net change in cash	18,210
Cash, beginning of year	-
Cash, end of year	$ 18,210

Reconciliation of operating income to net cash from operating activities

Operating income	$ 18,210
Adjustments to reconcile operating loss to net cash from operating activities	
Net cash from operating activities	$ 18,210

Ekalaka Public Schools

Statement of Fiduciary Net Position and Changes in Fiduciary Net Position

June 30, 2023		Custodial
Assets:		
Cash and cash equivalents	$	2,637
Total assets		2,637
Liabilities:		
Accounts payable		2,637
Total liabilities		2,637
Net position:		
Total net position		-
Liabilities and net position	$	2,637
For the Fiscal Year Ended June 30 2023		
Change in Fiduciary Net Positions		
Additions:		
Other sources	$	29,686
Total additions		29,686
Deductions:		
Expenses		29,686
Total deductions		29,686
Net position, beginning of year		-
Net position, end of year	$	-

Note 1: Reporting Entity

Ekalaka Public Schools (the "District") was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, high school and elementary districts. Accounting records of both districts must be maintained separately per State Law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees elected by the citizens and by a central administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 39. This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Carter County provides services to the District; tax billings and cash collections all flow through the office of the County Treasurer. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Carter County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

Note 2: Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

Note 2: Summary of Significant Accounting Policies (Continued)

Adoption of GASB Pronouncements

During the fiscal year ended June 30, 2023, the District implemented the following GASB Pronouncements:

GASB Statement No. 96, Subscription Based Information Technology Arrangements: As of July 1, 2022, the District implemented GASB Statement No. 96. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The District adopted this guidance retroactively for the year beginning July 1, 2022. The adoption of this guidance required an adjustment to beginning net position for the year ended June 30, 2023 and, accordingly, beginning net position was restated by $27,117.

The following GASB pronouncements have been issued, but effective in the future:

GASB Statement No. 100 – Accounting for Changes and Error Corrections: Issued to enhance accounting and financial reporting requirements for accounting changes and error correction to provide more understandable, reliable, relevant, consistent, and comparable information. Effective for the fiscal year ending June 30, 2024.

GASB Statement No. 101 – Compensated Absences: Issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Effective for the fiscal year ending June 30, 2024.

GASB Statement No. 102 – Certain Risk Disclosures: Issued to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Effective for the fiscal year ending June 30, 2025.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities show information about the overall financial position and activities of the District with the exception of the cafeteria/flex funds. The cafeteria/flex fund, which accounts for the receipt and disbursement of funds designated by District employees to be used for cafeteria/flex plan benefits, is reported as a custodial fund in the statement of fiduciary net position and changes in fiduciary net position.

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate ‘fund types'.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

The District reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund. The District maintains the general fund to account for most of the instructional and administrative aspects of the District’s operations and to account for repair and maintenance of District property.

Elementary Flex Fund - Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. It is funded by a state grant and voted levy.

High School Flex Fund - Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. It is funded by a state grant and voted levy.

The general fund has been blended with the elementary and high school flex funds on the governmental fund financial statements for financial reporting purposes under GASB Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions.

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

High School Bus Depreciation Fund - Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. The fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes. However, the Bus Depreciation Fund may not be used to purchase additional athletics/activities buses. Districts wishing to purchase these buses can do so from their General Fund, Extracurricular Fund, or Impact Aid Fund, if applicable.

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 that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

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

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

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

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable tax revenue as deferred inflows of resources and advances from grantors as liabilities on its government-wide statement of net position and on its balance sheet-governmental funds. Unavailable tax revenues and advances from grantors arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Advances from grantors also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the liability for advances from grantors and the deferred inflow of resources for unavailable tax revenues are removed from the balance sheet and revenue is recognized.

Cash and Investments

Cash resources of the District for all funds other than the extracurricular fund, are combined with cash resources of other districts within Carter County to form a pool of cash that is managed by the Carter County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements and are carried at cost which approximates fair value. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received is distributed to the appropriate fund utilizing a formula based on the respective fund’s previous month’s ending balance of cash and cash equivalents.

The District issues warrants in payment of its obligations. When the warrants are presented the County Treasurer, the District's cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll and claims clearing funds are netted for reporting purposes.

The cash and warrants payable in the payroll and claims clearing account are as follows:

	Payroll Clearing	Claims Clearing
Cash	$ 101,834	-
Warrants payable	$ 101,834	-

Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Investments (Continued)

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

Extracurricular fund cash of $66,370 at June 30, 2023, is held at the bank of Summit National Bank. The accounts are insured by the FDIC up to $250,000.

Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets, which include land, building, buildings improvements, vehicles, equipment, right of use asset subscriptions, and construction in progress are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of more than $5,000 and an estimated life in excess of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

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

Description	Estimated Life
Land improvements	20 years
Buildings and building improvements	15-50 years
Machinery and equipment	7-25 years
Right of use assets subscription	2-5 years

Note 2: Summary of Significant Accounting Policies (Continued)

Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absences liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the State of Montana's Teachers Retirement System and the State of Montana's Public Employee Retirement System and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents an expenditure of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until that time. The District has only one item, which arises only under accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, pension contributions and related differences and changes, is reported in the government-wide statement of net position. This amount is deferred and recognized as an outflow of resources in the period that the Plans recognize the contributions and related differences and changes.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second relates to the differences and changes related to investment returns and assumptions in the Teachers Retirement System of Montana and the Montana Public Employee Retirement System is reported in the government-wide statement of net position. The amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 2: Summary of Significant Accounting Policies (Continued)

Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

Nonspendable: Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

Restricted: Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

Committed: Amounts that can be used only for specific purposes determined by a formal action of the School District's Board of Trustees (the District's highest level of decision making authority).

