MANHATTAN SCHOOL DISTRICT NO. 3

GALLATIN COUNTY
MANHATTAN, MONTANA 59741

TABLE OF CONTENTS

MANHATTAN SCHOOL DISTRICT NO. 3

GALLATIN COUNTY
MANHATTAN, MONTANA 59741

ORGANIZATION

OFFICIALS

Brian Ayers .... Superintendent

Ann Heisler .... School District Clerk

Matthew Henry .... County Superintendent

Elizabeth Kaleva .... School District Attorney

Management's Discussion and Analysis

This section of the Manhattan School District Financial Statements present the management's discussion and analysis of the district's financial performance during the fiscal year (FY) ending June 30, 2023. This narrative overview and analysis of the financial activities of the Manhattan District includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

Financial Highlights

- The Manhattan School District's net position increased 7.7% or $549,905 in FY (fiscal year) 2023 and was $7,670,591.
- The overall revenues from all sources in the district for FY 2023 were $11,220,975 which was a 2.1% decrease from FY 2022. District levy revenue was 33.4% (was 33% in FY 2022) of the total district revenue in FY 2023 while state equalization and other state revenue was 41.3% (was 39% in FY 2022).
- State equalization sources of revenue increased 5% or $125,454 while other state sources of revenue were up 2% or $38,532 in FY 2023. Operating/capital grant revenue was down 32.4% or $671,985 in FY 2023.
- The investment in district capital assets (after depreciation is subtracted) showed a 1.6% decrease in FY 2023 mainly due to more depreciation ($797,181) than capital assets ($160,663) added. The net investment (less depreciation & debt) in capital assets of the district increased 5.8% largely due to principal payments on debt. The district made principal payments on capital asset debt of $900,000 and paid interest and other charges of $603,000.
- District levy revenue decreased 1% or $36,920 in FY 2023 and charges for services revenue increased 74.1% or $239,991.
- The district expenses for FY 2023 were $10,671,070 which represents a 1.2% or $132,988 decrease from FY 2022. A large portion of the decrease was a drop of $131,270 in instructional expenses.
- District revenues exceeded expenses for FY 2023 by $549,905.
- The district had total governmental fund balances of $4,033,796 at the end of FY 2023, which was an increase of 1.3% or $53,368 from FY 2022.
- The overall financial position of the Manhattan School District is good and continued to improve with an increase in net position of 7.7% during FY 2023.

Overview of the Manhattan School District Financial Statements

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Manhattan K-12 Schools. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. It also, contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Manhattan School District finances in a manner similar to a private-sector business. This broad overview is accomplished using a *statement of net position* and a *statement of activities*. Each statement distinguishes between governmental and business type activities and between the total governmental and business type activities of the school district.

The *statement of net position* presents information on the assets, liabilities, and deferred inflows and outflows of resources for the district, with the resulting balance reported as *net position.* Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Manhattan School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Manhattan School District principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Most services normally associated with school government fall into the governmental activity category including instruction, support services, general, school and business administrative services, operation and maintenance, student transportation, community services, and other expenditures. The district does not operate any business-type activities.

Fund-based Financial Statements

Fund-based financial statements, consisting of a series of statements, provide information about government's major and non-major governmental funds. These governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental fund statements consist of the balance sheet and statement of revenues, expenditures, and change in fund balance.

A *fund* is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the near-term financing decisions of the Board of Trustees of the Manhattan Schools. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Manhattan Elementary District and High School District are recognized by state law as separate entities, but for the purposes of this discussion are combined. Major governmental funds are reported separately and all other funds are combined for this report. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund (includes elementary and high school), elementary miscellaneous programs fund, elementary debt service fund, and high school debt service fund as they were considered to be the major funds in FY 2023. The other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The general fund includes the inter-local agreement fund and both the high school and elementary flexibility funds for reporting purposes.

The Manhattan District adopts an annual appropriated budget for its general funds, select special revenue, debt service, and building reserve funds as required by state law. A budgetary comparison is provided for all budgeted funds later in this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds may include pension and employee benefit trust funds where resources are held in trust for employee benefit plans. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the programs of the district. Scholarship trusts are the most common fiduciary funds in school districts. The Manhattan District does not have any fiduciary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that can be very helpful to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the official student enrollment and federal grant audit reports.

Net Position of the District

Governmental Activities				
	FY 2023	FY 2022	Change	Percent Change
Current and Other Assets	$4,180,527	$4,094,429	$86,098	2.1%
Capital Assets - Net	$27,109,329	$27,543,841	($434,512)	-1.6%
Total Assets	$31,289,856	$31,638,270	($348,414)	-1.1%
Deferred Outflow Resources	$1,193,497	$1,493,505	($300,008)	-20.1%
Liabilities				
Current Liabilities	$195,922	$188,544	$7,378	3.9%
Long-term Liabilities	$23,951,500	$24,012,933	($61,433)	-0.3%
Total Liabilities	$24,147,422	$24,201,477	($54,055)	-0.2%
Deferred Inflows Resources	$665,340	$1,809,612	($1,144,272)	-63.2%
Net Position				
Net Investment in Capital Assets	$10,760,394	$10,173,901	$586,493	5.8%
Restricted	$2,323,818	$2,307,360	$16,458	0.7%
Unrestricted	($5,413,621)	($5,360,575)	($53,046)	-1.0%
Total Net Position	$7,670,591	$7,120,686	$549,905	7.7%

A large portion of the net position of the Manhattan District at the close of FY 2023 reflects the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets of the Manhattan District have related debt. The district uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. The net investment (less depreciation & debt) in capital assets of the district increased 5.8% largely due to principal payments on debt. A portion of the net position of the district represents resources that are subject to external restrictions on how they may be used. These *restricted* funds increased $16,458 or .7% during FY 2023. Another portion of the net position of the district represents *unrestricted funds* which may be used to meet the ongoing obligations of the school district to citizens and creditors. The district has a negative balance of unrestricted funds mostly due to the addition of debt from the sale of bonds and the addition of net pension liability in FY 2015 to the financial statements. The unrestricted funds decreased 1% or $53,046 from FY 2022 to FY 2023. The district was able to report a positive balance of net position for both the government and governmental activities. The net position of the district increased 7.7% or $549,905 during FY 2023.

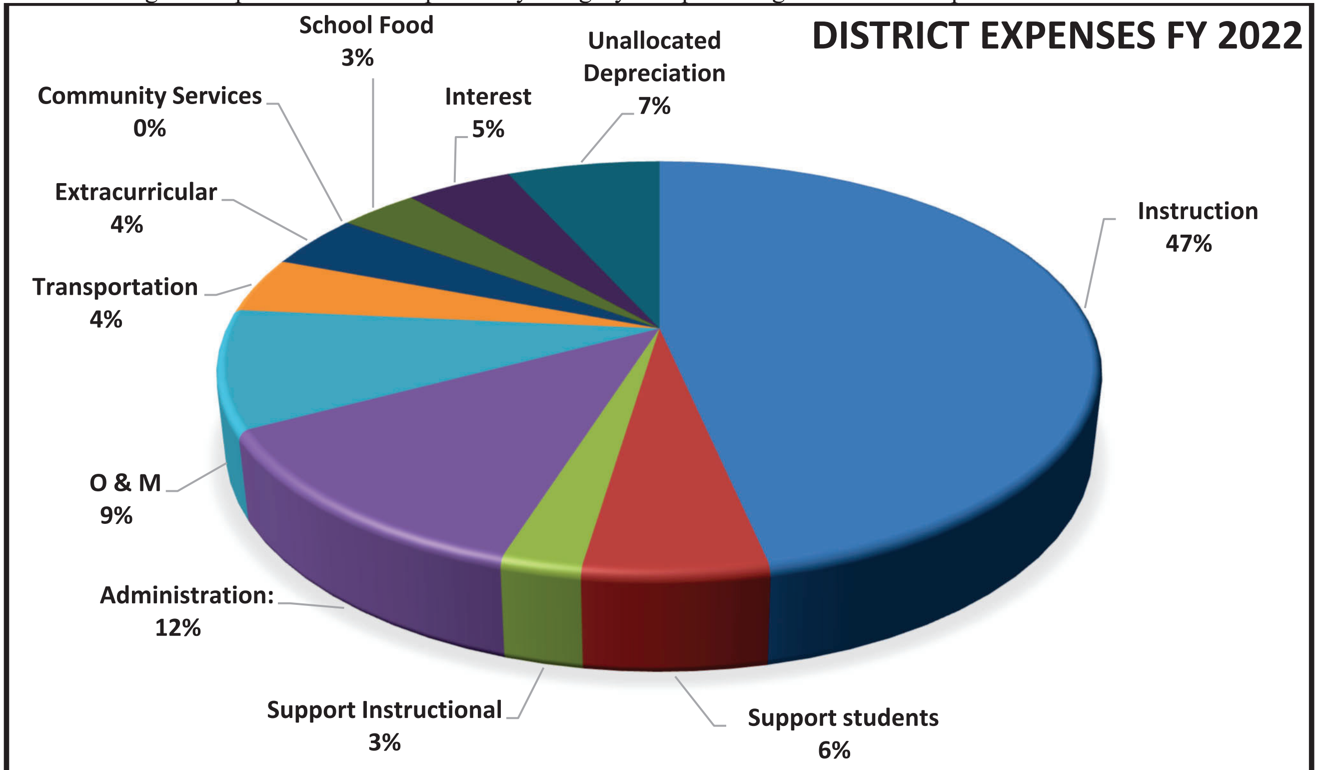
District Wide - Statement of Activities

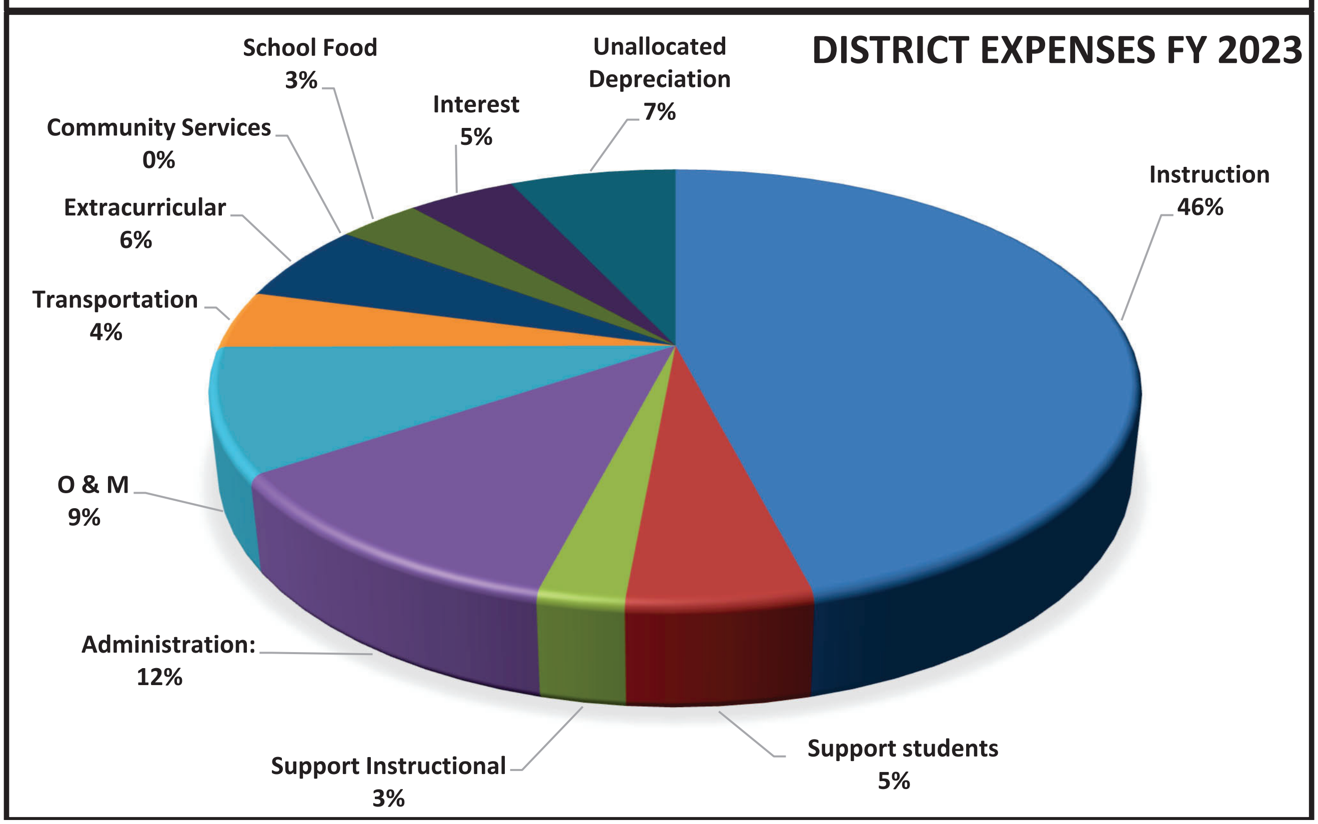
	FY 2023	FY 2022	Change	% Change
Program Revenues				
Charges for Services	$563,964	$323,973	$239,991	74.1%
Operating/Capital Grants	$1,399,739	$2,071,724	($671,985)	-32.4%
General Revenues				
District Levy	$3,742,820	$3,779,740	($36,920)	-1.0%
State Equalization	$2,636,488	$2,511,034	$125,454	5.0%
Other State Revenue	$2,003,335	$1,964,803	$38,532	2.0%
County	$785,793	$767,111	$18,682	2.4%
Investment Earnings	$77,907	$16,265	$61,642	379.0%
Other	$9,390	$30,810	($21,420)	-69.5%
Gain/(Loss) on Sale of Assets	$1,539	$543	$996	183.4%
Total Revenues	$11,220,975	$11,466,003	($245,028)	-2.1%
Program Expenses				
Instruction	$4,908,058	$5,039,328	($131,270)	-2.6%
Support Services - Students	$581,947	$618,935	($36,988)	-6.0%
Support Services - Instructional	$274,417	$271,565	$2,852	1.1%
Administration:	$1,234,751	$1,330,005	($95,254)	-7.2%
O & M	$994,039	$1,007,148	($13,109)	-1.3%
Transportation	$459,095	$469,862	($10,767)	-2.3%
Extracurricular	$628,936	$459,071	$169,865	37.0%
Community Services	$1,000	$1,000	$0	0.0%
School Food	$365,809	$372,799	($6,990)	-1.9%
Interest	$481,995	$507,596	($25,601)	-5.0%
Depreciation-unallocated	$741,023	$726,749	$14,274	2.0%
Total Expenses	$10,671,070	$10,804,058	($132,988)	-1.2%
Change in Net Position	$549,905	$661,945	($112,040)	-16.9%
Net Position Beginning Year	$7,120,686	$6,458,741	$661,945	2.2%
Net Position End of Year	$7,670,591	$7,120,686	$549,905	7.7%

