HOT SPRINGS PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

AUDIT REPORT

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

HOT SPRINGS PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

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Management Discussion and Analysis
As of June 30, 2022

Management Discussion and Analysis

The Business Manager/Clerk of the Hot Springs School District has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the District for the year ended June 30, 2022. Comparative information year ended June 30, 2022, and the year ended June 30, 2021, are required in the MD&A.

Using This Financial Report

The general format of this report is required by Statement #34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

Reporting the School District as a Whole

The report includes two district-wide statements that focus on operations of the District. These statements measure inputs and outflows using an economic resources measurement focus and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

- The Statement of Net Position demonstrates the resources the District would have remained if all obligations were settled. The statement categorizes assets to show that some assets are very liquid. Liquid assets are cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Noncurrent assets are invested in “fixed” or “capital” assets. These assets are buildings, equipment, and other long-lived property such as land. Generally, some assets are reserved to fund budgets of the following year until tax revenues are received.
- The Statement of Activities shows the amounts of revenues divided into two categories, program specific revenues and general school revenues. These revenues are used to support the Districts various functions.
- Both the Statement of Net Position and the Statement of Activities divide the Districts activities into three categories:
    1. Governmental Activities – School functions, including instruction, student services, administration, etc. These activities are funded through property taxes, and state and federal revenues.
    2. Proprietary (business-type) activities – The District does not have proprietary activities.
    3. Fiduciary activities – The District does not have any fiduciary activities.

Reporting the District’s Most Significant Funds

The fund statements provide detailed information about the funds used by the District. State law and Generally Accepted Accounting Principals (GAAP) established the fund structure of school districts. School districts are required by state law to segregate money generated for a specific purpose, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or “major” funds separately. The activities of less significant funds are combined under a single category. Significance of funds is determined using three factors: the proportional size of the fund, the relative importance of the activities of the fund to the District’s operations, and the existence of legal budget requirements. Internal Service Funds are never reported as major funds but are combined and presented in a separate set of financial statements.

Hot Springs School District
Management Discussion and Analysis
As of June 30, 2022

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are shown for governmental funds such as the General Fund, special revenue funds for transportation, school food service, bus depreciation, retirement and miscellaneous programs and debt service and capital outlay funds. These funds represent most of the District's activities and are accounted for by using the modified accrual basis.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. The most significant differences are due to the use of different presentation bases. The district-wide statements are presented using the accrual basis of accounting, whereas the statements for the governmental funds use the modified accrual basis. In addition, general capital assets and general long-term debt are reported in the district-wide statements but not in the fund statements.

The District as a Whole

The Hot Springs School Districts' net position increased by $452,851 in fiscal year 2022. The District used ESSER II and ESSER III funds on some much-needed facility upgrades, increasing capital assets. In addition, the District will pay off the loan for the heating system and the gym bonds within the next year.

Table 1 - Net Position

	Governmental Activities		
	FY22	**FY21**	**Change Inc (Dec)**
Current and other assets	$ 1,244,025	$ 1,263,587	$ (19,562)
Capital assets	2,187,854	1,954,662	233,192
Total assets	$ 3,431,879	$ 3,218,249	$ 213,630
Long-term debt outstanding	$ 1,747,904	$ 2,419,446	$ (671,542)
Other liabilities	792,263	359,942	432,321
Total liabilities	$ 2,540,167	$ 2,779,388	$ (239,221)
Net investment in capital assets	$ 2,095,956	$ 1,771,862	$ 324,094
Restricted	672,063	732,955	(60,892)
Unrestricted (deficit)	(1,876,307)	(2,065,956)	189,649
Total net position	$ 891,712	$ 438,861	$ 452,851

Revenues

Total revenues for the fiscal year ended June 30, 2022, were approximately $4.21 million. Total revenue consists primarily of general revenues of approximately 64%. The remaining 36% of revenues are program revenues. The District realized a significant increase in operating grants, these funds are the Federal ESSER grants distributed by the Federal government. These funds are short term and will be completely expended by the end of 2023. General revenues are used by the District at its discretion. The Districts tax revenue remains stable during the fiscal year, however due to declining enrollment the funds received from the State to help support the General Fund balance decreased.