Assigned: Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

Unassigned: This fund balance is the residual classification for the government's general fund. It is also used to report negative fund balances in other governmental funds.

It is the District's policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either assigned fund balance or committed fund balance. At June 30, 2023, there were no encumbrances.

Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes are collected by Carter County who remits to the District their respective share of the collections. The 2022 property tax levy, which was perfected and became a receivable in October 2022, was levied to finance District operations during the year ended June 30, 2023. The tax levy was collectible in November 2022 and May 2023. As of May 31, 2023, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Carter County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Carter County.

All property taxes are recognized in compliance with GASB interpretation "Property Tax Revenue Recognition in Government Funds," which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Subsequent Events

Management has evaluated the activities and transactions subsequent to June 30, 2023, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2023. Management has performed this evaluation throughOctober 30, 2024, the date the financial statements were available to be issued, and determined that no subsequent events requiring adjustment or disclosure have occurred.

Note 3: Capital Assets

The governmental activities capital asset activity for the year ended June 30, 2023, is as follows:

Governmental activities	Balance 7/1/2022	Increases	Decreases	Balance 06/30/23
Capital assets, not being depreciated:				
Land	$ 81,828	$ -	$ -	$ 81,828
Construction in progress	-	10,000	-	10,000
Total capital assets, not being depreciated	81,828	10,000	-	91,828
Capital assets, being depreciated:				
Land improvements	197,013	-	-	197,013
Buildings and improvements	9,774,459	11,400	-	9,785,859
Machinery and equipment	1,096,147	6,140	-	1,102,287
Total capital assets, being depreciated	11,067,619	17,540	-	11,085,159
Accumulated depreciation:				
Land improvements	(59,412)	(9,851)	-	(69,263)
Buildings and improvements	(2,381,373)	(379,905)	-	(2,761,278)
Furniture and equipment	(695,854)	(96,473)	-	(792,327)
Total accumulated depreciation	(3,136,639)	(486,229)	-	(3,622,868)
Total capital assets, being depreciated, net	7,930,980	(468,689)	-	7,462,291
Subscription-Based Information Technology Arrangement Assets:				
Subscription-Based Information Technology Arrangement Assets	27,117	-	-	27,117
Accumulated amortization:				
Subscription-Based Information Technology Arrangement Assets	-	(5,982)	-	(5,982)
Total subscription-based information technology arrangement assets being amortized, net	27,117	(5,982)	-	21,135
Governmental activities capital assets, net	$ 8,039,925	$ (464,671)	$ -	$ 7,575,254

Note 3: Capital Assets (Continued)

Depreciation and amortization was charged to governmental functions as follows:

Governmental activities		
Instruction	$	221,485
Operations & Maintenance		21,120
Student Transportation		72,132
Food Service		54,197
Unallocated		123,277
Total	$	492,211

Note 4: Long-Term Debt

The following is a summary of changes in current and long-term debt obligations for the year ended June 30, 2023:

	7/1/2022	Additions	Reductions	06/30/23	Due Within One Year	Due in More Than One Year
Compensated absences payable	$ 70,003	$ -	$ (3,652)	$ 66,351	$ -	$ 66,351
Bonds payable	1,225,000	-	(605,000)	620,000	620,000	-
Net pension liability	1,284,642	446,325	-	1,730,967	-	1,730,967
Totals	$ 2,579,645	$ 446,325	$ (608,652)	$ 2,417,318	$ 620,000	$ 1,797,318

The current portion of compensated absences has not been separately stated due to the indeterminable nature of the liability. The compensated absences liability will be liquidated by several of the governmental funds.

The elementary district issued a general obligation school building bond, series 2014, September 26, 2014 for the purpose of building a new elementary school. The amount of the bond issued was $5,600,000.

The first principal payment was due July 1, 2015, and annually thereafter, with the final payment due July 1, 2024. The principal payments range from $500,000 to $620,000. Interest is due semi-annually starting January 1, 2015. Interest rate on the bonds range from 2.000% to 2.625%. Starting July 1, 2019, the bonds may be called paying par value plus accrued interest.

Future bond obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 620,000	$ 16,275	$ 636,275
Totals	$ 620,000	$ 16,275	$ 636,275

Note 5: Employee Benefit Pension Plans

Teachers' Retirement System of Montana

a. 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.

b. Plan Description

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

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

c. Summary of Benefits

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

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)

Note 5: Employee Benefit Pension Plans (Continued)

Teachers' Retirement System of Montana (Continued)

- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - 1.85% x AFC x years of creditable service - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service).

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

d. Overview of Contributions

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

The tables below show the legislated contribution rates for TRS members, districts and the state.

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

Note 5: Employee Benefit Pension Plans (Continued)

Teachers' Retirement System of Montana (Continued)

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

e. TRS Stand-Alone Statements

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

f. Actuarial Assumptions

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

- Total wage increases* — 3.50% - 9.00% for Non-University Members and 4.25% for University Members
- Investment return — 7.30%
- Price inflation — 2.75%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for the at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than 0.5%, but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members
  - PUBT-2010 General Employee mortality projected to 2021. Projected generationally using MP-2021.

Note 5: Employee Benefit Pension Plans (Continued)

Teachers' Retirement System of Montana (Continued)

f. Actuarial Assumptions (Continued)

- Mortality among service retired members
  - PUBT-2010 Retiree mortality projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021.
- Mortality among beneficiaries
  - PUBT-2010 Contingent Survivor table projected to 2021. Projected generationally using MP-2021.
- Mortality among disabled members
  - PUBT-2010 Disables Retiree mortality table projected to 2021.