Major changes in district wide governmental activities from FY 2022 to FY 2023 include:

- Total revenues for the district were down 2.1% or $245,028 mostly due to a 32.4% or $671,985 decrease in operating/capital grant revenue along with an increase in charges for services revenue of 74.1% or $239,991 and a 5% increase or $125,454 in state equalization revenue.
- Total expenses for the district were down 1.2% or $132,988 mostly due to a decrease of $131,270 or 2.6% in instruction and a decrease of $95,254 or 7.2% in administration.
- Other state revenue was up $38,532 or 2% while investment earnings revenue was up $61,642 or 379% in FY 2023. District levy revenue was down $36,920 or 1% in FY 2023.
- Extracurricular expenses were up $169,865 or 37% and student support services expenses were down $36,988 or 6%.
- Revenues exceeded expenses in FY 2023 by $549,905.
- The net position of the district was up 7.7% or $549,905 in FY 2023.

District Expenses
The following charts present district expenses by category as a percentage of the total expenses.

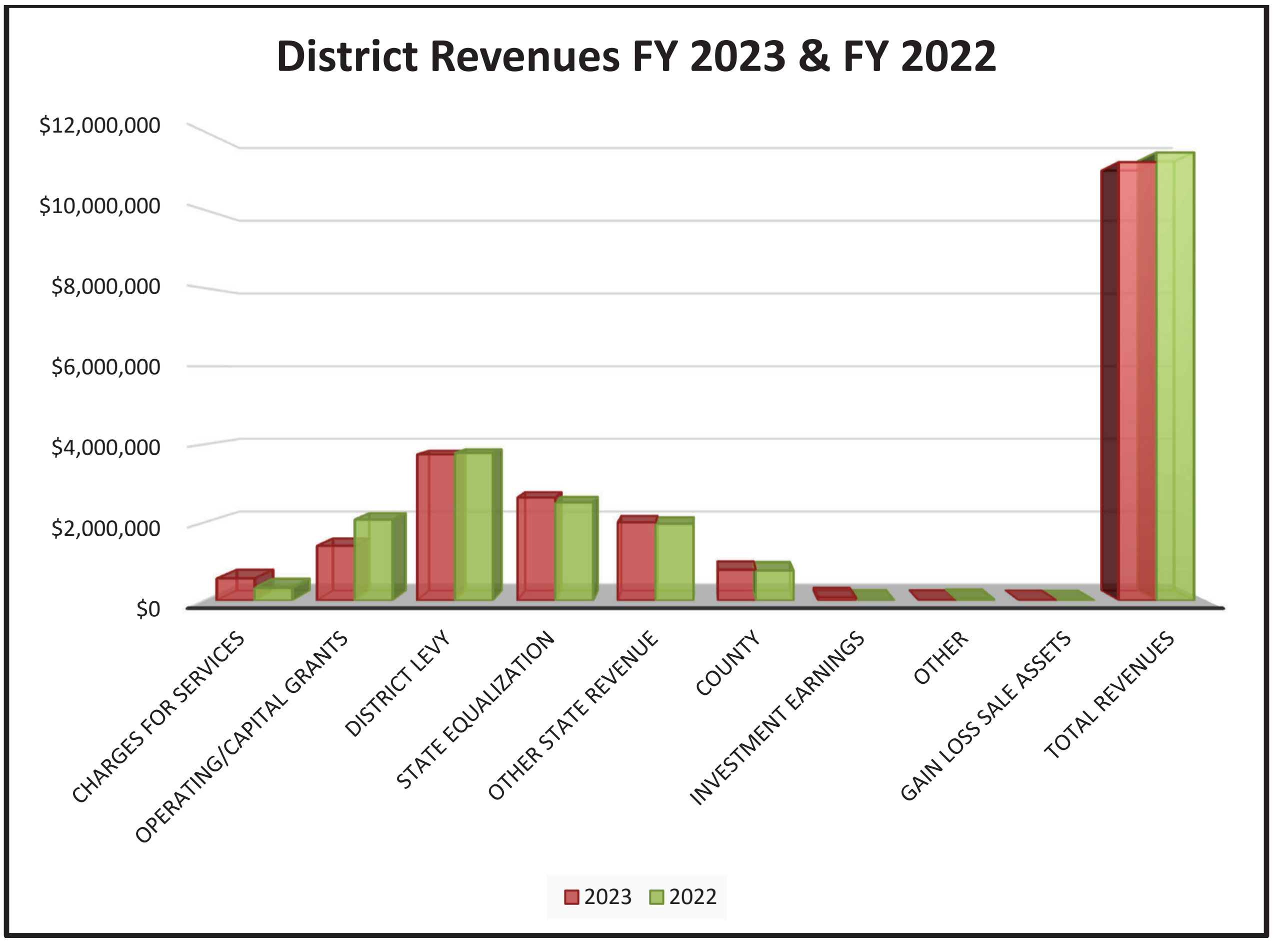




The pie graphs for district expenses listed above show the allocation of resources for specific purposes in the Manhattan Schools during FY 2022 and FY 2023. The graphs illustrate the major expenditure areas, with instruction costs accounting for 47% in FY 2022 and 46% of the district expenses in FY 2023, operation & maintenance costs accounted for 9% and 9%, unallocated depreciation costs were 7% and 7%, extracurricular costs were 4% and 6%, and administration was 12% and 12% of the total district expenses. Major changes were instruction costs down 1%, extracurricular up 2%, and student support services down 1%.

Revenue by Source – Governmental Activities

The bar graph presented below shows that the district levy was the largest source of revenue for the Manhattan District followed by state equalization and other state revenue. Major changes between FY 2023 and FY 2022 were a decrease in revenue from district levies, operating/capital grants, other revenue and total revenue. Increases occurred in charges for services, state equalization, other state revenue, county revenue, and investment revenue. Generally, since state law requires levied fund budgets to be "balanced," the changes in expenditures matched the changes in the revenues of these funds.



Financial Analysis of the Government's Funds

Fund accounting is mandated by Montana State law and is used by the Manhattan School District to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the *governmental funds* of the Manhattan School District is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the financial requirements of the school district. In particular, *unassigned fund balance* may serve as a useful measure of the net resources available for spending at the end of the year. At the beginning of FY 2023, the governmental funds of the school district reported a combined ending fund balance of $3,980,428 and at the end of FY 2023 the fund balance was $4,033,796, which was an increase of 1.3% or $53,368. Approximately 43.5% or $1,756,440 of this total amount in FY 2023 constitutes *unassigned fund balance*, which is available for spending at the discretion of the Board of Trustees. The general fund is the main operating fund of the district and includes the inter-local agreement fund along with both the high school and elementary flexibility funds for reporting purposes. At the beginning of FY 2023 the general fund had a balance of $1,754,376 and at the close of FY 2023 the balance was $1,842,638, which was an increase of $88,262 or 5%. The general fund unassigned balance was $1,756,440 for FY 2023. The total fund balances in the district increased $53,368 or 1.3% from the beginning to the end of the FY 2023 while the general fund balance increased $88,262 or 5%.

Governmental Fund Financial Statements

Fund-based financial statements, consisting of a series of statements, provide information about the government's major and non-major funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental funds balance sheet for fiscal year 2023 is comprised of major funds and all other funds. The major funds in FY 2023 were the general fund (includes elementary and high school), elementary miscellaneous programs fund, elementary debt service fund, and high school debt service fund. The other funds category includes the remainder of the governmental district funds. The governmental balance sheet for FY 2023 demonstrates that the Manhattan School District is in good financial condition. The district has cash and investments in the general fund which makes up 45.6% (was 44% in FY 2022) of the total fund balances in FY 2023. The district has liability attached to these same funds. The district fund balances would seem to be strong enough to resolve any reasonable financial situation that might occur.

Statement of Revenues, Expenditures, and Changes in Fund Balances

The statement of revenues, expenditures, and changes in fund balances presents revenue and expenditures in each of the major fund categories. The major funds in FY 2023 were the general fund (includes elementary and high school), elementary miscellaneous programs fund, elementary debt service fund, and high school debt service fund. The other funds category includes all the remaining governmental funds that the district is utilizing. State aid is the major revenue source for the district general fund category at 72.2% (was 70.8% in FY 2022) of the total revenue for the general fund followed by district levies at 26.1% (was 28% in FY 2022) in FY 2023. The major expenditure in the general fund is instruction, which makes up 56.6% (was 59% in FY 2022) of the general fund total cost. General administrative service costs along with operation and maintenance rank 2 and 3 respectively for general fund expenditures in FY 2023.

General Fund Budgetary Highlights

During FY 2023 in the general fund, the district collected $10,809 more actual revenue than the final budget for the elementary and $1,395 less for the high school. Overall, there was $9,414 more revenue, with most of the difference coming from investment revenue. District levies in the elementary collected $6,796 less revenue than budgeted and the high school was $6,207 less than budgeted. Actual expenditures in the elementary were $49,178 less than the final budget while in the high school expenditures were $76,013 less than the final budget. The overall difference from budgeted expenditures to actual expenditures was $125,191 less than expected in the final budget. The difference in actual revenue minus actual expenditures in the elementary district was a positive $11,015 and in the high school it was a positive $32,744 which resulted in a positive overall difference of $43,759. The district transferred $22,264 out of the elementary general fund and $50,415 out of the high school general fund. After the transfers and the difference of revenue minus expenditures along with changes in inventory, the high school general fund decreased $16,241 and the elementary general fund increased $2,409 for a total decrease of $13,832 in FY 2023. The final general fund balances were $507,026 in the elementary and $317,443 in the high school.

Capital Assets of the Manhattan School District

The net investment by the Manhattan School District in capital assets for governmental activities as of June 30, 2023, was $27,109,329 after depreciation was subtracted. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The investment in capital assets (after depreciation was subtracted) for the district showed a 1.6% decrease in FY 2023 mainly due to more depreciation than capital assets added. The district had $797,181 of depreciation and $160,663 of capital outlay added in FY 2023. In addition, the district made principal payments on capital asset debt of $900,000 and paid interest and other charges of $603,000. The value of the capital assets net of depreciation and debt increased 5.8% or $586,493 from $10,173,901 to $10,760,394 in FY 2023.

Government-wide and Overall Financial Position of the District for FY 2023

As noted earlier, net position may serve over time as a useful indicator of the financial position of the district. In the case of the Manhattan School District, net position increased 7.7% or $549,905 in FY (fiscal year) 2023 and was $7,670,591. Total assets in the district were down 1.1% or $348,414 while total liabilities were down .2% or $54,055. The investment in district capital assets (after depreciation is subtracted) showed a 1.6% decrease in FY 2023 mainly due to more depreciation ($797,181) than capital assets ($160,663) added. The net investment (less depreciation & debt) in capital assets of the district increased 5.8% largely due to principal payments on debt. The district made principal payments on capital asset debt of $900,000 and paid interest and other charges of $603,000. At the end of FY 2023, the district had long-term liabilities of $24,123,359 which included long-term capital obligations of $14,780,000 along with $1,568,935 premium on G.O. bonds. In addition, the district had long-term liabilities of $267,610 for compensated absences of employees, $6,366,332 for the TRS and PERS portion of pension liability, and Other Post-Employment Benefits (OPEB) of $1,140,482. The overall revenues from all sources in the district for FY 2023 were $11,220,975 which was a 2.1% decrease from FY 2022. District levy revenue was 33.4% (was 33% in FY 2022) of the total district revenue in FY 2023 while state equalization and other state revenue was 41.3% (was 39% in FY 2022). State equalization sources of revenue increased 5% or $125,454 while other state sources of revenue were up 2% or $38,532 in FY 2023. Operating/capital grant revenue was down 32.4% or $671,985 in FY 2023. District levy revenue decreased 1% or $36,920 in FY 2023 and charges for services revenue increased 74.1% or $239,991. The district expenses for FY 2023 were $10,671,070 which represents a 1.2% or $132,988 decrease from FY 2022. A large portion of the decrease was a drop of $131,270 in instructional expenses. District revenues exceeded expenses for FY 2023 by $549,905. The district had total governmental fund balances of

$4,033,796 at the end of FY 2023, which was an increase of 1.3% or $53,368 from FY 2022. The overall financial position of the Manhattan School District is good and continued to improve with an increase in net position of 7.7% during FY 2023.