The District's program revenues are 99% funded by Federal and State grants. The two largest grants are the Federal Title I Grant and the Federal 21st Century Learning Grant. These two grants help the District provide supplemental educational services to students and families in need. The remaining balance consists of Special Education, School Food Services, Student Transportation, Local Donations, Drivers Ed Fees, and Adult Ed Fees.

Expenses

The District's spending increased by $270,287 from fiscal year 2021 to 2022. Much of the District's spending can be attributed to salaries and benefits. The District used Federal ESSER funds to install HVAC units in the high school classrooms, replaced the high school shop classroom including the removal of old moldy insulation, and installing HVAC units in the gymnasium.

The ESSER funds were also used to provide additional student instructional interventions to address learning loss suffered during the pandemic. The District invested in professional development services through Side By Side Consulting to help teaching staff transition their curriculum to accommodate an online learning environment and how to use the interventions built into the curriculum materials purchased.

Additional increases in spending can be attributed to the inflationary increases in the economy and cost of living increases given to staff.

Hot Springs School District
Management Discussion and Analysis
As of June 30, 2022

Table 2 - Changes in Net Position

	Governmental Activities		
	FY22	**FY21**	**Change Inc (Dec)**
Revenues			
Program revenues (by major source):			
Charges for services	$ 12,161	$ 9,216	$ 2,945
Operating grants and contributions	1,522,782	669,901	852,881
General revenues (by major source):			
Property taxes for general purposes	702,904	718,167	(15,263)
Grants and entitlements not restricted to specific programs	1,474,190	1,467,559	6,631
Investment earnings	1,597	2,758	(1,161)
Miscellaneous (other revenue)	14,232	13,448	784
Indirect costs	98	-	98
State technology	1,246	1,661	(415)
State contributions to retirement	88,933	161,020	(72,087)
County retirement	258,256	225,506	32,750
Federal Impact Aid	133,988	62,142	71,846
Student activities	-	27,456	(27,456)
Total revenues	$ 4,210,387	$ 3,358,834	$ 851,553
Program expenses			
Instructional - regular	$ 1,641,190	$ 1,761,114	$ (119,924)
Instructional - special education	127,277	139,764	(12,487)
Instructional - vocational education	162,595	159,721	2,874
Instructional - adult education	-	228	(228)
Supporting services - operations & maintenance	299,793	286,012	13,781
Supporting services - general	73,933	6,458	67,475
Supporting services - educational media services	69,501	22,382	47,119
Administration - general	318,100	276,021	42,079
Administration - school	259,023	186,037	72,986
Administration - business	113,560	98,016	15,544
Student transportation	223,881	214,882	8,999
Extracurricular	153,403	137,535	15,868
School food	160,799	109,764	51,035
Debt service expense - interest	9,719	11,755	(2,036)
Unallocated depreciation*	75,397	66,364	9,033
Total expenses	$ 3,746,340	$ 3,476,053	$ 270,287
Excess (deficiency) before special items and transfers	$ 464,047	$ (117,219)	$ 581,266
Gain (loss) on disposal of capital assets	(11,196)	-	(11,196)
Increase (decrease) in net position	$ 452,851	$ (117,219)	$ 570,070

Significant Events and Trends

The District receives funds through the Federal Government's Impact Aid Program. This program provides money for schools that are impacted by federal non-taxable land in their district. Hot Springs School District has used their impact aid dollars to supplement the General Fund and Food Service Fund over the last few years. As enrollment declines so does the families who qualify the District for these funds. Administration continues to actively identify families with students who can be claimed for these funds. During fiscal year 2022 the Federal Government miscalculated and overpaid the District. This error was not caught until 2023, and now are requesting the funds be returned. The District is in the process of appealing the government's decision as it was their error and returning the funds would cause an undo finical burden to the District. Several other districts have experienced this situation and were able to get the debt forgiven, so the District is optimistic.

Enrollment is steadily declining, however costs to educate area children are rising. In May 2023 the District will request additional support from local taxpayers. If the request is not approved, the District will need to look at other avenues for income and cutting costs through the elimination of programs and potential staffing.