*Total wage increases include 3.50% general wage increase assumption

g. Discount Rate

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the state general fund will contribute $25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability**.** No municipal bond rate was incorporated in the discount rate.

h. Target Allocations

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

Note 5: Employee Benefit Pension Plans (Continued)

Teachers' Retirement System of Montana (Continued)

h. Target Allocations (Continued)

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

i. Sensitivity Analysis

	1% Decrease 6.30%	Current Discount Rate	1% Increase 8.30%
District's portion of net pension liability	1,859,991	1,331,565	889,338

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

j. Net Pension Liability

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

Note 5: Employee Benefit Pension Plans (Continued)

Teachers' Retirement System of Montana (Continued)

j. Net Pension Liability (Continued)

	Net pension liability as of 06/30/23	Net pension liability as of 6/30/2022	Percent of Collective NPL as of 06/30/23	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
District proportionate share	$ 1,331,565	$ 1,020,835	0.0677 %	0.0616 %	0.0061 %
State of Montana proportionate share associated with the District	733,789	581,881	0.0373 %	0.0351 %	0.0022 %
Totals	$ 2,065,354	$ 1,602,716	0.1050 %	0.0967 %	0.0083 %

At June 30, 2023, the District recorded a liability of $1,331,565 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2023, the District's proportion was 0.0677 percent.

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

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

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

Note 5: Employee Benefit Pension Plans (Continued)

Teachers' Retirement System of Montana (Continued)

j. Net Pension Liability (Continued)

***Change 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.

k. Pension Expense

	Pension Expense as of 6/30/2023
District proportionate share	$ 143,694
State of Montana proportionate share associated with the District	60,678
Total	$ 204,372

At June 30, 2023, the District recognized pension expense of $204,372 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of $60,678 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

l. Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	19,517	-
Changes in actuarial assumptions	68,056	121,723
Difference between projected and actual investment earnings	31,145	-
Changes in proportion and differences between actual and expected contributions	91,159	286
*Contributions paid to TRS subsequent to the measurement date - FY 2023 contributions	90,655	-
Totals	300,532	122,009

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

Note 5: Employee Benefit Pension Plans (Continued)

Teachers' Retirement System of Montana (Continued)

l. Deferred Inflows and Outflows (Continued)

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

Year ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an increase or (decrease) to Pension Expense
2024	53,807
2025	5,199
2026	(46,638)
2027	75,500

Montana Public Employee Retirement System

a. Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the net pension liability (NPL); deferred outflows of resources and deferred inflows of resources related to pensions; pension expense; the fiduciary net position; and, additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

b. General Information about the Pension Plan

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

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

b. General Information about the Pension Plan

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

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

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

- 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):

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
  - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
  - No service credit for second employment;
  - Start the same benefit amount the month following termination; and
  - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

b. General Information about the Pension Plan (Continued)

- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
  - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
  - The same retirement as prior to the return to service;
  - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)
- Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

Compensation Cap
- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as 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 all other adjustments to the members benefit.
- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and July 30, 2013
- Members hired on or after July 1, 2013
  a. 1.5% each year PERS is funded at or above 90%;
  b. 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
  c. 0% whenever the amortization period for PERS is 40 years or more.

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

b. General Information about the Pension Plan (Continued)

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

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

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

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

	Member		States & Universities	Local Government		School Districts	
Fiscal Year	Hired <7/1/11	Hired >7/1/11	Employer	Employer	State	Employer	State
2023	7.900 %	7.900 %	9.070 %	8.970 %	0.100 %	8.700 %	0.370 %
2022	7.900 %	7.900 %	8.970 %	8.870 %	0.100 %	8.600 %	0.370 %
2021	7.900 %	7.900 %	8.870 %	8.770 %	0.100 %	8.500 %	0.370 %
2020	7.900 %	7.900 %	8.770 %	8.670 %	0.100 %	8.400 %	0.370 %
2019	7.900 %	7.900 %	8.670 %	8.570 %	0.100 %	8.300 %	0.370 %
2018	7.900 %	7.900 %	8.570 %	8.470 %	0.100 %	8.200 %	0.370 %
2017	7.900 %	7.900 %	8.470 %	8.370 %	0.100 %	8.100 %	0.370 %
2016	7.900 %	7.900 %	8.370 %	8.270 %	0.100 %	8.000 %	0.370 %
2015	7.900 %	7.900 %	8.270 %	8.170 %	0.100 %	7.900 %	0.370 %
2014	7.900 %	7.900 %	8.170 %	8.070 %	0.100 %	7.800 %	0.370 %
2012-2013	6.900 %	7.900 %	7.170 %	7.070 %	0.100 %	6.800 %	0.370 %
2010-2011	6.900 %	- %	7.170 %	7.070 %	0.100 %	6.800 %	0.370 %
2008-2009	6.900 %	- %	7.035 %	6.935 %	0.100 %	6.800 %	0.235 %
2000-2007	6.900 %	- %	6.900 %	6.800 %	0.100 %	6.800 %	0.100 %

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

b. General Information about the Pension Plan (Continued)

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

2. Employer contribution 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 contribution rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
   c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

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

c. 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 total pension liability (TPL). The basis for the TPL as of June 30, 2022 is an actuarial valuation performed by the plan's actuary as of June 3, 2022, is an actuarial valuation performed by the Plan's actuary as of June 30, 2022.