Long-term Liabilities

At the end of FY 2023, the district had long-term liabilities of $24,123,359 which included long-term capital obligations of $14,780,000 along with $1,568,935 premium on G.O. bonds. In addition, the district had long-term liabilities of $267,610 for compensated absences of employees, $6,366,332 for the TRS and PERS portion of pension liability, and Other Post-Employment Benefits (OPEB) of $1,140,482.

The District's Future

The future of the district is dependent on many factors and one of the most important is student enrollment. District enrollment dropped to 722 students in the 2022-23 school year after increasing to the highest point in the last five years in the 2021-22 school year to 765 students. The elementary enrollment in the 2022-23 school year was 483 compared to the 2018-19 school year of 489, while the high school was 239 in 2022-23 and 271 in 2018-19. Gallatin County factors that seem to be influencing district enrollment is an increase in county population, but a decrease in the percentage of people 18 years of age and younger. The Gallatin County population increased 5% or 5,900 people from 2020 to 2022 while the percentage of people 18 years of age and younger decreased from 19.3% to 18.6%. During the same time period, the percentage of people aged 65 or older increased from 13.3% to 13.7% in the county. In addition, the county has a poverty level of 8.8% compared to Montana at 12.1%. The decrease in the percentage of school age children in the county would seem to indicate a decrease in enrollment, however the increase in population may offset that decrease somewhat. The district does have ongoing contracts with each of the employee groups in the district. However, during FY 2023 the district did not enter into any new agreements or contracts outside of these groups that would have an effect on the financial position of the district. The district does not have any new litigation or ongoing litigation that might impact future district finances. There are currently no other known facts, decisions, or conditions that would have a material effect on the financial position or operations of the district. Given that the district has good fund balances, more revenue than expenses, a recently completed building project for facilities, reasonable long-term capital debt, and the lack of other negative factors, the near-term future of the district finances would seem to be positive.

Requests for Information

The information and data included in this management's discussion and analysis report is designed to provide a general overview of the finances of Manhattan School District for all those with an interest in the government's finances. Questions concerning any of the information contained in this report should be addressed to the administration and business office located in Manhattan, Montana.

STROM & ASSOCIATES, P.C.
Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Manhattan School District No. 3
Gallatin County
Manhattan, Montana 59741

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan School District No. 3 (School District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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 Financial Statements section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 opinion. 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 consolidated 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those in charge of 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

GAAP requires that the Management's Discussion and Analysis (pages 3 - 12), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 46), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 47 - 53), and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 54 - 58) 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 GASB 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 GAAS, which consisted of inquiries of management about consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Funds (page 59),and the Schedule of Reported Enrollment (page 60), the Schedule of Expenditures of Federal Awards (pages 61 - 62) as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 related 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 GAAS. In our opinion, the Schedule of Revenues, Expenses, and Balances - Student Activity Funds, the Schedule of Reported Enrollment, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Other Information for General Obligation Bonds (pages 63 - 66) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance hereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023 on our consideration of the School 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 the School District's internal control over financial reporting or on compliance That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Strom & Associates, P.C.

Billings, Montana
December 28, 2023

Manhattan SD #3
Gallatin County
Manhattan, Montana 59741

STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 3,606,433
Taxes Receivable	122,668
Due from Other Governments	377,323
Other Current Assets	7
Inventories	74,096
Total Current Assets	4,180,527
Noncurrent Assets:	
Capital Assets:	
Land	1,175,943
Net Depreciable Assets	25,933,386
Total Noncurrent Assets	27,109,329
Total Assets	31,289,856
DEFERRED OUTFLOWS OF RESOURCES:	
Employer Pension Plan Related	1,193,497
Total Deferred Outflows of Resources	1,193,497
Total Assets and Deferred Outflows of Resources	$ 32,483,353
LIABILITIES:	
Current Liabilities:	
Unearned Revenue	$ 10,626
Due to Other Governments	12
Other Current Liabilities	13,425
Current Portion of Compensated Absences	50,855
Current Portion of Premium on General Obligation Bonds	121,004
Total Current Liabilities	195,922
Noncurrent Liabilities:	
Compensated Absences	216,755
Net Pension Accrual	6,366,332
Other Postemployment Benefits	1,140,482
Capital Debt Obligations	14,780,000
Premium on General Obligation Bonds	1,447,931
Total Noncurrent Liabilities	23,951,500
Total Liabilities	24,147,422
DEFERRED INFLOWS OF RESOURCES:	
Employer Pension Plan Related	665,340
Total Deferred Inflows of Resources	665,340
NET POSITION:	
Net Investment in Capital Assets	10,760,394
Restricted	2,323,818
Unrestricted (Deficit)	(5,413,621)
Total Net Position	7,670,591
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 32,483,353

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Manhattan SD #3
Gallatin County
Manhattan, Montana 59741

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
					Primary Government
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENT OPERATIONS:					
Instructional Services	$ 4,908,058	$ 25,846	$ 625,434	$ -	$ (4,256,778)
Support Services - Students	581,947	2,044	180,269	-	(399,634)
Support Services - Instructional	274,417	-	17,309	-	(257,108)
General Administrative Services	1,234,751	-	53,807	-	(1,180,944)
Operation and Maintenance Services	994,039	13,885	126,608	-	(853,546)
Transportation Services	459,095	45,895	43,744	-	(369,456)
School Food Services	365,809	138,825	132,263	-	(94,721)
Extracurricular	628,936	337,219	18,299	202,006	(71,412)
Community Services	1,000	250	-	-	(750)
Debt Service:					
Interest and Other Charges	481,995	-	-	-	(481,995)
Unallocated Depreciation Expense *	741,023	-	-	-	(741,023)
Total Governmental Operations	10,671,070	563,964	1,197,733	202,006	(8,707,367)
GENERAL REVENUES:					
District Levies					3,742,820
State Equalization					2,636,488
Other State Revenues					2,003,335
County					785,793
Interest					77,907
Other					9,390
Gain (loss) on Sale of Assets					1,539
Total General Revenues					9,257,272
Change in Net Position					549,905
NET POSITION:					
Beginning of the Year					7,120,686
End of the Year					$ 7,670,591

* Excludes depreciation included in direct expenses of the various functions

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Manhattan SD #3
Gallatin County
Manhattan, Montana 59741

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	MAJOR					
	General	Miscellaneous Programs (Elem)	Debt Service (Elem)	Debt Service (HS)	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	$ 1,771,051	$ 625,059	$ 13,297	$ 3,245	$ 1,193,781	$ 3,606,433
Taxes Receivable	55,399	-	18,513	27,396	21,360	122,668
Due from Other Governments	6,821	62,647	1,540	1,535	304,780	377,323
Other Current Assets	-	-	-	-	7	7
Inventories	65,391	-	-	-	8,705	74,096
Total Assets	1,898,662	687,706	33,350	32,176	1,528,633	4,180,527
DEFERRED OUTFLOWS OF RESOURCES:						
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 1,898,662	$ 687,706	$ 33,350	$ 32,176	$ 1,528,633	$ 4,180,527
LIABILITIES:						
Current Liabilities:						
Unearned Revenue	$ -	$ -	$ -	$ -	$ 10,626	$ 10,626
Due to Other Governments	-	-	-	-	12	12
Other Current Liabilities	625	-	-	-	12,800	13,425
Total Liabilities	625	-	-	-	23,438	24,063
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Property Taxes Receivable	55,399	-	18,513	27,396	21,360	122,668
Total Deferred Inflows of Resources	55,399	-	18,513	27,396	21,360	122,668
FUND BALANCE (DEFICITS):						
Nonspendable	65,391	-	-	-	8,705	74,096
Restricted	-	687,706	14,837	4,780	1,475,130	2,182,453
Assigned	20,807	-	-	-	-	20,807
Unassigned	1,756,440	-	-	-	-	1,756,440
Total Fund Balance	1,842,638	687,706	14,837	4,780	1,483,835	4,033,796
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,898,662	$ 687,706	$ 33,350	$ 32,176	$ 1,528,633	$ 4,180,527

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balance Reported Above	$ 4,033,796
Unavailable Property Taxes Receivable	122,668
Governmental Capital Assets	27,109,329
Employer Pension Plan Related	1,193,497
Liabilities:	
Compensated Absences	(267,610)
Net Pension Accrual	(6,366,332)
Other Postemployment Benefits	(1,140,482)
Capital Debt Obligations	(14,780,000)
Premium on General Obligation Bonds	(1,568,935)
Employer Pension Plan Related	(665,340)
Net Position of Governmental Activities	$ 7,670,591

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Manhattan SD #3
Gallatin County
Manhattan, Montana 59741

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	MAJOR					
	General	Miscellaneous Programs (Elem)	Debt Service (Elem)	Debt Service (HS)	Other Governmental Funds	Total Governmental Funds
REVENUES:						
District Levies	$ 1,653,287	$ -	$ 540,251	$ 846,053	$ 636,942	$ 3,676,533
Interest	46,433	-	3,931	5,602	21,941	77,907
Charges for Services	58,438	3,996	-	-	526,693	589,127
Other	80	41,646	-	-	833	42,559
County	-	-	-	-	822,864	822,864
State	4,566,707	40,179	13,863	7,979	122,146	4,750,874
Federal	-	540,275	-	-	169,606	709,881
Total Revenues	6,324,945	626,096	558,045	859,634	2,301,025	10,669,745
EXPENDITURES:						
Current:						
Instructional Services	3,532,671	319,405	-	-	734,963	4,587,039
Support Services - Students	338,365	149,154	-	-	66,440	553,959
Support Services - Instructional	213,083	7,974	-	-	37,597	258,654
General Administrative Services	967,716	10,228	-	-	194,059	1,172,003
Operation and Maintenance Services	859,444	66,012	-	-	43,068	968,524
Transportation Services	44,552	-	-	-	392,958	437,510
School Food Services	-	-	-	-	368,895	368,895
Extracurricular	283,173	5,215	-	-	318,281	606,669
Community Services	-	-	-	-	1,000	1,000
Debt Service:						
Principal	-	-	360,000	540,000	-	900,000
Interest and Other Charges	-	-	233,250	369,750	-	603,000
Capital Outlay	-	30,000	-	-	130,663	160,663
Total Expenditures	6,239,004	587,988	593,250	909,750	2,287,924	10,617,916
Excess (Deficiency) of Revenues Over Expenditures	85,941	38,108	(35,205)	(50,116)	13,101	51,829
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets	-	-	-	-	1,539	1,539
Fund Transfers In	2,736	-	-	-	415	3,151
Fund Transfers (Out)	(415)	-	-	-	(2,736)	(3,151)
Total Other Financial Sources (Uses)	2,321	-	-	-	(782)	1,539
Net Change in Fund Balance	88,262	38,108	(35,205)	(50,116)	12,319	53,368
FUND BALANCE:						
Beginning of the Year	1,754,376	649,598	50,042	54,896	1,471,516	3,980,428
End of the Year	$ 1,842,638	$ 687,706	$ 14,837	$ 4,780	$ 1,483,835	$ 4,033,796

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Manhattan SD #3
Gallatin County
Manhattan, Montana 59741

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net Changes in Fund Balance		$ 53,368
Revenues on the Statement of Activities not Included in Governmental Funds Statement:		
Capital Contributions	202,006	
Increase (Decrease) in Taxes Receivable	66,287	
State Pension Aid	281,398	549,691
Revenues Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Sale of Capital Assets	1,539	(1,539)
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:		
Depreciation Expense	(797,181)	
Actuarial Pension Expense	(455,195)	
Premium on Bonds	121,005	
(Increase) Decrease in Compensated Absence Liability	17,554	(1,113,817)
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Capital Outlays	160,663	
Gain (Loss) on Sale of Assets	1,539	
Principal Payments on Debt	900,000	1,062,202
Change in net Position Reported on the Statement of Activities		$ 549,905

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Manhattan SD #3
Gallatin County
Manhattan, Montana 59741

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	Custodial Funds
	Aggregate Other Custodial Funds
ASSETS:	
Current Assets:	
Total Assets	$ -
LIABILITIES:	
Current Liabilities:	
Total Liabilities	-
NET POSITION:	
Restricted For:	
Total Net Position	$ -

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2023

	Custodial Funds
	Aggregate Other Custodial Funds
ADDITIONS:	
Contributions from Individuals and Organizations	$ 45,512
Total Additions	45,512
DEDUCTIONS:	
Distributions to Individuals and Organizations	45,512
Total Deductions	45,512
Change in Net Position	-
NET POSITION:	
Beginning of the Year	-
End of the Year	$ -

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of the Manhattan School District No. 3 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana (Montana), which conforms to Generally Accepted Accounting Principles (GAAP), as applied to governmental units. The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

At the end of fiscal year 2023, the School District adopted the following GASB Statements:

- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement establishes standards of accounting and financial reporting for subscription-based information technology arrangements by a government end user (a government). At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.