Capital Assets

Capital Assets net of Depreciation was as follows:

Hot Springs School District
Capital Assets

	FY 22	FY 21
Land & Land Improvements	$ 100,040	$ 100,040
Buildings & Improvements - net depreciation	1,821,693	1,694,617
Buildings & Improvements - construction in progress	59,769	
Machinery & Equipment - net depreciation	206,352	160,005
Total Capital Assets, depreciable net	**$2,187,584**	**$ 1,954,662**

The District's significant capital asset purchases in fiscal year 2022 included new gym water heaters, 2 new Chevy Traverses, the shop building reroof, mini splits, and HVAC upgrades.

Debt Administration

In 2003 the District passed a 30-year general obligation bond to construct a new gymnasium. The gymnasium bond will expire by fiscal year end 6/30/2023.

In 2018 the District entered into a loan agreement with Valley Bank for $150,000 to help fund the elementary heating system upgrade/replacement project. The loan will mature at fiscal year-end 6/30/2022.

Total District long term debt obligations are described below:

Hot Springs School District
Debt Administration

	FY22	FY21
General Obligation Bonds/HVAC Loan	$ 91,898	$ 182,800
OPEB Liability	49,843	70,906
Net Pension Liability	1,544,666	2,160,367
Compensated Absences	68,387	84,049
Total Expenditures Related To Gov't Activities	**$ 1,754,794**	**$ 2,372,787**

Budget to Actual

There were no significant variations between the budget and actual expenditures of the General Fund. The District was under budget by $44,685.

The District's Future

The District completed several infrastructure projects with Federal ESSER funds that could be related to the prevention of coronaviruses. This will enable the District to purchase much needed upgraded kitchen equipment with the Building Reserve Funds. In addition, an updated curriculum was purchased that has strong online learning components to enable staff to easily transition to remote learning and improve the classroom learning environment.

The District continues to suffer from declining enrollment and is using the flexible non-voted levy authority to increase the over-base budget without a vote in the general fund. In May 2023, the District will attempt to run a levy to help support the operation and maintenance of the general fund budget. In the meantime, the District will continue to operate with frugal spending policies and continue to find ways to reduce costs in areas including food service, maintenance, and general education.

Contact Information

If you have any questions about this report or need additional information, please contact the Business Manager at the Hot Springs School District, PO Box 1005, Hot Springs, MT 59845, and (406) 741-2964.

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hot Springs Public School
Sanders County
Hot Springs, Montana

Opinions
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hot Springs Public School, Sanders County, Montana as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hot Springs Public School, Sanders County, Montana basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hot Springs Public School, Sanders County, Montana, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of Hot Springs Public School, Sanders County, Montana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle
As described in Note 1 to the financial statements, in 2022, Sanders County adopted new accounting guidance, GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021, per GASB Statement No. 95). Our opinion is not modified with respect to this matter.

Emphasis of Matter
As shown on the Governmental Fund Balance Sheet, the Miscellaneous Programs Fund as a cash overdraft of $174,528 at year end. The deficit was due to reimbursements on the District's grants not received at year end in the amount of $299,071. These reimbursements were received by the District in the months of July – September 2022. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 misstatements, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hot Springs Public School, Sanders County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in the Hot Springs Public School's Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hot Springs Public School, Sanders County, Montana's basic financial statements. The Schedule of Revenues and Expenditures for the Extracurricular Fund, the Schedule of Enrollment and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 relates directly to the underlying accounting and other records used to prepare the basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Revenues and Expenditures for the Extracurricular Fund, the Schedule of 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 29, 2023, on our consideration of the Hot Springs Public School, Sanders County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is 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 Hot Springs Public School, Sanders County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hot Springs Public School, Sanders County, Montana's internal control over financial reporting and compliance.