The TPL minus the fiduciary net position equals the net pension liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2022 and 2021, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of $399,402 and the employer's proportionate share was 0.016797 percent.

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of measurement date		Net pension liability as of 6/30/2022		Net pension liability as of 6/30/2021	Percent of Collective NPL 6/30/2022	Percent of Collective NPL 6/30/2021	Change in Percent of Collective NPL
District proportionate share	$	399,402	$	263,807	0.016797 %	0.014549 %	0.002248 %
State of Montana proportionate share associated with the District		136,931		90,346	0.005759 %	0.004983 %	0.000776 %
Totals	$	536,333	$	354,153	0.022556 %	0.019532 %	0.003024 %

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

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

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

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

Pension Expense: At June 30, 2022, the employer recognized $75,370 for its proportionate share of the Plan's pension expense and recognized grant revenue of $14,193 for the state of Montana proportionate share of the pension expense associated with the employer.

As of measurement date		Pension Expense as of 6/30/2022
District proportionate share	$	75,370
District grant revenue - state of Montana appropriation for the District		14,193
Total	$	89,563

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	5,092	-
Projected investment earnings vs actual investment earnings	11,738	-
Changes in assumptions	14,884	29,240
Changes in proportion and differences between District contributions and proportionate share of contributions	40,670	-
District contributions subsequent to the measurement date *	42,917	-
Totals	115,301	29,240

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

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) in pension expense
2023	28,011
2024	1,067
2025	(12,660)
2026	26,726

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2022 ,was determined on the results of an actuarial valuation date of June 30, 2022, using the following actuarial assumptions.

Investment return (net of admin expense)	7.30%
General wage growth* *includes inflation at	3.50% 2.75%
Merit increases	0% to 4.80%
Postretirement benefit increases 1. Guaranteed Annual Benefit Adjustment (GABA) each January • After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit. • Members hired prior to July 1, 2007 • Members hired between July 1, 2007 & June 30, 2013 • Members hired on or after July 1, 2013 • For each year PERS is funded at or above 90% • The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90% • 0% whenever the amortization period for PERS is 40 years or more	 3.0% 1.5% 1.5% 0%
Mortality • Active Participants ◦ PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021. • Disabled Retirees ◦ PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females. • Contingent Survivors ◦ PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021. • Healthy Retirees ◦ PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.	

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate: The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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

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

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

Note 5: Employee Benefit Pension Plans (Continued)

Montana Public Employee Retirement System (Continued)

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

As of measurement date	1% Decrease (6.30%)	Current Discount Rate	1% Increase (8.30%)
District's net pension liability	575,756	399,402	251,442

d. PERS Disclosure for the Defined Contribution Plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2022, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled $1,103,889.

Pension plan fiduciary net position: The stand-alone financial statements 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.

Note 6: Other Postemployment Benefits (OPEB)

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, is an accounting and financial reporting requirement for employers to measure and report the cost and liabilities associated with other (than pension) postemployment benefits (OPEB).

The District participated in a multi-employer defined benefit healthcare plan administered by Montana Unified School Trust for employee and retired members during the year ended June 30, 2023. A retiree who retires with the Teachers' Retirement System (TRS) or the Public Employees' Retirement System (PERS) is eligible to keep the District's health insurance as a retiree. Retirement eligibility is determined based on a minimum of reaching age 50 with at least 5 years of membership with a TRS or PERS employer. The retiree is on the same medical plan as the District's active employees. The contribution requirement of plan members is established by the District's compensation committee in conjunction with their insurance provider. The required contribution is based on projected pay-as-you-go financing requirements.

The District has not implemented the requirements of GASB Statement 75 and as a result has not determined its annual OPEB cost and total OPEB obligation. The District's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on the cash basis.

Note 7: Resource Transfers

During the year ended June 30, 2023, the District made resource transfers from the elementary and high school general funds to the elementary and high school building reserve funds in the amount of $20,000 and $20,000, respectively pursuant to Montana Code Annotated 20-9-236. The District also made transfers from the elementary and high school general funds to the elementary and high school compensated absence funds in the amount of $5,000 and $5,000, respectively, pursuant to Montana Code Annotated 20-9-512(3).

Additionally, the District transferred $45,000, $15,000, $5,000, and $224 from the elementary general, elementary transportation, elementary adult education, and elementary lease rental funds respectively to the elementary interlocal agreement fund and transfers of $25,000, $40,000, $20,000, and $7,000 from the high school general, high school transportation, high school bus depreciation, and high school adult education funds respectively, to the high school interlocal agreement fund pursuant to Montana Code Annotated 20-9-704.

Note 8: Non-Monetary Transactions

The District received $6,128 in USDA Commodities during the 2022–2023 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the fund receiving the commodities.

Note 9: Risk Management

The District is exposed to a considerable number of risks of loss, including: (1) damage to and loss of property and contents, (2) employee torts, (3) professional liability (e.g. errors and omissions), (4) environmental damage, (5) workers' compensation, (e.g. employee injuries), (6) and medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of the assets. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years. The District is a participant in the Montana Schools Group Insurance Authority (MSGIA), Workers' Compensation Risk Retention Program, a public entity risk pool governed by schools for the benefit of schools and educational cooperatives located within the State of Montana. The District pays premiums on an experience-rated basis calculated actuarially to spread and moderate the costs of claims loss to each member of the pool. If the MSGIA experiences an unusually large number of losses under the workers' compensation programs during a policy year, such that notwithstanding reinsurance coverage for large individual losses, the joint insurance funds for the program may be exhausted before the next annual premiums are due, the Board of Trustees may, upon consultation with an actuary, impose premium surcharges on all participating entities, which, in total amount, will assure adequate funds to the MSGIA for the payment of all such losses.