- GASB Statement No. 99 – *OMNIBUS 2022*. This Statement provided for the following, which ***have not*** been implemented:

    - Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
        - The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.
    - Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
    - Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership term and (b) recognition and measurement of installment payments and the transfer of the underlying public-private and public-public partnership asset.
    - Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
        - The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.

The following is a listing of GASB Statements which have been issued and the School District's assessment of effects to the financial statements when implemented.

- GASB Statement No. 100 – *Accounting Changes And Error Corrections – An Amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.

- GASB Statement No. 101 – *Compensated Absences.* This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.

Services Provided: The School District consists of two legally separate entities: an Elementary District which provides education for kindergarten through eighth grade and a High School District which provides education for ninth through twelfth grade. For financial reporting purposes, the two school districts are combined because they are controlled by the same central Board of Trustees and managed by the same administration. The Board of Trustees is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity, so the elementary and high school General funds are combined in the accompanying financial statements.

Incorporation: The School District was incorporated under the laws of Montana and as required by GAAP, the financial statements of the reporting entity include those of the School District (the primary government) and any component units. The criteria for including organizations as component units within the School District's reporting entity are set forth in Section 2100 of the *GASB Codification of Government Accounting and Financial Reporting Standards*. The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria, the School District has no material component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the *Statement of Net Position* and the *Statement of Activities*. The governmental activities column incorporates data from governmental funds (primary government). Separate financial statements are provided for governmental funds.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting and generally include the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The *Statement of Activities* reports the direct expenses of a given governmental function offset by program revenues directly connected with the functional program. Direct expenses are those that are specifically associated with a function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and
- Operating grants that are restricted to a particular function.

Property taxes, investment earnings, state entitlement payments, and other revenue sources not properly included with program revenue are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-supporting or drawing from general revenues.

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Separate statements for each fund category – governmental – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Custodial funds and funds held in trusts are used to account for resources held for the benefit of parties outside of the School District and are reported as fiduciary funds. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period – collections that occur after June 30 are generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent the related expenditures were made under the provisions of the grant. When such funds are received before the expenditure was incurred, they are recorded as unearned grant revenues. All other revenue items are considered to be measurable and available only when cash is received by the School District.

Fiduciary fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. For fiduciary activities, a liability to the beneficiaries of a fiduciary activity should be recognized when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. For example, a liability is recognized when tax collections for other governments occurs, even though it may not be required to distribute the taxes to those governments until a specified time in the future.

Major fund determination – GASB Statement No. 34 requires the General fund be reported as a major fund and that only one General fund be reported. As such, the elementary and high school General funds have been combined and are reported as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (e.g., total governmental funds).

The School District reports the following major governmental funds:

- General Fund – The General fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements, the General fund also includes the activities of the following funds since the restrictions on those funds are similar to the General fund:
    - high school Interlocal Agreement fund, and
    - Elementary and high school Flexibility funds

- High School Food Service Fund – This fund is used to account for the food service function of the School District.

- Elementary Miscellaneous Programs Fund – This fund is used to account for local, state, and federal grants and reimbursements. Also, donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.

- High School Debt Service Fund – This fund is a debt service fund established to account for the financing needs of the School District to pay interest and principal on outstanding bonds.

- High School Building Fund – This fund is a capital projects fund established to account for the proceeds of bonds sold for the purposes of building, altering, repairing, buying, furnishing, equipping, purchasing lands for, or obtaining a water supply for a school, teacherage, dormitory, gymnasium, other building, or combination of buildings for school purposes. The fund is also used to account for insurance proceeds for damaged property or the sale or rental of property.

1. b. 3. OTHER FUND TYPES

- Custodial Funds report resources, not in a trust, which are held by the School District for other parties outside of the School District's reporting entity. The following custodial funds are maintained by the School District.

  - Aggregate Other Custodial Funds – These funds account for the assets held, revenues received, and expenses of other governments, individuals, or organizations.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Allowable Depositories – Cash includes amounts in demand deposits, as well as short-term investments as authorized by Montana statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in:

- United States government treasury bills, notes, or bonds.
- Certain United States treasury obligations.
- United States government security money market fund, if investments consist of those listed above.
- Time or savings deposits with a bank or credit union which is Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association insured.
- Repurchase agreements as authorized by MCA.
- State of Montana Short-Term Investment Pool (STIP).

Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Clearing Funds – Warrants written but not redeemed are reported in the School District's payroll and claims clearing funds. However, for financial reporting purposes, these are treated as cash reconciling items. Cash in the accounting system is held for warrants which were written but have not been paid by the Gallatin County (County) Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) directs the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

County Investment Pool Collateral – Information regarding the collateral and security for cash held by the County is not available to the School District. However, Montana statutes require United States government securities be held as collateral to secure deposits of public funds in excess of FDIC insurance. The external investment pool is audited as part of the County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission.

1. c. 2. TAXES

Property Tax Levies – Property tax levies are set in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the School District. Taxable values are established by the Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Collections – Property taxes are collected by the County Treasurer, who credits to the School District funds its respective share of the collections. Tax levies are collectible in two installments, which become delinquent after November 30 and May 31. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction.

Delinquency – Unpaid property taxes are liens on the property being taxed. Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent. The School District receives its share of the sale proceeds of any such auction.

1. c. 3. RECEIVABLES

Accounts receivable represent amounts the School District expects to receive for providing goods or services delivered or used but not yet paid for by customers or amounts due from governmental agencies for costs incurred but not yet reimbursed. All receivables are current and therefore due within one year. Generally, an allowance account is not maintained by the School District and the amount estimated uncollectible is considered immaterial.

1. c. 4. INVENTORIES

Materials, food inventory, and supplies inventory are carried in an inventory account at average cost and are subsequently charged to expenditures when consumed (using the consumption method) rather than when purchased.

1. c. 5. CAPITAL ASSETS

The School District's property, plant, and equipment are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established when the capital assets were initially recorded by determining the actual cost or estimating the cost using standard costing procedures. The School District considers capital assets to be items with a historical cost in excess of $5,000 and with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method. Land and construction in progress are not depreciated. The useful life of depreciable assets has been estimated as follows:

Capital Asset Classes	Useful Life
Buildings	7 – 50 years
Improvements Other than Buildings	20 years
Machinery and Equipment	3 – 20 years

1. c. 6. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the Statement of Financial Position reports a separate section for Deferred Outflows of Resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (e.g., expense/expenditure) until that time.

In addition to liabilities, the Statement of Financial Position reports a separate section for Deferred Inflows of Resources. This separate financial statement element represents an increase to net position that applies to a future period(s) and, as such, will not be recognized as an inflow of resources (e.g., revenue) until that time.

Pension Liability – Deferred Outflows and Inflows – The School District recognizes a net pension liability for each qualified pension plan in which it participates. Changes in the net pension liability during the fiscal year are recorded as pension expense, deferred inflows of resources, or deferred outflows of resources depending on the nature of the change and the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

Property Taxes – Deferred Inflows – The School District reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund Balance Sheet, they are reported as unavailable from property taxes receivable.

Lease Related – Deferred Inflows – The School District recognizes a lease related receivable and a deferred inflow when the right to use the underlying nonfinancial asset is transferred to a lessee upon execution of a long-term lease.

1. c. 7. LEASE RELATED ACTIVITIES

In accordance with stipulations set out in GASB No. 87, the School District considers leases that meet certain criteria as an exchange of the right to use an underlying nonfinancial asset (e.g., vehicle, building, land, office space). For such qualifying leases, when material, at commencement of the lease term:

- School District as Lessor – The School District recognizes a lease receivable and a deferred inflow of resources on its government-wide financial statements. The School District initially measures these elements at the present value of the payments expected to be made during the lease term. The receivable is amortized, and the deferred inflow is recognized as the lease payments are made over the lease term.
    - The lessor retains ownership of the underlying asset and continues to report it as a capital asset net of accumulated depreciation in the School District's financial statement during the lease term.
- School District as Lessee – The School District recognizes an intangible right-to-use lease asset and a lease liability on its government-wide financial statements and a capital outlay and other revenue on its governmental funds financial statements. The School District measures these items at the commencement of the lease at the present value of the payments expected to be made during the lease term. The lease liability is amortized over the lease term and the right-to-use lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

1. c. 8. VACATION AND SICK LEAVE

Vacation Leave – Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. Excess vacation time is not forfeited if taken within 90 calendar days from the last day of the calendar year in which the excess was accrued, unless management ensures the employee will use the excess vacation leave before the end of the calendar year in which the leave would have been forfeited. At termination, employees are paid for any accumulated vacation leave at the current rate of pay.

Sick Leave – Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. At termination, 25% of accumulated sick leave is paid at the employee's current rate of pay.

Certified Employee Staff – Certified (Teacher) School District employees shall earn discretionary leave at the rate of twelve days for each year of service. Any portion of the Teacher's annual discretionary leave allotment that is unused will be credited to the Teacher as accumulated sick leave to be used for sick leave purposes the following school year. Sick leave is accumulative up to, but not beyond, 100 days, in addition to the twelve discretionary days granted each year. When a Teacher resigns, retires, loses a position due to a reduction in force, or dies, the Teacher (or the Teacher's named beneficiary or estate) shall be entitled to a cash payment equaling one fifth (1/5) of the Teacher's accumulated sick leave, based on the daily rate of the final year's teaching contract.

Reporting – Liabilities incurred because of unused vacation and sick leave are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds. Expenses are accrued when earned on the *Statement of Activities*. At June 30, 2023, the amount expected to be paid within one year related to governmental activities amounted to $50,855 and is generally paid out of the General fund.

1. c. 9. NET POSITION AND FUND BALANCE

The *Statement of Net Position* includes the following:

- Net Investment in Capital Assets – This component of net position is comprised of the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.

- Restricted – This component of net position is restricted externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted – This component of net position is the difference between assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

- Non-spendable – This balance includes amounts that cannot be spent either because they are not in a spendable form or because of legal or contractual constraints.

- Restricted – This balance includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

- Assigned – This balance includes amounts management has set aside for a specific purpose. This includes the execution of a purchase order for a specific purpose such as an encumbrance.

- Unassigned – This balance includes amounts that are available for any purpose. These amounts are reported only in the General fund.

At June 30, 2023, fund balance components other than unassigned fund balance were as follows:

Purpose	Non-spendable	Restricted	Assigned
Instructional and Support Services	$ 65,391	$ 72,038	$ 20,807
Student Transportation	0	132,281	0
Extracurricular	0	241,961	0
School Food	8,705	18,153	0
Third Party Grantor Restrictions	0	706,325	0
Employer Retirement Benefits	0	411,808	0
Future Technology	0	107,103	0
Future Capital Costs	0	473,167	0
Debt Service	0	19,617	0
Totals	$ 74,096	$ 2,182,453	$ 20,807

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the School District considers restricted funds to have been spent first. When expenditures are incurred and assigned or unassigned fund balances are available, the School District considers amounts to have been spent first out of assigned and then unassigned funds as needed, unless the Board of Trustees has provided otherwise.

1. d. OTHER

1. d. 1. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. d. 2. COUNTY PROVIDED SERVICES

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2023, cash and cash equivalents for governmental activities were as follows:

	Governmental Activities
Cash and Cash Equivalents	$ 3,606,433

The carrying amounts of cash on hand, deposits, and investments at June 30, 2023 were as follows:

Account Type	Amount
Cash on Hand	$ 5,200
Demand Accounts	249,804
County Investment Pool	3,351,429
Total	$ 3,606,433

County Investment Pool – Cash resources of the School District are held and managed by the County Treasurer pursuant to Montana law. They are combined with cash resources of other governmental entities within the County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of STIP, certificate of deposits, and government securities, and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in the state law but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, full risk classifications are available in the County's annual report. There is no known maturity and credit rating of the County investment pool.

Custodial Credit Risk – Deposits – The cash of the extracurricular funds was held separately by the School District and, consequently, the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At June 30, 2023, the deposits in the extracurricular funds were fully covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2022, upon which the levy for the 2023 fiscal year was based, amounted to $11,574,299 for the Elementary School District and $17,658,324 for the High School District. The tax rates assessed for the year ended June 30, 2023 to finance School District operations and applicable taxes receivable for the elementary and high schools were as follows:

Fund	Mill Levies	Taxes Receivable
Governmental Funds		
Elementary		
General *	89.44	$ 35,203
Transportation	19.74	7,748
Tuition	10.59	4,144
Technology	1.60	630
Debt Service *	46.93	18,513
Building Reserve	2.48	1,009
High School		
General *	35.74	20,196
Transportation	9.03	5,076
Bus Depreciation	1.13	634
Tuition	1.08	618
Adult Education	0.00	8
Technology	1.39	785
Debt Service *	48.41	27,396
Building Reserve	1.20	708
Totals	268.76	$ 122,668

* Denotes Major Fund

Property taxes assessed may be paid under protest and held by the County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax. Money paid under protest is accounted for by the County in a protested tax fiduciary fund until the final determination. The amount reported above includes $152 of taxes paid under protest.