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

March 29, 2023

Hot Springs Public School, Sanders County, Montana
Statement of Net Position
June 30, 2022

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	$	487,209
Taxes and assessments receivable, net		29,611
Accounts receivable - net		13,304
Due from other governments		310,244
Total current assets	$	840,368
Noncurrent assets		
Capital assets - land	$	100,040
Capital assets - construction in progress		59,769
Capital assets - depreciable, net		2,028,045
Leased assets - net of amortization		64,904
Total noncurrent assets	$	2,252,758
Total assets	$	3,093,126
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	$	338,753
Total deferred outflows of resources	$	338,753
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	3,431,879
LIABILITIES		
Current liabilities		
Warrants payable	$	47,365
Accounts payable		78,685
Other payroll liabilities		4,666
Current portion of lease liabilities		13,806
Current portion of long-term capital liabilities		91,898
Current portion of compensated absences payable		27,085
Total current liabilities	$	263,505
Noncurrent liabilities		
Other post employment benefits	$	49,843
Noncurrent portion of lease liabilities		51,566
Noncurrent portion of compensated absences		41,302
Net pension liability		1,544,666
Total noncurrent liabilities	$	1,687,377
Total liabilities	$	1,950,882
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	$	589,285
Total deferred inflows of resources	$	589,285
NET POSITION		
Net investment in capital assets	$	2,095,956
Restricted for capital projects		290,176
Restricted for debt service		96,351
Restricted for special projects		285,536
Unrestricted		(1,876,307)
Total net position	$	891,712
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	3,431,879

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position Primary Government
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Primary government:				
Governmental activities:				
Instructional - regular	$ 1,641,190	$ 1,500	$ 675,655	$ (964,035)
Instructional - special education	127,277	-	31,916	(95,361)
Instructional - vocational education	162,595	-	9,077	(153,518)
Supporting services - operations & maintenance	299,793	-	347,830	48,037
Supporting services - general	73,933	-	36,402	(37,531)
Supporting services - educational media services	69,501	-	42,711	(26,790)
Administration - general	318,100	-	47,860	(270,240)
Administration - school	259,023	-	53,846	(205,177)
Administration - business	113,560	-	-	(113,560)
Student transportation	223,881	-	61,118	(162,763)
Extracurricular	153,403	-	-	(153,403)
School food	160,799	10,661	151,885	1,747
Debt service expense - interest	9,719	-	-	(9,719)
Unallocated depreciation*	75,397	-	-	(75,397)
Student activities	58,169	-	64,482	6,313
Total governmental activities	$ 3,746,340	$ 12,161	$ 1,522,782	$ (2,211,397)
Total primary government	$ 3,746,340	$ 12,161	$ 1,522,782	$ (2,211,397)

General Revenues:	
Property taxes for general purposes	$ 702,904
Grants and entitlements not restricted to specific programs	1,474,190
Investment earnings	1,597
Miscellaneous (other revenue)	14,232
Indirect costs	98
State technology	1,246
State contributions to retirement	88,933
County retirement	258,256
Federal Impact Aid	133,988
Gain (loss) on disposal of capital assets	(11,196)
Total general revenues, special items and transfers	$ 2,664,248
Change in net position	$ 452,851
Net position - beginning	$ 438,861
Net position - end	$ 891,712

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

Hot Springs Public School, Sanders County, Montana
Balance Sheet
Governmental Funds
June 30, 2022

	General	Bus Depreciation Reserve	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	$ 101,939	$ 248,125	$ 132,317	$ -	$ 179,356	$ 661,737
Taxes and assessments receivable, net	15,991	2,663	-	-	10,957	29,611
Accounts receivable - net	-	-	-	13,304	-	13,304
Due from other funds	345	-	-	-	-	345
Due from other governments	468	-	-	294,071	15,705	310,244
TOTAL ASSETS	$ 118,743	$ 250,788	$ 132,317	$ 307,375	$ 206,018	$ 1,015,241
LIABILITIES						
Current liabilities:						
Cash overdraft	$ -	$ -	$ -	$ 174,528	$ -	$ 174,528
Warrants payable	47,365	-	-	-	-	47,365
Accounts payable	29,123	-	-	48,395	1,167	78,685
Due to other funds	-	-	-	-	345	345
Other payroll liabilities	4,666	-	-	-	-	4,666
Total liabilities	$ 81,154	$ -	$ -	$ 222,923	$ 1,512	$ 305,589
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - taxes and assessments	$ 15,991	$ 2,663	$ -	$ -	$ 10,957	$ 29,611
Total deferred inflows of resources	$ 15,991	$ 2,663	$ -	$ -	$ 10,957	$ 29,611
FUND BALANCES						
Restricted	$ -	$ 248,125	$ 132,317	$ 84,452	$ 193,549	$ 658,443
Unassigned fund balance	21,598	-	-	-	-	21,598
Total fund balance	$ 21,598	$ 248,125	$ 132,317	$ 84,452	$ 193,549	$ 680,041
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 118,743	$ 250,788	$ 132,317	$ 307,375	$ 206,018	$ 1,015,241