The District is also a participant in the Montana Schools Unemployment Insurance Program (MSUIP), sponsored by the Montana School Boards Association and the Montana Association of School Business Officials, for the benefit of schools and cooperatives located within the State of Montana. The program was created pursuant to the Montana Interlocal Cooperation Act by execution of an Interlocal Agreement. The program is responsible for reimbursing the Department of Labor for all valid unemployment benefit claims of the member school districts. Each member of the program 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.

Note 10: Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2023, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Required Supplementary Information

Ekalaka Public Schools

Budgetary Comparison Schedule

For the Year Ended June 30, 2023	**General Fund**			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property taxes for general purposes	$ 879,438	$ 879,438	$ 876,271	(3,167)
Intergovernmental revenues:				
State sources	760,772	760,772	778,118	17,346
Interest on investments	1,312	1,312	3,514	2,202
Miscellaneous revenue	997	997	899	(98)
Total revenues before reappropriations	1,642,519	1,642,519	1,658,802	16,283
Budgeted reappropriations	-	-		-
Total revenues and reappropriations	1,642,519	1,642,519		(1,642,519)
Expenditures:				
Instruction	1,642,519	1,642,519	833,150	(809,369)
Support services	-	-	342,674	342,674
Operation and maintenance	-	-	245,744	245,744
Student transportation	-	-	18,223	18,223
Food services	-	-	51,624	51,624
Extracurricular	-	-	70,111	70,111
Total expenditures	1,642,519	1,642,519	1,561,526	(80,993)
Excess (deficiency) of revenues over expenditures	$ -	$ -	97,276	97,276
Other Financing Sources (Uses):				
Operating transfers in (out)			(120,000)	(120,000)
Total other financing sources (uses)			(120,000)	(120,000)
Excess (deficiency) of revenues and other sources over expenditures			(22,724)	(22,724)
Fund balance, beginning (Non-GAAP budgetary basis)			160,358	
Fund balance, ending (Non-GAAP budgetary basis)			137,634	
Adjustments to generally accepted accounting principles				
Current year encumbrances included in expenditures			-	
Fund balance, ending (GAAP basis)			$ 137,634	

Ekalaka Public Schools

Budgetary Comparison Schedule

For the Year Ended June 30, 2023	**Elementary Flex Fund**			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Interest on investments	$ -	$ -	$ 273	273
Total revenues before reappropriations	-	-	273	273
Budgeted reappropriations	17,481	17,481		(17,481)
Total revenues and reappropriations	17,481	17,481		(17,481)
Expenditures:				
Support services	-	-	31	31
Operation and maintenance	17,481	17,481	4,000	(13,481)
Total expenditures	17,481	17,481	4,031	(13,450)
Excess (deficiency) of revenues over expenditures	$ -	$ -	(3,758)	(4,031)
Fund balance, beginning (Non-GAAP budgetary basis)			17,481	
Fund balance, ending (Non-GAAP budgetary basis)			13,723	
Adjustments to generally accepted accounting principles				
Current year encumbrances included in expenditures			-	
Fund balance, ending (GAAP basis)			$ 13,723	

Ekalaka Public Schools

Budgetary Comparison Schedule

For the Year Ended June 30, 2023	**High School Flex Fund**			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Interest on investments	$ -	$ -	$ 1,123	1,123
Total revenues before reappropriations	-	-	1,123	1,123
Budgeted reappropriations	49,170	49,170		(49,170)
Total revenues and reappropriations	49,170	49,170		(49,170)
Expenditures:				
Support services	49,170	49,170	9,593	(39,577)
Operation and maintenance	-	-	4,525	4,525
Total expenditures	49,170	49,170	14,118	(35,052)
Excess (deficiency) of revenues over expenditures	$ -	$ -	(12,995)	36,175
Fund balance, beginning (Non-GAAP budgetary basis)			49,170	
Fund balance, ending (Non-GAAP budgetary basis)			36,175	
Adjustments to generally accepted accounting principles				
Current year encumbrances included in expenditures			-	
Fund balance, ending (GAAP basis)			$ 36,175	

Ekalaka Public Schools

Budgetary Comparison Schedule

For the Year Ended June 30, 2023	**High School Bus Depreciation Fund**			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property taxes for general purposes	$ 64,775	$ 64,775	$ 64,383	(392)
Intergovernmental revenues:				
State sources	-	-	1,537	1,537
Interest on investments	1,500	1,500	8,746	7,246
Total revenues before reappropriations	66,275	66,275	74,666	8,391
Budgeted reappropriations	(422,704)	(422,704)		422,704
Total revenues and reappropriations	(356,429)	(356,429)		356,429
Other Financing Sources:				
Operating transfers in/(out)	(356,429)	(356,429)	(40,000)	316,429
Total other financing sources	(356,429)	(356,429)	(40,000)	316,429
Excess (deficiency) of revenues over expenditures	$ -	$ -	34,666	(308,038)
Fund balance, beginning (Non-GAAP budgetary basis)			290,154	
Fund balance, ending (Non-GAAP budgetary basis)			324,820	
Adjustments to generally accepted accounting principles				
Current year encumbrances included in expenditures			-	
Fund balance, ending (GAAP basis)			$ 324,820	

1) Budgetary Process

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

Fund	Budgeted	Non-Budgeted
Governmental Funds:		
General	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Compensated Absences		X
Impact Aid		X
Technology	X	
Flex Fund	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Endowment		X
Extracurricular		X
Fiduciary Funds:		
Payroll Clearing		X
Claims Clearing		X

2) Budgets

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the budgetary comparison schedule to provide a meaningful comparison of actual results with the budget.

General fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

a. Budgetary policy follows:

1. By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.

2. Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.

3. On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.

4. Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.

5. Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities and will not until performance is essentially complete. The encumbrances have been reported as an assignment of fund balance of the balance sheet – governmental funds. Because inclusion of these obligations is required for budgetary purposes, they have been included in expenditures in the budgetary comparison schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement.

Ekalaka Public Schools

Schedule of Proportionate Share of the Net Pension Liability
Teacher's Retirement System of Montana

Determined as of the Measurement Date

	2023	2022	2021	2020	2019
District's proportion of the net pension liability	0.0677 %	0.0616 %	0.0601 %	0.0594 %	0.0586 %
District's proportionate share of the net pension liability associated with the District	1,331,565	1,020,835	1,352,022	1,146,245	1,088,234
State of Montana's proportionate share of the net pension liability associated with the District	733,789	581,881	797,995	695,171	681,018
Total	2,065,354	1,602,716	2,150,017	1,841,416	1,769,252
District's covered payroll	993,788	877,722	827,294	806,927	783,124
District's proportionate share of the net pension liability as a percentage of its covered payroll	133.99 %	116.31 %	163.43 %	142.05 %	138.96 %
Plan fiduciary net position as a percentage of the total pension liability	70.61 %	75.54 %	64.95 %	68.64 %	69.09 %

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0622 %	0.0600 %	0.0596 %	0.0555 %
District's proportionate share of the net pension liability associated with the District	1,048,495	1,095,202	979,410	853,693
State of Montana's proportionate share of the net pension liability associated with the District	665,753	716,845	663,044	587,324
Total	1,714,248	1,812,047	1,642,454	1,441,017
District's covered payroll	820,212	778,106	760,863	699,604
District's proportionate share of the net pension liability as a percentage of its covered payroll	127.83 %	140.75 %	128.72 %	122.03 %
Plan fiduciary net position as a percentage of the total pension liability	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.

Ekalaka Public Schools

Schedule of Contributions

Teacher's Retirement System of Montana

Determined as of the Reporting Date

	2023	2022	2021	2020	2019
Contractually required contributions	90,655	92,124	91,023	75,036	72,382
Contributions in relation to the contractually required contributions	90,655	92,124	91,023	75,036	72,382
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	922,356	993,788	877,722	827,294	806,927
Contributions as a percentage of covered payroll	9.83 %	9.27 %	10.37 %	9.07 %	8.97 %

	2018	2017	2016	2015
Contractually required contributions	71,716	71,932	67,468	65,204
Contributions in relation to the contractually required contributions	71,716	71,932	67,468	65,204
Contribution deficiency (excess)	0	0	0	0
District's covered payroll	783,124	820,212	778,106	760,863
Contributions as a percentage of covered payroll	9.16 %	8.77 %	8.67 %	8.57 %

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

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

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

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

- Annual state contribution equal to $25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
  - School districts contributions will increase from 7.47% to 8.47%.
  - The Montana University System and state agencies will increase from 9.85% to 10.85%.
  - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 through 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 2022:

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

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

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

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

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

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

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

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

- Assumed rate of inflation was reduced from 3.25% to 2.50%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
    - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.
    - The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
    - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
    - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

The following changes to the actuarial assumptions were adopted in 2016:

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumption were adopted in 2015:

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

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

The following changes to the actuarial assumption 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 investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	24 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent , net of pension plan investment expense, and including inflation

Ekalaka Public Schools

Schedule of Proportionate Share of the Net Pension Liability
Montana Public Employees Retirement System

Determined as of the Measurement Date

	2022	2021	2020	2019	2018
District's proportion of the net pension liability (percentage)	0.016797 %	0.014549 %	0.013671 %	0.012102 %	0.009373 %
District's net pension liability (amount)	399,402	263,807	360,672	252,979	195,619
State's net pension liability (amount)	136,931	90,346	132,952	96,138	77,882
Total	536,333	354,153	493,624	349,117	273,501
District's covered payroll	304,446	265,155	236,750	206,186	159,212
District's proportionate share as a percent of covered payroll	131.19 %	99.49 %	152.34 %	122.69 %	122.87 %
Plan fiduciary net position as a percent of total pension liability	73.66 %	79.91 %	68.90 %	73.85 %	73.47 %

	2017	2016	2015	2014
District's proportion of the net pension liability (percentage)	0.016375 %	0.019308 %	0.019394 %	0.018163 %
District's net pension liability (amount	318,923	328,877	271,097	226,314
State's net pension liability (amount)	20,313	15,370	12,739	10,579
Total	339,236	344,247	283,836	236,893
District's covered payroll	209,904	239,078	234,004	218,875
District's proportionate share as a percent of covered payroll	151.94 %	137.56 %	115.85 %	103.40 %
Plan fiduciary net position as a percent of total pension liability	73.75 %	74.71 %	78.40 %	79.87 %

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

Ekalaka Public Schools

Schedule of Contributions

Montana Public Employees Retirement System

Determined as of the Reporting Date

	2023	2022	2021	2020	2019
Contractually required DB contributions	42,917	26,252	22,774	20,097	17,175
Contributions in relation to the contractually required contributions	42,917	26,252	22,774	20,097	17,175
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	493,301	304,446	265,155	236,750	206,186
Contributions as a percent of covered payroll	8.70 %	8.62 %	8.59 %	8.49 %	8.33 %

	2018	2017	2016	2015
Contractually required DB contributions	13,055	17,003	19,331	18,650
Plan choice rate required contributions	0	0	1,828	2,809
Contributions in relation to the contractually required contributions	13,055	17,003	21,159	21,459
Contribution deficiency (excess)	0	0	0	0
District's covered payroll	159,212	209,904	239,078	234,004
Contributions as a percent of covered payroll	8.20 %	8.10 %	8.85 %	9.17 %

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

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations - for PERS

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculation of actuarially determined contributions

The following actuarial assumptions were adopted from the June 2019 Actuarial valuation:

General wage growth*	3.50%
Investment rate of return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin expense as % of payroll	0.29%

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

The actuarial assumptions and methods utilized in the June 30, 2021 valuation were developed in the six year experience study for the period ending 2016.