NOTE 4. OTHER ASSETS

4. a. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the School District for costs incurred but not reimbursed by third party governments. The amounts due from other governments as of June 30, 2023 were as follows:

Fund	Amount	Due From	Reason
Elementary			
General *	$ 3,529	Gallatin County	Interest Earnings
Transportation	11,119	Gallatin County	County Transportation
Transportation	119	Gallatin County	Interest Earnings
Retirement	158,890	Gallatin County	County Retirement
Retirement	362	Gallatin County	Interest Earnings
Miscellaneous Programs *	5,889	State of Montana	Medicaid Grant Fund Reimbursement
Miscellaneous Programs *	56,759	State of Montana	Title I Grant Fund Reimbursement
Compensated Absences	42	Gallatin County	Interest Earnings
Technology	103	Gallatin County	Interest Earnings
Flexibility	16	Gallatin County	Interest Earnings
Debt Service *	500	US Bank	Overpayment of Bond Agent Fees
Debt Service *	1,040	Gallatin County	Interest Earnings
Building Reserve	594	Gallatin County	Interest Earnings
High School			
General *	1,227	Gallatin County	Interest Earnings
Transportation	7,727	Gallatin County	County Transportation
Transportation	66	Gallatin County	Interest Earnings
Bus Depreciation	134	Gallatin County	Interest Earnings
School Food Service	97	Gallatin County	Interest Earnings
Tuition	3	Gallatin County	Interest Earnings
Retirement	115,692	Gallatin County	County Retirement
Retirement	329	Gallatin County	Interest Earnings
Miscellaneous Programs	1,250	State of Montana	Pre-Employment Transition Services Grant Fund Reimbursement
Adult Education	43	Gallatin County	Interest Earnings
Traffic Education	7,625	Gallatin County	Traffic Education Reimbursement
Traffic Education	96	Gallatin County	Interest Earnings
Compensated Absences	25	Gallatin County	Interest Earnings
Technology	135	Gallatin County	Interest Earnings
Flexibility	23	Gallatin County	Interest Earnings
Debt Service *	1,535	Gallatin County	Interest Earnings
Building	80	Gallatin County	Interest Earnings
Building Reserve	235	Gallatin County	Interest Earnings
Private Purpose	13	Gallatin County	Interest Earnings
Interlocal Agreement *	2,026	Gallatin County	Interest Earnings
Total	$ 377,323		

* Denotes Major Fund

4. b. INVENTORIES

The School District reported inventories at June 30, 2023 as follows:

Fund	Amount	Description
Elementary		
General *	$ 48,128	Materials and Supplies
High School		
General *	17,263	Materials and Supplies
School Food Services	8,705	Food Inventory
Total	$ 74,096	

* Denotes Major Fund

NOTE 5. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS

The schedule of changes in general capital assets for the year ended June 30, 2023 follows:

Governmental Activities	Balance July 1, 2022	Additions	Balance June 30, 2023
Non-depreciable Assets:			
Land	$ 1,175,943	$ 0	$ 1,175,943
Depreciable Assets:			
Buildings	32,727,946	130,663	32,858,609
Improvements Other than Buildings	532,480	232,006	764,486
Machinery and Equipment	879,125	0	879,125
Total Depreciable Assets	34,139,551	362,669	34,502,220
Accumulated Depreciation:			
Buildings	(6,841,125)	(716,856)	(7,557,981)
Improvements Other than Buildings	(335,443)	(24,167)	(359,610)
Machinery and Equipment	(595,085)	(56,158)	(651,243)
Total Accumulated Depreciation	(7,771,653)	(797,181)	(8,568,834)
Net Depreciable Assets	26,367,898	(434,512)	25,933,386
Net General Capital Assets	$ 27,543,841	$ (434,512)	$ 27,109,329

Depreciation expense charged to governmental functions was as follows:

Function	Amount
Instructional Services	$ 19,096
Operation and Maintenance Services	13,051
Transportation Services	21,585
School Food Services	1,500
Extracurricular	926
Unallocated	741,023
Total Depreciation Expense	$ 797,181

NOTE 6. CURRENT LIABILITIES

Current liabilities represent amounts due to creditors, suppliers, or others within a period of time less than one year.

6. a. UNEARNED REVENUES

Fund	Amount	Purpose
High School		
School Food Services	$ 10,626	Prepaid Lunches

Unearned revenue, sometimes referred to as deferred revenue, is payment received by the School District from a nonexchange transaction for which not all applicable eligibility requirements have been met. Once the eligibility criteria have been met, the revenues and expenditure/expenses will be recognized.

NOTE 7. LONG-TERM DEBT

7. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2023 follows:

Governmental Activities	Balance July 1, 2022	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2023	Due within One Year
Bonds and Notes Payable:					
General Obligation (GO) Bonds	$ 15,680,000	$ 0	$ (900,000)	$ 14,780,000	$ 0
Premium on GO Bonds	1,689,940	0	(121,005)	1,568,935	121,004
Total Bonds and Notes Payable	17,369,940	0	(1,021,005)	16,348,935	121,004
Other Liabilities:					
Compensated Absences	285,164	0	(17,554)	267,610	50,855
Accrued Pension	5,390,991	975,341	0	6,366,332	0
Other Postemployment Benefits	1,140,482	0	0	1,140,482	0
Total Other Liabilities	6,816,637	975,341	(17,554)	7,774,424	50,855
Total Governmental Activities - Long-term Debt	$ 24,186,577	$ 975,341	$ (1,038,559)	$ 24,123,359	$ 171,859

7. a. 1 GENERAL OBLIGATION BONDS

The School District issued GO bonds in prior years for the acquisition and construction of capital facilities. GO bonds are direct obligations of and pledge the full faith and credit of the School District. These bonds were issued for the terms and payment schedules as follows:

Description	Issue Date	Interest Rate	Term	Maturity Date	Amount Issued	Outstanding June 30, 2023 Bond Principle	Outstanding June 30, 2023 Unamortized Premium
Elementary – School Building GO Bonds:							
Series 2012	4/26/2012	2 – 3%	20 years	7/1/2032	$ 975,000	$ 500,000	$ 6,583
Series 2016	9/22/2016	2 – 4%	20 years	7/1/2036	7,300,000	5,240,000	631,939
High School – School Building GO Bonds:							
Series 2016	9/22/2016	2 – 4%	20 years	7/1/2036	8,825,000	6,320,000	0
Series 2017	1/4/2017	3 – 4%	20 years	7/1/2036	3,575,000	2,720,000	930,413
					$ 20,675,000	$ 14,780,000	$ 1,568,935

Debt service requirements to maturity for principal and interest for all bonded long-term obligations were as follows:

For the year ended June 30:	Principal	Interest	Premium *
2024	$ 0	$ 287,000	$ 121,004
2025	920,000	560,200	121,004
2026	940,000	528,700	121,004
2027	980,000	492,550	121,004
2028	1,025,000	453,875	121,005
2029-2033	5,735,000	1,619,875	603,373
2034-2037	5,180,000	424,800	360,541
Totals	$14,780,000	$4,367,000	$1,568,935

*The School District GO bonds were issued with a reoffering premium. The reoffering premium is a part of the cost of issuing GO bonds and will be amortized in equal installments over the life of the GO bonds.

NOTE 8. DEFERRED INFLOWS OF RESOURCES

The School District reported deferred property taxes at June 30, 2023 as follows:

Fund	Amount	Reason
Governmental Funds		
Elementary		
General *	$ 35,203	Taxes Receivable
Transportation	7,748	Taxes Receivable
Tuition	4,144	Taxes Receivable
Technology	630	Taxes Receivable
Debt Service	18,513	Taxes Receivable
Building Reserve	1,009	Taxes Receivable
High School		
General *	20,196	Taxes Receivable
Transportation	5,076	Taxes Receivable
Bus Depreciation	634	Taxes Receivable
Tuition	618	Taxes Receivable
Adult Education	8	Taxes Receivable
Technology	785	Taxes Receivable
Debt Service *	27,396	Taxes Receivable
Building Reserve	708	Taxes Receivable
Totals	$ 122,668	

* Denotes Major Fund

NOTE 9. INTERFUND OPERATING TRANSFERS

The School District recorded interfund transfers during the year ended June 30, 2023 as follows:

Operating Fund - In	Amount	Operating Fund - Out	Purpose
General (Elem) *	$ 2,736	Compensated Absences (Elem)	Comp Abs Transfer-Comply with MCA
Compensated Absences (HS)	415	General (HS) *	Comp Abs Transfer-Comply with MCA
Interlocal Agreement *	50,000	General (HS) *	Interlocal Agreement Fund Transfer
Interlocal Agreement *	25,000	General (Elem) *	Interlocal Agreement Fund Transfer
Subtotal	78,151		
Less Internal Transactions **	(75,000)		
Total	$ 3,151		

* Denotes Major Fund
** The elementary and high school General funds and Interlocal Agreement fund are consolidated for financial reporting purposes. As such, the internal transactions described above were eliminated.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

10. a. PLAN DESCRIPTION

The School District provides its retiring employees with at least five years of service and who are at least 50 years of age, along with their eligible spouses and dependents, the option to continue participating in the School District group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit OPEB plan.

10. b. FUNDING POLICY

The School District pays OPEB liabilities on a pay as you go basis. A trust fund for future liabilities has not been established.

10. c. BENEFITS PROVIDED

The School District provides healthcare benefits for retirees and their dependents. The School District provides the same health care plan to all of its members. Retirees are required to pay 100% of the health insurance premium to retain the healthcare benefits. The School District covers 100% of the premiums for active employees.

10. d. EMPLOYEES COVERED BY BENEFIT TERMS

At as of June 30, 2022, the measurement date, the following employees were covered by the benefit terms:

Active employees	87
Inactive employees (may include spouses)	5

10. e. TOTAL OPEB LIABILITY

The School District's total OPEB liability amounted to $1,140,482 at June 30, 2023. The liability was measured as of June 30, 2022 and was determined by an Alternative Measurement Method valuation as of that date.

10. f. ASSUMPTIONS AND OTHER INPUTS

The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an Actuarial valuation to determine the OPEB liability.

Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

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

Average salary increases	1.78%
Discount rate	3.30%
Retiree's share of benefit related costs	100.00%
Healthcare cost trend rate	5.00%

10. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance July 1, 2022	$ 1,140,482
Changes for the Year*	0
Balance June 30, 2023	$ 1,140,482

* GASB No. 75 requires an actuarial valuation or calculation using the specified Alternative Measurement Method valuation of the total OPEB liability to be performed at least once every two years and roll forward procedures on the off years. The OPEB liability was measured as of June 30, 2022. No update procedures were used to roll forward the total pension liability to the measurement date. Therefore, normal costs and benefits payments net to zero which results in no change in the OPEB liability.

10. h. SENSITIVITY ANALYSIS

The following illustrates the estimated effect on the School District's OPEB liability if the *discount rate* and *healthcare cost trend rate* were 1% lower or 1% higher than the current discount rate and healthcare cost trend rate:

	Discount Rate *(3.30%)*		
	1.0% Decrease	**Current**	**1.0% Increase**
Total OPEB Liability	$ 1,391,482	$ 1,140,482	$ 943,985

	Healthcare Cost Trend Rate (5.00%)		
	1.0% Decrease	**Current**	**1.0% Increase**
Total OPEB Liability	$ 925,602	$ 1,140,482	$ 1,417,199

10. i. OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2023, the School District reported $0 in expense related to OPEB.

On June 30, 2023, the School District did not report deferred outflows or inflows of resources associated with the OPEB liability as no differences between expected and actual experience are determined using the Alternative Measurement Method valuation.

NOTE 11. ENCUMBRANCES

An encumbrance is a portion of a budget set aside for spending the current year budget authority. Like the budget itself, an encumbrance is a projection and not yet an account payable or other liability of the School District. When it comes time to pay necessary encumbered funds, the encumbrance disappears in that amount and becomes an actual expenditure of School District.

The School District's encumbrance policy is for fiscal year-end encumbrances exceeding $1,000 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

Fund	Amount
Elementary	
General *	$ 3,522
High School	
General *	17,285
Total	$ 20,807

* Denotes Major Fund

NOTE 12. RISK MANAGEMENT

The School District is exposed to distinct types of risk of loss, including:

- Damage to and loss of property and contents
- Employee torts
- Professional liability, e.g., errors and omissions
- Environmental damage
- Workers' compensation, e.g., employee injuries
- Medical insurance costs of employees

Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers' compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days notice at any time. The School District has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

NOTE 13. EMPLOYEE RETIREMENT SYSTEM

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The plans are established under Montana law and are administered by the State. The School District participates in the following Montana administered retirement plans:

- The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides and
- The Public Employee Retirement System (PERS) covers nonteaching employees.

The plans issue publicly available annual reports, stand-alone financial statements, actuarial valuations, experience studies, and plan audited financial statements. Those reports may be obtained from the following:

Teachers' Retirement System	**Montana Public Employee Retirement Administration**
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	100 N. Park Avenue Suite 200
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154
www.trs.mt.gov	www.mpera.mt.gov

13. a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) and the TRS prepare their 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, and information about the fiduciary net position and additions to and deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and TRS. For this purpose, 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 when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

Investments are reported at fair value. MPERA and TRS adhere to all applicable GASB statements.

13. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM

The PERS - Defined Benefit Retirement Plan (Defined Benefit plan), administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945 and is governed by Title 19, chapters 2 & 3, MCA. This plan covers the state, local governments, certain employees of the Montana University System, and school districts.