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2022

Total fund balances - governmental funds	$	680,041
Capital assets and leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,252,758
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		29,611
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(275,500)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,544,666)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		338,753
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(589,285)
Total net position - governmental activities	**$**	891,712

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Bus Depreciation Reserve	Retirement	Miscellaneous Programs	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local revenue	$ 407,886	$ 65,795	$ 161	$ 78,393	$ 253,844	$ 806,079
County revenue	-	-	258,256	-	31,420	289,676
State revenue	1,543,829	-	-	6,317	85,302	1,635,448
Federal revenue	133,988	-	-	1,163,950	151,885	1,449,823
Total revenues	$ 2,085,703	$ 65,795	$ 258,417	$ 1,248,660	$ 522,451	$ 4,181,026
EXPENDITURES						
Instructional - regular	$ 898,121	$ -	$ 96,942	$ 687,315	$ 3,267	$ 1,685,645
Instructional - special education	70,686	-	16,805	-	39,786	127,277
Instructional - vocational education	141,506	-	17,634	3,455	-	162,595
Supporting services - operations & maintenance	260,871	-	16,973	-	21,184	299,028
Supporting services - general	1,822	-	-	72,111	-	73,933
Supporting services - educational media services	17,469	-	2,055	49,977	-	69,501
Administration - general	169,595	-	17,688	51,980	78,837	318,100
Administration - school	190,157	-	15,418	53,448	-	259,023
Administration - business	73,632	-	8,522	5,431	25,975	113,560
Student transportation	16,569	3,105	3,814	-	158,299	181,787
Extracurricular	133,581	-	17,357	2,465	-	153,403
School food	52,031	-	8,722	-	98,626	159,379
Debt service expense - principal	38,932	-	-	-	60,000	98,932
Debt service expense - interest	3,409	-	-	-	6,310	9,719
Capital outlay	73,402	68,242	-	277,544	34,647	453,835
Student activities	-	-	-	58,169	-	58,169
Total expenditures	$ 2,141,783	$ 71,347	$ 221,930	$ 1,261,895	$ 526,931	$ 4,223,886
Excess (deficiency) of revenues over expenditures	$ (56,080)	$ (5,552)	$ 36,487	$ (13,235)	$ (4,480)	$ (42,860)
OTHER FINANCING SOURCES (USES)						
Proceeds from leases	$ 73,402	$ -	$ -	$ -	$ -	$ 73,402
Transfers in	$ 1,798	$ -	$ -	$ 1,223	$ -	$ 3,021
Transfers out	-	-	-	-	(3,021)	(3,021)
Total other financing sources (uses)	$ 75,200	$ -	$ -	$ 1,223	$ (3,021)	$ 73,402
Net Change in Fund Balance	$ 19,120	$ (5,552)	$ 36,487	$ (12,012)	$ (7,501)	$ 30,542
Fund balances - beginning	$ 2,478	$ 253,677	$ 95,830	$ 96,464	$ 201,050	$ 649,499
Fund balance - ending	$ 21,598	$ 248,125	$ 132,317	$ 84,452	$ 193,549	$ 680,041

See accompanying Notes to the Financial Statements

Hot Springs Public School, Sanders County, Montana
Reconciliation of the Statement of Revenues, Expenditures.
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds	$	30,542
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		453,835
- Depreciation expense		(144,543)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:		
- Loss on the disposal of capital assets		(11,196)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		(10,606)
The change in compensated absences is shown as an expense in the Statement of Activities		15,662
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Long-term debt principal payments		98,932
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:		
- Proceeds from long term leases		(73,402)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		21,063
Pension expense related to the net pension liability is shown as an expense on the Statement of Activites and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		32,597
State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		39,967
Change in net position - Statement of Activities	$	452,851

See accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021, per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

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

Primary Government

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. The District provides education from kindergarten through the twelfth grade.