Supplementary Information

Ekalaka Public Schools

Combining Balance Sheet - General Fund

June 30, 2023	General Fund	Elementary Flex Fund	High School Flex Fund	Total
Assets:				
Cash and investments	$ 124,414	$ 13,723	$ 36,175	$ 174,312
Taxes receivable	568	-	-	568
Inventories	13,220	-	-	13,220
Total assets	138,202	13,723	36,175	188,100
Liabilities, deferred inflows of resources and fund balances:				
Deferred inflows of resources:				
Unavailable tax revenue	568	-	-	568
Total deferred inflows of resources	568	-	-	568
Fund balances:				
Nonspendable:				
Inventories	13,220	-	-	13,220
Unassigned	124,414	13,723	36,175	174,312
Total fund balances	137,634	13,723	36,175	187,532
Total liabilities, deferred inflows of resources and fund balances	$ 138,202	$ 13,723	$ 36,175	$ 188,100

Ekalaka Public Schools

Combining Schedule of Revenues, Expenditures and Changes In Fund Balances - General Fund

For the Year Ended June 30, 2023	General Fund	Elementary Flex Fund	High School Flex Fund	Total
Revenues:				
Property taxes for general purposes	$ 876,271	$ -	$ -	$ 876,271
Intergovernmental:				
State sources	778,118	-	-	778,118
Interest on investments	3,514	273	1,123	4,910
Miscellaneous	899	-	-	899
Total revenues	1,658,802	273	1,123	1,660,198
Expenditures:				
Current:				
Instruction	833,150	-	-	833,150
Support services	342,674	31	9,593	352,298
Operation and maintenance	245,744	4,000	4,525	254,269
Student transportation	18,223	-	-	18,223
Food services	51,624	-	-	51,624
Extracurricular	70,111	-	-	70,111
Total expenditures	1,561,526	4,031	14,118	1,579,675
Excess (deficiency) of revenues over expenditures	97,276	(3,758)	(12,995)	80,523
Other financing sources (uses):				
Transfers out	(120,000)	-	-	(120,000)
Total other financing sources and uses	(120,000)	-	-	(120,000)
Net change in fund balances	(22,724)	(3,758)	(12,995)	(39,477)
Fund balances, beginning of year	160,358	17,481	49,170	227,009
Fund balances, end of year	$ 137,634	$ 13,723	$ 36,175	$ 187,532

See independent auditor's report.

Ekalaka Public Schools

Extracurricular Activities - Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Fund Balance July 1, 2022	Receipts	Disbursements	Transfers	Fund Balance June 30, 2023
C-Club	$ 3,076	$ 883	$ 216	$ -	$ 3,743
Annual	3,371	161	2,740	-	792
Cash	-	3,491	-	-	3,491
Athletics	3,348	94,445	91,276	-	6,517
Class of 2026	2,621	630	-	-	3,251
Class of 2027	1,922	1,522	-	-	3,444
Class of 2028	112	1,181	-	-	1,293
Class of 2022	-	120	120	-	-
Class of 2023	2,791	-	2,791	-	-
Class of 2024	876	6,142	3,573	-	3,445
Class of 2025	757	1,181	-	-	1,938
Concessions	1,460	35,846	36,065	-	1,241
FCCLA	5,270	19,076	18,517	-	5,829
FFA	12,809	22,203	27,684	-	7,328
Music	3,625	1	-	-	3,626
Honor Society	702	250	385	-	567
Science Club	2,282	106	333	-	2,055
Speech	1,149	2,811	1,901	-	2,059
Student Council	6,421	2	1,365	-	5,058
Close-Up	1,285	3,418	511	-	4,192
Totals	$ 53,877	$ 193,469	$ 187,477	$ -	$ 59,869

Ekalaka Public Schools
Schedule of Reported Enrollment

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	9	9	0
Grades 1-5	44	44	0
Grades 6-8	28	28	0
Spring Enrollment-EI District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Kindergarten Half Day	0	0	0
Kindergarten Full Day	8	8	0
Grades 1-5	44	44	0
Grades 6-8	25	25	0

Part-Time Students:

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

Ekalaka Public Schools

Schedule of Reported Enrollment (Continued)

Students Grade 9-12:

Full-Time Students:

Fall Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grade 9-12	43	43	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Spring Enrollment-HS District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grade 9-12	43	43	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	0	0	0

Part-Time Students:

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

WIPFLI

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*

Board of Trustees
Ekalaka Public Schools
Ekalaka, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ekalaka Public Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Ekalaka Public Schools basic financial statements, and have issued our report thereon dated October 30, 2024, which includes a qualified opinion on the governmental activities because management of the District has not implemented the requirements of GASB Statement No. 75 and has not determined the District's annual other postemployment benefit (OPEB) costs and obligation.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 in the accompanying schedule of findings and responses, we identified deficiencies in internal control that we consider to be a material weakness 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 reasonable possibility that a material misstatement of the Ekalaka Public Schools financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as as item 2023-001 that we consider to be a material weakness.