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

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

13. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

Service Retirement:

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

Early Retirement:

- Hired prior to July 1, 2011:

(actuarially reduced)

    - 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)

- Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
    - A 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 January immediately following the second retirement.
- Retire before January 1, 2016 and accumulate at least 2 years additional service credit:
    - A recalculated retirement benefit based on provision in effect after the initial retirement; and
    - GABA starts on the recalculation benefit in the January after receiving the new benefit for 12 months.
- Retire on or after January 1, 2016 and accumulate 5 or more years additional 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.

Vesting: 5 years of membership service

Member's Highest Average Compensation (HAC):

- Hired prior to July 1, 2011:
    - HAC during any consecutive 36 months.
- Hired on or after July 1, 2011:
    - HAC during any consecutive 60 months.

Compensation Cap:

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

Monthly Benefit Formula:

- Hired prior to July 1, 2011:
    - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
    - 25 years of membership service or more - 2% of HAC per year of service credit.
- 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; or
    - 30 years or more of membership service - 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment:

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

- 3% for members hired **prior** to July 1, 2007
- 1.5% for members hired **between** July 1, 2007 and June 30, 2013
- Members hired on or **after** July 1, 2013:
    - 1.5% for each year PERS is funded at or above 90%;
    - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
    - 0% whenever the amortization period for PERS is 40 years or more.

13. b. 2. OVERVIEW OF CONTRIBUTIONS

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

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.

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

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

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

3. Non-Employer Contributions:
   a. 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.
      i. The State contributed 0.10% 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 amounting to $34,633,570.

13. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2022 was determined by taking the results of the June 30, 2022 actuarial valuation and applying standard roll forward procedures. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following:

- Investment Return (net of admin expenses) 7.30%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0.00% to 4.80%
- Postretirement Benefit Increases:
  - GABA. After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of all other adjustments to the member's benefit:
    - 3% for members hired prior to July 1, 2007

    - 1.5% for members hired between July 1, 2007 and June 30, 2013
    - Members hired on or after July 1, 2013:
        - 1.5% for each year PERS is funded at or above 90%;
        - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
        - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality
    - *Mortality among contributing members* -PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.

    - *Mortality among disabled members* - PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.

    - *Mortality among beneficiaries* - 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.

    - *Mortality among 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.

13. b. 4. 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.

13. b. 5. 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

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

13. c. TEACHERS' RETIREMENT SYSTEM

TRS 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, MCA, and administrative rules set forth in Title 2, Chapter 44 of the Administrative Rules of Montana.

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

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. The GABA for Tier Two members may vary from 0.5% to 1.5% each year 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.

13. c. 2. OVERVIEW OF CONTRIBUTIONS

TRS (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 table below shows the legislated contribution rates for TRS members, employers, and the State.

	Members	**Employers**	**General fund**	**Total employee and 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%

13. c. 3. ACTUARIAL ASSUMPTIONS

The TPL 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 TPL. 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: (includes 3.50% general wage increase assumption)
- 3.50% to 9.00% for Non-University members
- 4.25% for University members

Investment Return:
- 7.30%

Price Inflation:
- 2.75%

Postretirement Benefit Increases:
- Tier One. If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
- Tier Two. 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 provision of the increase is not projected to cause the funded ratio to be less than 85%.

Mortality:
- *Mortality among contributing members* - PUB-2010 General Employee mortality projected to 2021. Projected generationally using MP-2021.
- *Mortality among service retired members* - PUB-2010 Retiree mortality projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021.
- *Mortality among beneficiaries* - PUB-2010 Contingent Survivor table projected to 2021. Projected generationally using MP-2021.
- *Mortality among disabled members* - PUB-2010 Disabled Retiree mortality table projected to 2021.

13. c. 4. 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 will be made based on the Board's funding policy, which establishes the contractually required rates under MCA. 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 TPL. No municipal bond rate was incorporated in the discount rate.

13. c. 5. 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 Investment	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%
Total	100.00%	

The long-term expected rate of return on pension plan investments of 7.30% is reviewed as part of regular experience studies prepared for the System about every five years. The current long-term rate of return is based on analysis in the experience study report dated May 3, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and 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.

13. d. SENSITIVITY ANALYSIS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the below 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 or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.30%)	Current Discount Rate (7.30%)	1.0% Increase (8.30%)
PERS			
Net Pension Liability	$ 3,427,832,448	$ 2,377,885,194	$ 1,496,992,085
School District's Net Pension Liability	1,126,471	781,432	491,949
TRS			
Net Pension Liability	2,747,352,933	1,966,825,366	1,313,622,251
School District's Net Pension Liability	7,801,247	5,584,900	3,730,097

13. e. 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 PERS and TRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective NPL, Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, PERS and TRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and TRS that are used to provide pension benefits to the retired members. Due to the existence of this 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 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.

	NPL		Percent of Collective NPL		Change in Percent of
As of measurement date	as of 6/30/22	as of 6/30/21	as of 6/30/22	as of 6/30/21	Collective NPL
PERS					
School District Proportionate Share	$ 781,432	$ 632,724	0.032862%	0.034895%	(0.002033)%
State of Montana Proportionate Share associated with Employer	254,814	204,100	0.010716%	0.011256%	(0.000540)%
Totals	$ 1,036,246	$ 836,824	0.043578%	0.046151%	(0.002573)%
TRS					
School District Proportionate Share	$ 5,584,900	$4,758,267	0.2840%	0.2872%	(0.0032)%
State of Montana Proportionate Share associated with Employer	3,083,583	2,714,542	0.1568%	0.1639%	(0.0071)%
Totals	$ 8,668,483	$7,472,809	0.4408%	0.4511%	(0.0103)%

At June 30, 2023, the employer recorded a liability for its proportionate share of the NPL of $781,432 and $5,584,900 for and TRS, respectively. At June 30, 2023, the employer's proportion was 0.032862 percent and 0.2840 percent for PERS and TRS, respectively.

The NPL was measured as of June 30, 2022, and the TPL used to calculate the net pension liability was determined by an actuarial valuation as of:

- PERS – June 30, 2022
- TRS – June 30, 2022

	PERS	TRS
Changes in actuarial assumptions, other inputs, and methods:	• The discount rate changed from 7.06% to 7.30% • The investment rate of return changed from 7.06% to 7.30%. • Updated all mortality tables to the PUB-2010 tables for general employees. • Updated the rates of withdrawal, retirement, merit and disability. • Payroll growth assumption from changed from 3.50% to 3.25%. • The inflation rate was changed from 2.40% to 2.75%.	• The discount rate changed from 7.06% to 7.30% • The investment rate of return changed from 7.06% to 7.30% • Updated all mortality tables to the PUB-2010 tables for general employees • The inflation rate was changed from 2.40% to 2.75%. • 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.	There have been no changes in benefit terms since the previous measurement date.
Changes in proportionate share:	There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.	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.

13. f. PENSION EXPENSE

	Pension Expense as of 6/30/22	**Pension Expense as of 6/30/21**
PERS (as of measurement date)		
School District's Proportionate Share	$ 74,816	$ 74,213
Employer Grant Revenue – Montana Proportionate Share with the Employer	26,412	59,502
Totals	$ 101,228	$ 133,715
TRS (as of measurement date)		
School District's Proportionate Share	$ 593,783	$ 681,970
State of Montana Proportionate Share associated with the Employer	254,986	264,458
Totals	$ 848,769	$ 946,428

At June 30, 2023, the employer recognized a pension expense of $101,228 and $848,769 for its proportionate share of the PERS and TRS Pension Expense, respectively. The employer also recognized grant revenue of $26,412 and $254,986 for the support provided by Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS and TRS, respectively.

13. g. DEFERRED INFLOWS AND OUTFLOWS

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

	PERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	$ 9,962	$ 0	$ 81,860	$ 0
Changes in actuarial assumptions	29,121	57,208	285,442	510,537
Difference between projected and actual investment earnings	22,966	0	130,629	0
Changes in proportion and differences between actual and expected contributions	0	0	139,067	72,266
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	25,329	0	0
Contributions paid subsequent to the measurement date – FY 2023 Contributions *	56,929	0	437,521	0
Totals	$ 118,978	$ 82,537	$ 1,074,519	$ 582,803

* 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 NPL in the year ended June 30, 2023.

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

Year Ended June 30	PERS	TRS
	Amount of Deferred Outflows (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense	
2023	$ (1,381)	$ 160,826
2024	(46,626)	(87,750)
2025	(24,770)	(327,623)
2026	52,289	308,743
Thereafter	0	0

13. h. EMPLOYER'S PROPORTION OF PENSION AMOUNTS

	PERS Employer's Proportionate Share	TRS Employer's Proportionate Share	Employer's Total Pension Amounts
Total Pension Liability	$ 2,966,712	$ 19,000,213	$ 21,996,925
Fiduciary Net Position	2,185,280	13,415,313	15,600,593
Net Pension Liability	781,432	5,584,900	6,366,332
Deferred Outflows of Resources	118,978	1,074,519	1,193,497
Deferred Inflows of Resources	82,537	582,503	665,040
Pension Expense	101,228	848,769	949,997

NOTE 14. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing fiscal responsibility.

14. a. MULTIDISTRICT COOPERATIVE

Section 20-3-363, MCA allows for the creation of a multidistrict cooperative between any School District and other public entities under Title 20, Chapter 9 Part 7, MCA. The parties in a multidistrict cooperative may mutually agree to perform any services, activities, and undertakings of the participants and provide for the joint funding and operation and maintenance of all participants in the agreement.

14. a. 1. TECHNICAL SUPPORT

The School District entered into an agreement with the Town of Manhattan (the Town) to cooperate in the provision of library services to School District students and Town residents. The School District is responsible for all utilities, janitorial and maintenance care, funding for general operation, property and liability insurance, payroll and accounting for School District staff, and accounting for School District purchases. The Town is responsible for funding for the general operation of the library, accounting and payroll for Town staff, workers compensation for Town staff, and accounting for purchases made by the Town.

14. a. 2. INTERLOCAL AGREEMENT FUND

The School District was a party to an agreement with Manhattan Elementary and Manhattan High School, for the purpose of jointly purchasing/paying for salaries, technology, curriculum, utilities and supplies for the participating districts. Manhattan High School is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the Manhattan High School. During the fiscal year ended June 30, 2023, Manhattan Elementary General fund transferred $25,000 into the high school's Interlocal Agreement fund. During the fiscal year ended June 30, 2023, Manhattan High School General fund transferred $50,000 into the high school's Interlocal Agreement fund.

NOTE 15. TRANSPORTATION

The School District entered into an operating lease with Harlow's School Bus service for its student transportation needs. Harlow's provides buses, drivers, and maintenance of the buses for all student transportation needs of the School District. The contract is renewed annually with adjustments for fuel and mileage. Transportation fees paid in the fiscal year ended June 30, 2023 amounted to $427,261.

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF FUNDING PROGRESS
Other Postemployment Benefits Other Than Pensions
For the year ended June 30, 2023

CHANGE IN LIABILITY

Fiscal Year End	Service Cost (a)	Interest (b)	Changes in Benefit Terms (c)	Changes in Assumptions or Other Inputs (d)	Benefit Payments (e)	Net Change in Total OPEB Liability Sum of (a) to (e)=(f)	Total OPEB Liability Beginning (g)	Total OPEB Liability Ending (f)+(g)=(h)
6/30/18	$ 148,893	$ 750	$ 0	$ 1,709	$ (149,643)	$ 1,709	$ 918,433	$ 920,142
6/30/19	0	0	0	0	0	0	920,142	920,142
6/30/20	282,876	13,342	(130,684)	472,048	(296,218)	341,364	920,142	1,261,506
6/30/21	0	0	0	0	0	0	1,261,509	1,261,506
6/30/22	1,465,687	41,630	(333,446)	212,422	(1,507,317)	(121,024)	1,261,506	1,140,482
6/30/23	0	0	0	0	0	0	1,140,482	1,140,482

PAYROLL RATIO

Fiscal Year End	Covered Employee Payroll (i)	Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)
6/30/18	$ 3,790,879	24.27%
6/30/19	4,135,225	22.25%
6/30/20	3,825,424	32.98%
6/30/21	4,725,005	26.70%
6/30/22	4,161,773	27.40%
6/30/23	4,875,325	23.39%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
(Determined as of the measurement date)
For the year ended June 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30:	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)	State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.028275%	$ 352,314	$ 16,469	$ 368,784	$ 333,309	111.22%	79.87%
2015	0.032712%	457,270	21,487	478,757	394,703	115.85%	78.40%
2016	0.031719%	540,289	25,251	565,539	392,764	137.56%	74.71%
2017	0.034365%	669,297	30,572	699,869	440,515	151.94%	73.75%
2018	0.028673%	598,448	219,464	817,912	487,073	122.87%	73.47%
2019	0.033600%	702,338	249,038	951,376	572,411	122.70%	73.85%
2020	0.034169%	901,451	309,659	1,211,110	591,728	152.34%	68.90%
2021	0.034895%	632,724	204,100	836,824	633,861	99.82%	79.91%
2022	0.032862%	781,432	254,814	1,036,246	593,158	131.74%	73.66%