A *significant deficiency* is a deficiency, or 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 responses as items 2023-002, 2023-003, and 2023-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ekalaka Public Schools financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of schedule of findings and responses as item 2023-002.

Ekalaka Public Schools's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Ekalaka Public Schools response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Ekalaka Public Schools internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ekalaka Public Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Billings, Montana
October 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Governmental Activities	Qualified
Business-Type Activities	Unmodified
Combined General Fund	Unmodified
High School Bus Depreciation Fund	Unmodified
Elementary Miscellaneous Fund	Unmodified
Elementary Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	__X__ Yes	_____ No
• Significant deficiency(ies) identified?	__X__ Yes	_____ No
Noncompliance material to financial statements noted?	_____ Yes	__X__ No

Section II - Financial Statement Findings

2023-001 **GASB 75 Other Postemployment Benefits**

Criteria or Specific Requirement: The Governmental Accounting Standards Board's (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions require that governments with more than 100 employees that provide other postemployment benefits obtain biannually an actuarial study to determine the government's other postemployment benefit liability (OPEB). For governments with fewer than 100 employees, a calculation using the specified alternative method measurement in place of an actuarial study may be performed.

Condition: The District did not have an actuarial valuation done to determine its OPEB liability and related expense as of June 30, 2023.

Context: We inquired of District management to determine if the required valuation had been completed and were informed that it had not been performed.

Cause: The District did not see the value in getting the valuation in proportion to the cost of the valuation.

Effect: The governmental activities liabilities are understated, net position is overstated, and expenses would change.

Auditor's Recommendations: The District should engage an actuarial firm to determine the OPEB liability and expense every other year as required by GASB Statement No. 75 which became effective for fiscal year 2018.

View of Responsible Officials: The District will continue to evaluate the cost and benefit of acquiring an actuarial firm to determine the GASB 75 valuation for years going forward.

2023-002 **No Documentation of Approval of Transfers by the Board**

Criteria or Specific Requirement: According to Montana Code Annotated 20-9-208, the District is required to obtain explicit approval for transferring funds from the Board of Trustees.

Condition: The District transferred financial support from various funds without obtaining the necessary approval required by statute.

Context: We reviewed all transfers for funds for compliance with state statutes.

Effect: The unauthorized transfes may lead to noncompliance with legal requirements.

Cause: Due to turnover, the Distirct was unware that the allowable transfers required approval from the Board of Trustees prior to making the transfer.

Auditor's Recommendation: The District should promptly seek approval from the Board of Trustees for any future transfers.

View of Responsible Officials: While the Board of Trustees did verbally approve the transfer, the District and Clerk will be sure to include all transfers as part of the consent agenda with proper documentation going forward

2023-003 **Internal Controls Over Student Activity Expenditures**

Criteria or Specific Requirement: The State of Montana Student Activity Fund Accounting Manual requires all expenditure of funds be approved by the activity sponsor.

Condition: During review of student activity expenditures it was noted that not all of the expenditures were properly approved.

Context: We selected 19 total expenditures for testing and noted that 7 of the expenditures were not approved by the activity sponsor/coach.

Effect: The District is not in compliance with State requirements for the accounting for student activity expenditures.

Cause: The District experienced turnover at the positions that accounted for and maintained records related student activity and approvals were not always recieved.

Auditor's Recommendation: We recommend that the District review its policies and procedures pertaining to student activity expenditures and receipts and ensure that is up to date and that it can be easily followed and replicated in case of personnel turnover.

View of Responsible Officials: Staff will be properly trained in the policy and procedures over the student activity fund expenditures, including a review of Policy #7320-Purchasing and the Staff Handbook.

2023-004 **Journal Entries**

Criteria or Specific Requirement: The District is required to maintain adequate documentation to support all financial transactions, including manual adjusting journal entries, as per Generally Accepted Accounting Principles (GAAP) and internal control standards.

Condition: The District was unable to locate the supporting documentation for all of the manual adjusting journal entries that were made during the fiscal year.

Context: The missing documentation pertains to manual adjusting journal entries made during the 2023 fiscal year. This issue arose due to turnover in the accounting office and the misplacement of documents during multiple office relocations.

Effect: The absence of supporting documentation compromises the integrity and reliability of the financial statements. It also hinders the ability to verify the accuracy and appropriateness of the manual adjustments made, potentially leading to misstated financial results.

Cause: The primary reasons for the missing documentation was due to employee turnover in the accounting office and the misplacement of documents during multiple office relocations.

Auditor's Recommendation: We recommend that the District, implement a document management system to ensure all supporting documentation is properly stored and easily retrievable. Conduct regular training for accounting staff on the importance of maintaining adequate documentation. Establish a protocol for document handling during office relocations to prevent future misplacements. Review and update internal controls to address gaps that may have contributed to the loss of documentation.

View of Responsible Officials: The business manager is aware that proper documentation is required for all financial transactions and an updated system has been developed to maintain these documents moving forward.

Section III - Auditees Summary Schedule of Prior Year Audit Findings

Finding 2022-001 GASB 75 Other postemployement Benefits **- Not Implemented**

Restated as Finding 2023-001

Finding 2022-002 No Documentation of Approval of Transfers by the Board **- Not Implemented**

Restated as Finding 2023-002

Finding 2022-003 Internal Controls Over Student Activity Expenditures **- Partially Implemented**

Finding 2022-004 Late Submission **- Implemented**