TEACHERS RETIREMENT SYSTEM

Year Ended June 30:	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)	State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2065%	$ 3,177,393	$ 2,178,724	$ 5,356,117	$ 2,603,855	122.03%	70.36%
2015	0.2198%	3,611,114	2,424,643	6,035,757	2,805,244	128.73%	69.30%
2016	0.2223%	4,060,500	2,648,529	6,709,029	2,885,117	140.74%	66.69%
2017	0.2369%	3,993,556	2,535,135	6,528,691	3,124,028	127.83%	70.09%
2018	0.2472%	4,588,967	2,854,933	7,443,900	3,302,331	138.96%	69.09%
2019	0.2625%	5,060,948	3,065,035	8,125,983	3,562,814	142.05%	68.64%
2020	0.2705%	6,085,413	3,597,373	9,682,786	3,723,649	163.43%	64.95%
2021	0.2872%	4,758,267	2,714,542	7,472,809	4,091,194	116,31%	75,54%
2022	0.2840%	5,584,900	3,083,583	8,668,483	4,167,813	134.00%	70.61%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(Determined as of the reporting date)
For the year ended June 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required Contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in Relation to Contractually Required Contributions (c)	Contribution Deficiency (Excess) (a)+(b)-(c)=(d)	Employer's Covered Payroll (e)	Contributions as a Percentage of Covered Payroll ((a)+(b))/(e)
2015	$ 31,458	$ 15	$ 31,473	$ 0	$ 394,703	7.97%
2016	31,758	0	31,758	0	392,764	8.09%
2017	35,682	0	35,682	0	440,515	8.10%
2018	39,940	0	39,940	0	487,073	8.20%
2019	47,681	0	47,681	0	572,411	8.33%
2020	50,229	0	50,229	0	591,728	8.49%
2021	54,623	0	54,623	0	633,861	8.62%
2022	51,011	0	51,011	0	593,158	8.60%
2023	56,929	0	56,929	0	654,359	8.70%

TEACHERS RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required Contributions (a)	Contributions in Relation to Contractually Required Contributions (b)	Contribution Deficiency (Excess) (a)-(b)=(c)	Employer's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (a)/(d)
2015	$ 247,187	$ 247,187	$ 0	$ 2,805,244	8.81%
2016	312,211	312,211	0	2,885,117	10.82%
2017	282,321	282,321	0	3,124,028	9.04%
2018	300,400	300,400	0	3,302,331	9.10%
2019	360,399	360,399	0	3,562,814	10.12%
2020	398,352	398,352	0	3,723,649	10.70%
2021	382,799	382,799	0	4,091,194	9.36%
2022	416,159	416,159	0	4,167,813	9,99%
2023	437,521	437,521	0	4,176,074	10.48%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(As of Measurement Date)
For the year ended June 30, 2023

NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM

1. a. CHANGES OF BENEFIT TERMS

The following changes to the Public Employee Retirement System (PERS) 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 calculations of actuarially determined contributions

The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% 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.

NOTE 2. TEACHERS' RETIREMENT SYSTEM

2. a. CHANGES OF BENEFIT TERMS

The following changes to the Teachers' Retirement System (TRS) plan provisions were made as identified:

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

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

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

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

- Annual State contribution equal to $25 million paid to the System in monthly installments.

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

Changes in actuarial assumptions and other inputs:

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility.
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the $500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the $500 death benefit after termination.

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

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
    - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
    - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members was updated to the following:
    - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
    - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	24 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent

Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members;
Investment rate of return	7.50 percent, net of pension plan investment expense, and including inflation

Manhattan SD #3
Gallatin County
Manhattan, Montana 59741

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General (Elem)			Flexibility (Elem)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	$ 1,035,211	$ 1,035,211	$ 1,028,415	$ -	$ -	$ -
Interest	4,374	4,374	22,118	-	-	133
Charges for Services	58,438	58,438	58,438	-	-	-
Other	187	187	48	-	-	-
State	2,789,125	2,789,125	2,789,125	-	-	-
Total Revenues	3,887,335	3,887,335	3,898,144	-	-	133
EXPENDITURES:						
Current:						
Instructional Services			2,323,573			-
Support Services - Students			181,162			-
Support Services - Instructional			122,894			-
General Administrative Services			640,378			-
Operation and Maintenance Services			529,267			-
Transportation Services			9,318			-
Extracurricular			80,537			-
Total Expenditures	3,936,307	3,936,307	3,887,129	6,932	6,932	-
Excess (Deficiency) of Revenues Over Expenditures	(48,972)	(48,972)	11,015	(6,932)	(6,932)	133
OTHER FINANCING SOURCES (USES):						
Fund Transfers In			2,736			-
Fund Transfers (Out)			(25,000)			-
Total Other Financial Sources (Uses)	-	-	(22,264)	-	-	-
Net Change in Fund Balance	(48,972)	(48,972)	(11,249)	(6,932)	(6,932)	133
FUND BALANCE:						
Beginning of the Year			504,617			6,932
Change in Reserve for Inventory			13,658			-
End of the Year			$ 507,026			$ 7,065

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Manhattan SD #3
Gallatin County
Manhattan, Montana 59741

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General (HS)			Flexibility (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	$ 631,079	$ 631,079	$ 624,872	$ -	$ -	$ -
Interest	1,432	1,432	7,080	-	-	190
Charges for Services	-	-	-	-	-	-
Other	868	868	32	-	-	-
State	1,776,782	1,776,782	1,776,782	-	-	-
Total Revenues	2,410,161	2,410,161	2,408,766	-	-	190
EXPENDITURES:						
Current:						
Instructional Services			1,235,781			-
Support Services - Students			157,203			-
Support Services - Instructional			87,813			-
General Administrative Services			327,178			-
Operation and Maintenance Services			330,177			-
Transportation Services			35,234			-
Extracurricular			202,636			-
Total Expenditures	2,452,035	2,452,035	2,376,022	9,914	9,914	-
Excess (Deficiency) of Revenues Over Expenditures	(41,874)	(41,874)	32,744	(9,914)	(9,914)	190
OTHER FINANCING SOURCES (USES):						
Fund Transfers In			-			-
Fund Transfers (Out)			(50,415)			-
Total Other Financial Sources (Uses)	-	-	(50,415)	-	-	-
Net Change in Fund Balance	(41,874)	(41,874)	(17,671)	(9,914)	(9,914)	190
FUND BALANCE:						
Beginning of the Year			333,684			9,914
Change in Reserve for Inventory			1,430			-
End of the Year			$ 317,443			$ 10,104

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended June 30, 2023

NOTE 1. BUDGETS

Budgets were adopted in accordance with Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets were adopted for the following:

- General fund
- Budgeted special revenue funds
  - Transportation
  - Bus Depreciation
  - Tuition
  - Retirement
  - Adult Education
  - Technology
  - Flexibility
- Debt Service funds
- Budgeted capital project funds
  - Building Reserve

All annual appropriations lapsed at fiscal year-end, unless Manhattan School District No. 3 (School District) elected to encumber supplies and personal property ordered but not received at year end.

1. a. GENERAL BUDGET POLICIES

The School District's funds were either budgeted or non-budgeted in accordance with Montana statutes. Budgeted funds are those for which a legal budget must be adopted to have expenditures as noted above. All other funds were non-budgeted, meaning a legal budget is not required in order to have expenditures. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual was prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds.

- The Elementary Miscellaneous Programs fund is a major fund but was not included because it is a *non-budgeted special revenue fund*.

- The Elementary and High School Debt Service fund was a major fund but was not included because it is *not a special revenue fund.*

1. b. BUDGET OPERATIONS

The School District operated within the budget requirements for School Districts as specified by Montana law. The financial report reflected the following budgetary standards:

- By the second Monday in July, the Gallatin County (County) Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees (Board) must meet to legally adopt the final budget. The final budget for the General fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with Montana statutes. Montana statutes prohibit the expenditures of a budgeted fund to exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. FUND BALANCE RECONCILIATION

The fund balances of the General funds were reported on the *Statement of Revenue, Expenditures, and Changes in Fund Balances* in accordance with GAAP and were different from those on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual due to the reserve for encumbrances. The differences were as follows:

	General (Elem)	General (HS)
End of the Year (GAAP)	$ 510,548	$ 334,728
Current-year Encumbrances	(3,522)	(17,285)
End of the Year (Budget)	$ 507,026	$ 317,443

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, was used control expenditures. Encumbrances were not included as expenditures on the GAAP basis financial statements as they do not meet the GAAP definition of expenditures. The School District reported encumbrances at year end as budgeted expenditures and displayed them as assigned or reserved for fund balances, as applicable.

NOTE 3. BUDGET AMENDMENTS

The original budgets were not amended so the original budget and the final budget are the same.

NOTE 4. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL SUB-FUNDS OF THE GENERAL FUND

	Sub-funds						
	General (Elem)	Flexibility (Elem)	General (HS)	Flexibility (HS)	Interlocal Agreement (HS)	Internal Balances Adjustments	**Total General Fund**
REVENUES:							
District Levies	$ 1,028,415	$ -	$ 624,872	$ -	$ -	$ -	$ 1,653,287
Interest	22,118	133	7,080	190	16,912	-	46,433
Charges for Services	58,438	-	-	-	-	-	58,438
Other	48	-	32	-	-	-	80
State	2,789,125	-	1,776,782	-	800	-	4,566,707
Total Revenues	3,898,144	133	2,408,766	190	17,712	-	6,324,945
EXPENDITURES:							
Current:							
Instructional Services	2,308,467	-	1,223,400	-	804	-	3,532,671
Support Services - Students	181,162	-	157,203	-	-	-	338,365
Support Services - Instructional	125,120	-	87,963	-	-	-	213,083
General Administrative Services	640,378	-	327,338	-	-	-	967,716
Operation and Maintenance Services	529,267	-	330,177	-	-	-	859,444
Transportation Services	9,318	-	35,234	-	-	-	44,552
Extracurricular	80,537	-	202,636	-	-	-	283,173
Total Expenditures	3,874,249	-	2,363,951	-	804	-	6,239,004
Excess (Deficiency) of Revenues Over Expenditures	23,895	133	44,815	190	16,908	-	85,941
OTHER FINANCING SOURCES (USES):							
Fund Transfers In	2,736	-	-	-	75,000	(75,000)	2,736
Fund Transfers (Out)	(25,000)	-	(50,415)	-	-	75,000	(415)
Total Other Financial Sources (Uses)	(22,264)	-	(50,415)	-	75,000	-	2,321
Net Change in Fund Balance	1,631	133	(5,600)	190	91,908	-	88,262
FUND BALANCE:							
Beginning of the Year	508,917	6,932	340,328	9,914	888,285	-	1,754,376
End of the Year - GAAP Basis	510,548	7,065	334,728	10,104	980,193	-	$ 1,842,638
Less Current Year Encumbrances	(3,522)	-	(17,285)	-	-	-	
End of the Year - Budget Basis	$ 507,026	$ 7,065	$ 317,443	$ 10,104	$ 980,193	$ -	

In the General sub-funds combining schedule above, the elementary and high school General funds, elementary and high school Flexibility funds, and high school Interlocal Agreement fund are added together to get to the aggregate General fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds. The elementary and high school Flexibility funds and high school Interlocal Agreement fund are maintained as separate funds for accounting purposes. However, for external financial reporting purposes, they are added to the General fund because they, like the General fund, have unassigned fund balance(s).

On the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, all budgeted major governmental funds displayed budgeted information for the General and major special revenue funds of the School District. The above General sub-funds displayed budget and actual information, except for the following:

- high school Interlocal Agreement fund which was a non-budgeted special revenue fund

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENSES, AND BALANCES
STUDENT ACTIVITY FUNDS
For the year ended June 30, 2023

Activity	Beginning Balance 7/1/2022	Revenues	Expenses	Transfers	Ending Balance 6/30/2023
Athletics	$ 13,872	$ 136,400	$ 109,873	$ 3,447	$ 43,846
Student Council	9,856	2,521	3,269	579	9,687
Junior High	18,511	32,514	27,668	162	23,519
Athletics - Corporate Sponsorship	20,174	7,515	7,364	-	20,325
Annual	2,083	8,963	9,833	-	1,213
Band	1,595	2,413	2,743	-	1,265
Skills USA	3,667	9,765	15,396	2,462	498
High School Library	3,053	62	783	-	2,332
FCCLA	4,859	7,509	5,836	1,704	8,236
HS General	13,960	15,718	24,065	354	5,967
National Honor Society	4,863	2,248	2,476	121	4,756
K-8 Year Book	1,348	3,646	2,325	-	2,669
Elementary Library	357	8,755	8,698	-	414
Earth Shuttle	3,700	3	-	-	3,703
Speech & Drama	946	434	776	577	1,181
JH Library	-	873	632	338	579
Shop Resale	2,660	3,463	40	-	6,083
Football	1,467	1,301	2,087	589	1,270
Drama	974	1	-	-	975
Tip Off BB Tourney	19,907	9,848	6,989	-	22,766
Class of 2025	2,343	927	344	936	3,862
Class of 2022	-	-	-	567	567
Class of 2024	2,520	1,910	1,081	1,162	4,511
JH Athletics	2,324	1	-	(2,325)	-
Class of 2026	559	125	75	1,035	1,644
Wrestling	301	2,295	731	2,108	3,973
BPA	2,854	5,745	7,702	587	1,484
International Club	192	-	115	-	77
Elementary General	5,080	491	782	(1,270)	3,519
Class of 2023	4,314	1,109	3,738	(1,685)	-
Softball	162	301	8	570	1,025
Concessions	27,668	60,290	33,762	(16,188)	38,008
Track	3,653	303	-	373	4,329
Cross-Country	3,699	303	1,275	379	3,106
Volleyball	693	4,591	4,061	322	1,545
Cheerleading	2,905	2,964	760	572	5,681
Girls Basketball	789	811	-	625	2,225
Boys Basketball	-	300	-	625	925
JH Peer Helpers	205	453	80	-	578
Golf	1,453	301	35	679	2,398
Choir	749	47	171	595	1,220
Total	$ 190,315	$ 337,219	$ 285,573	$ -	$ 241,961

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF REPORTED ENROLLMENT
For the year ended June 30, 2023

Fall Enrollment – October 2022

	Full-time Students			Part-time Students					
				Less Than					
	Reported	Audited	Variance	181 hours	359 hours	539 hours	719 hours	Audited	Variance
Elementary									
Kindergarten	44	44	0	0	0	0	0	0	0
Grade 1 - 6	300	300	0	0	0	0	0	0	0
Grade 7 - 8	139	139	0	0	0	0	0	0	0
Total	483	483	0	0	0	0	0	0	0
High School									
Grade 9 - 12	240	240	0	0	1	0	0	1	0
19-year old	0	0	0						
Youth Challenge	0	0	0						
Job Corps	0	0	0						
Early Graduates	0	0	0						

Spring Enrollment – February 2023

	Full-time Students			Part-time Students					
				Less Than					
	Reported	Audited	Variance	181 hours	359 hours	539 hours	719 hours	Audited	Variance
Elementary									
Kindergarten	44	44	0	0	0	0	0	0	0
Grade 1 - 6	298	298	0	0	0	0	0	0	0
Grade 7 - 8	135	135	0	1	0	0	0	1	0
Total	477	477	0	1	0	0	0	1	0
High School									
Grade 9 - 12	240	240	0	1	1	0	0	2	0
19-year old	0	0	0						
Youth Challenge	0	0	0						
Job Corps	0	0	0						
Early Graduates	2	2	0						

Manhattan School District No. 3
Gallatin County
Manhattan, Montana 59741

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Amount Passed to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
National School Lunch Program (Donated Food) (fn2)	10.555	N/A	$ -	$ 17,613
School Breakfast Program	10.553	N/A	-	5,789
National School Lunch Program (fn1)	10.555	N/A	-	143,203
National School Lunch Program (Team Nutrition)	10.555	N/A	-	610
National School Lunch Program(Supply Chain Assistance Fund)	10.555	N/A	-	22,701
Total Child Nutrition Cluster			-	189,916
Total U.S. Department of Agriculture			$ -	$ 189,916
U.S. DEPARTMENT OF EDUCATION				
DIRECT:				
Rural Education	84.358	S358A212286	$ -	$ 25,740
Rural Education	84.358	S358A222178	-	25,083
Rural Education	84.358	S358A212285	-	17,449
Rural Education	84.358	S358A222177	-	4,379
PASSED THROUGH MONTANA DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICE:				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	HHS-DETD-00000536	-	10,935
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Special Education-Grants to States (IDEA, Part B)	84.027	016-0347-77-2023	-	104,142
Special Education-Grants to States (IDEA, Part B - ARP)	84.027	016-0347-79-2023		3,910
Special Education - Preschool Grants (IDEA Preschool)	84.173	016-0347-70-2022		41,342
Special Education - Preschool Grants (IDEA Preschool - ARP)	84.173	016-0347-71-2022	-	2,462
Total Special Education Cluster			-	151,856
Elementary and Secondary School Emergency Relief Fund	84.425D	016-0347-92-2021	-	20,245
Elementary and Secondary School Emergency Relief Fund	84.425D	016-0347-92-2021	-	10,283
Elementary and Secondary School Emergency Relief Fund	84.425D	016-0347-93-2021	-	174,836
Total Education Stabilization Fund			-	205,364
Title I Grants to Local Education Agencies	84.010	016-0347-31-2023	-	132,233
Career and Technical Education-Basic Grants to States (Perkins V)	84.048	016-0348-81-2023	-	11,890
Total U.S. Department of Education			$ -	$ 584,929
Total Federal Financial Assistance			$ -	$ 774,845

The accompanying notes to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Manhattan School District No. 3 (School District) under programs of the federal government for the fiscal year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as used in the governmental financial statements. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The School District did not utilize an indirect cost rate as allowed under *Uniform Guidance*.

NOTE 4. FOOTNOTES

Fn1 – No separate funds or accounts maintained; the School District assumes first in first out for program money.
Fn2 – The value of commodities (revenues, expenses or inventory) are not displayed in the basic financial statements.
N/A – Not applicable/available.

SCHEDULE OF OTHER INFORMATION FOR GENERAL OBLIGATION BONDS
For the year ended June 30, 2023

Elementary School District No. 3 (Manhattan)
Gallatin County, Montana
General Obligation School Building Bonds, Series 2012
General Obligation School Building Bonds, Series 2016

High School District No. 3 (Manhattan)
Gallatin County, Montana
General Obligation School Building Bonds, Series 2016
General Obligation School Building Bonds, Series 2017

1. Amount of Outstanding General Obligation debt and Debt Capacity remaining at the close of each FY

Elementary District:

Fiscal Year	Debt Limitation/Capacity	General Obligation Debt Outstanding	Debt Capacity Remaining
2022/23	$23,257,500	$5,725,000	$17,532,500
2021/22	$19,824,750	$6,085,000	$13,739,750
2020/21	$20,007,300	$6,430,000	$13,577,300
2019/20	$18,633,440	$6,770,000	$11,863,440
2018/19	$17,344,910	$7,105,000	$10,239,910

High School District:

Fiscal Year	Debt Limitation/Capacity	General Obligation Debt Outstanding	Debt Capacity Remaining
2022/23	$28,397,280	$9,025,000	$19,372,280
2021/22	$25,333,760	$9,565,000	$15,768,760
2020/21	$26,240,930	$10,085,000	$16,155,930
2019/20	$25,386,210	$10,595,000	$14,791,210
2018/19	$23,979,850	$11,095,000	$12,884,850

2. Assessed Valuation of the County subject to Ad Valorem Taxation

Elementary District:

Fiscal Year	Taxable Market Valuation	Taxable Valuation
2022/23	$720,645,432	$11,574,299
2021/22	$697,644,483	$11,227,766
2020/21	$577,222,824	$9,508,500
2019/20	$563,483,113	$9,234,195
2018/19	$465,767,055	$7,870,687

High School District:

Fiscal Year	Taxable Market Valuation	Taxable Valuation
2022/23	$1,087,005,751	$17,658,324
2021/22	$1,052,920,104	$17,074,205
2020/21	$888,634,942	$14,762,125
2019/20	$869,298,405	$14,385,006
2018/19	$725,574,268	$12,316,148

3. Estimated District Population

Elementary District:

	Estimated Population
Census 2021	3609

High School District:

	Estimated Population
Census 2021	5677

4. ANB Enrollment

Elementary District:

	Elementary ANB Enrollment (Actual)
2022/23	525
2021/22	495
2020/21	510
2019/20	508
2018/19	473

High School District:

	High School ANB Enrollment (Actual)
2022/23	268
2021/22	256
2020/21	269
2019/20	279
2018/19	265

5. Statement of Future Financing/Borrowing
The Elementary School District held a successful Bond Election on June 28, 2016, for $7,300,000 General Obligation School Building Bonds for a new middle school wing, remodeling elementary classrooms, paying for a portion of the Multi-Purpose Area/Gym Project, and related improvements. The $7,300,000 Elementary Bonds,

Series 2016, were issued on September 22, 2016. Other than the Bonds, the Elementary District does not anticipate the need to incur any additional general obligation indebtedness during the next three years.

The High School District held a successful Bond Election on June 28, 2016, for $12,400,000 General Obligation School Building Bonds for expanding and renovating high school classrooms, paying for a portion of the Multi-Purpose Area/Gym Project, and related improvements. The $8,825,000 High School Bonds, Series 2016, were issued on September 22, 2016. The $3,575,000 High School Bonds, Series 2017, were issued on January 4, 2017. Other than the Bonds, the High School District does not anticipate any additional general obligation indebtedness during the next three years.

6. Levy Rates

	------------ Fiscal Year ------------				
Taxing Entity	2018/19	2019/20	2020/21	2021/22	2022/23
University Millage	6.00	6.00	6.00	6.00	6.00
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00
County-wide School Levy	102.44	96.45	96.74	91.29	89.58
Manhattan Elementary School District	245.28	216.43	201.05	175.61	170.78
Manhattan High School District	150.86	132.22	119.48	104.36	97.98
Gallatin County Operating and Bond	98.87	91.17	97.59	88.24	91.25
Gallatin County Open Space	4.69	3.90	4.04	4.04	2.30
County Road Fund	21.44	18.97	19.04	16.76	17.15
Soil Conservation	.91	.77	.91	.70	.72
County-wide Planning	2.50	2.22	1.48	2.18	2.23
Manhattan Rural Planning	2.56	2.30	2.17	2.04	2.09
County Library	6.31	5.58	5.49	4.71	4.82
Town of Manhattan	125.58	115.72	121.82	111.53	115.08
Gallatin College	1.50	1.50	1.50	1.50	1.50

7. Tax Collections

Elementary District:

Fiscal Year	Total Tax Levy	Total Tax Collections[1]
2022/23	$1,976,703	$1,963,829
2021/22	$1,971,505	$2,037,943
2020/21	$1,911,779	$1,895,293
2019/20	$1,998,405	$1,994,692
2018/19	$1,930,326	$1,901,222

High School District:

Fiscal Year	Total Tax Levy	Total Tax Collections[1]
2022/23	$1,730,124	$1,712,706
2021/22	$1,781,697	$1,851,470
2020/21	$1,764,065	$1,751,780
2019/20	$1,902,063	$1,891,346
2018/19	$1,857,894	$1,838,531

[1] Total collections also include the collection of delinquent taxes (principal, penalties, and interest) from prior years that are recorded in the year collected.

8. Top 10 Major Taxpayers as of FY 2022/23

Elementary District:	Taxable Value	High School District:	Taxable Value
Northwestern Energy-T&D	$1,138,868	Northwestern Energy-T&D	$2,050,965
Federal Cartridge Company	$189,969	Federal Cartridge Company	$189,969
Montana Rail Link	$156,472	Montana Rail Link	$167,549
Yellowstone Pipeline Co.	$155,127	Yellowstone Pipeline Co.	$155,127
ADS Bozeman LLC	$97,563	ADS Bozeman LLC	$97,563
Jefferson Island LLC	$93,856	Jefferson Island LLC	$93,856
Stockman Bank of Montana	$88,874	Stockman Bank of Montana	$88,874
Parkhaven Investment LLC	$83,452	Parkhaven Investment LLC	$83,452
Schutter, Clifford D & Laura D	$77,533	Verizon Inc	$80,343
Industrial Dielectrics Hldgs Inc	$68,405	Schutter, Clifford D & Laura D	$77,533

STROM & ASSOCIATES, P.C.
Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Manhattan School District No. 3
Gallatin County
Manhattan, Montana 59741

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manhattan School District No. 3 (School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
December 28, 2023

STROM & ASSOCIATES, P.C.
Certified Public Accountants

3203 3rd Ave N. Suite 208
PO Box 1980
Billings, MT 59103

Phone: 406-252-2765
E-mail: audit@stromcpa.net

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE *UNIFORM GUIDANCE*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Manhattan School District No. 3
Gallatin County
Manhattan, Montana 59741

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Manhattan School District No. 3 (School District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance requirements of law, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
December 28, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on Manhattan School District No. 3 (School District)'s financial statements as of and for the year ended June 30, 2023.

2. Our audit did not identify any material weaknesses relating to internal controls over financial reporting and its operation.

3. Our audit did not identify any significant deficiencies relating to internal controls over financial reporting and its operation.

4. Our audit did not identify any noncompliance which was material to the financial statements.

Federal Awards

5. Our audit did not identify any material weaknesses relating to internal controls over federal programs.

6. Our audit did not identify any significant deficiencies in internal controls over federal programs.

7. The auditor, Strom & Associates, PC, has issued an unmodified opinion on the School District's compliance with major federal awards programs as of and for the year ended June 30, 2023.

8. The audit disclosed no audit findings which are required to be reported under section 200.516 of *Uniform Guidance*.

9. The major programs for the School District for the year ended June 30, 2023, were:

CFDA Number	Name of Federal Program or Cluster
84.425D	Elementary and Secondary School Emergency Relief
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief

10. The threshold used to distinguish between Type A and Type B programs was $750,000. The School District had no Type A programs.

11. The School District did qualify as a low-risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Prior year findings/status

There were no findings or recommendations in the prior audit period.

Current year findings

There were no findings or recommendations in the current audit period.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Prior year findings/status

The audit disclosed no findings or questioned costs relating to federal awards as defined in section 200.516 of *Uniform Guidance* for the prior fiscal year.

Current year findings

The audit disclosed no findings or questioned costs relating to federal awards as defined in section 200.516 of *Uniform Guidance* for the fiscal year ended June 30, 2023.