The District is managed by a Board of Trustees, elected in district-wide elections, and by an administration appointed by and responsible to the Board. The financial statements include all of the operations of the District controlled by the Board of Trustees. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

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

Fund Financial Statements:

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

a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds:

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

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

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

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

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

Bus Depreciation Fund — Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned b y a school district.

Retirement Fund — Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare. Funded by a countywide levy for retirement.

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition
The District's cash, except for the Student Extracurricular demand deposit, and a scholarship savings account is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2022, consisted of a repurchase agreement. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Sanders County deposits and investments is available from Sanders County Treasurer's office, 11 Main Street, Thompson Falls, Montana 59873. Fair value approximates carrying value for investments as of June 30, 2022.

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

		Primary Government
Cash on hand and deposits:		
Cash on deposit with Sanders County Treasurer	$	421,297
Cash on deposit with Lake County Treasurer		1,748
Cash in banks:		
Demand deposits		64,163
Total	$	487,208

Deposits
The District's deposit balance at year end was $65,713 and the bank balance was $64,163.

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. All deposits are carried at cost plus accrued interest. As of June 30, 2022, the government's bank balance was fully insured by FDIC.

		June 30, 2022 Balance
Depository Account		
Insured	$	65,713
Total deposits and investments	$	65,713

NOTE 3. RECEIVABLES

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

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

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

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

NOTE 4. INVENTORIES AND PREPAIDS

The cost of inventories are recorded as an expenditure when purchased.

NOTE 5. CAPITAL ASSETS

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

Buildings	20 – 50 years
Improvements	20 years
Equipment	15 – 20 years

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

Governmental activities:	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 100,040	$ -	$ -	$ 100,040
Construction in progress	-	59,769	-	59,769
Total capital assets not being depreciated	$ 100,040	$ 59,769	$ -	$ 159,809
Other capital assets:				
Buildings	$ 3,304,607	$ 213,669	$ (22,740)	$ 3,495,536
Machinery and equipment	861,624	106,995	(19,700)	948,919
Total other capital assets at historical cost	$ 4,166,231	$ 320,664	$ (42,440)	$ 4,444,455
Less: accumulated depreciation	(2,311,609)	(136,045)	31,244	(2,416,410)
Total	$ 1,954,662	$ 244,388	$ (11,196)	$ 2,187,854

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

Governmental Activities:	
Instructional – regular	$ 16,369
Supporting services – operations and maintenance	765
Student transportation	42,094
School food	1,420
Unallocated	75,397
Total governmental activities depreciation expense	$ 136,045

NOTE 6. LEASE

The District entered into two new 5 year lease agreements in fiscal year 2022 for copiers throughout the District with a present value of $73,402. The lease liabilities as of June 30, 2022, are as follow:

Governmental Activities:	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Lease Liabilities	$ -	$ 73,402	$ (8,030)	$ 65,372	$ 13,806
Total	$ -	$ 73,402	$ (8,030)	$ 65,372	$ 13,806

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2022
2 Monochrome Copiers	9/1/21	3.99%	5yrs	8/31/26	$ 17,983	$ 3,960	$ 15,178
4 Monochrome Copiers & 1 Color	1/1/22	3.99%	5yrs	12/31/26	55,419	12,204	50,194
					$ 73,402	$16,164	$ 65,372

Future lease payments associated with these leased assets are as follows:

For Fiscal Year Ended	Principal	Interest
2023	$ 13,806	$ 2,358
2024	14,367	1,797
2025	14,952	1,213
2026	15,559	605
2027	6,688	73
Total	$ 65,372	$ 6,046

The District also recognized these copiers as leased assets as follows:

Governmental activities:

	Balance July 1, 2021	Additions	Balance June 30, 2022
Lease assets being amortized			
Machinery and equipment	$ -	$ 73,402	$ 73,402
Total Lease assets being amortized	$ -	$ 73,402	$ 73,402
Less accumulated amortization for:			
Machinery and equipment	$ -	$ (8,498)	$ (8,498)
Total accumulated amortization	$ -	$ (8,498)	$ (8,498)
Total lease assets, amortized, net	-	64,904	64,904
TOTAL GOVERNMENTAL ACTIVITIES LEASE ASSETS, NET	$ -	$ 64,904	$ 64,904

NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2021	Deletions	Balance June 30, 2022	Due Within One Year
General obligation bonds	$ 120,000	$ (60,000)	$ 60,000	$ 60,000
Loans/Contracted debt	62,800	(30,902)	31,898	31,898
Compensated absences	84,049	(15,662)	68,387	27,085
Total	$ 266,849	$ (106,564)	$ 160,285	$ 118,983

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

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2022, were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2022
Elementary Gym Bond	1/23/03	3.00%	20yrs	7/1/23	$400,000	Varies	$ 30,000
High School Gym Bond	1/23/03	3.00%	20yrs	7/1/23	400,000	Varies	30,000
					$800,000		$ 60,000

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2023	$ 60,000	$ 2,172
Total	$ 60,000	$ 2,172

Loans/Contracted Debt
Loans/contracted debts outstanding as of June 30, 2022, were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2022
Heating System Loan	8/27/17	3.00%	5yrs	7/1/22	$150,000	Varies	$ 31,898

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2023	$ 31,898	$ 1,079
Total	$ 31,898	$ 1,079

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

At the beginning of each school year each teacher shall be credited with ten days of leave at full salary for personal illness or disability, personal medical appointments, quarantine or communicable disease, or illness in the immediate family.

With Board approval, an additional 30 days of sick leave will be allowed for catastrophic illness. The Board has the authority to verify the illness as catastrophic. If this does not allow sufficient time to return to work, any teacher may donate any of their own accumulated unused sick leave to such a person.

Unused days of sick leave each year will be allowed to accumulate to one hundred (100) days. The school board will pay a rate of ½ the substitute rate for every unused sick leave day beyond one hundred (100) days at the end of each school year. Upon termination, compensation will be determined by:

a. For one hundred (100) or fewer unused sick leave days:
    - Termination Pay = .20 (Ns) (TS)/Nd where
    - Ns = Number of unused sick days sixty (60) or less
    - TS = Termination Salary
    - Nd = Total of PI and PIR days in current school year
b. And, if applicable, the number of unused sick days over one hundred (100) multiplied by ½ substitute rate.

The liability associated with teaching and non-teaching employees is reported in the governmental-type activities. The District's compensated absences liability as of June 30, 2022 was $68,387.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan, as required by section 2-18-704, MCA, provides employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the District. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	-
Active employees	25
Total employees	25

Total OPEB Liability

The District's total OPEB liability of $49,843 at June 30, 2022 was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (Consumer Price Index)	8.35%
Participation rate	10.00%

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

Year	**% Increase**
2022	4.60%
2023	5.00%
2024	5.10%
2025	5.40%
2026	5.30%
2027	5.30%
2028	5.30%
2029	5.50%
2030	5.40%
2031	4.70%
2032 and after	4.70%

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

Life expectancy of employees was based on the United States Life Tables, 2020 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 71, No. 2, August 23, 2022.

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

Changes in the Total OPEB Liability

Balance at 6/30/2021	$	70,906
Changes for the year:		
Service Cost	$	3,489
Change in assumptions		(24,552)
Net Changes	$	(21,063)
Balance at 6/30/2022	$	49,843

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

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability	$ 58,408	$ 49,843	$ 43,106

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	$ 41,753	$ 49,843	$ 60,074

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

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

For the year ended June 30, 2022, the District recognized an OPEB expense of $(21,063). The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since District records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 9. NET PENSION LIABILITY (NPL)

As of June 30, 2022, the District reported the following balances as its proportionate share of PERS and TRS pension amounts:

District's Proportionate Share Associated With:		PERS		TRS		Pension Totals
Net Pension Liability	$	237,786	$	1,306,880	$	1,544,666
Deferred outflows of resources*	$	58,903	$	279,850	$	338,753
Deferred inflows of resources	$	123,133	$	466,152	$	589,285
Pension expense	$	5,041	$	157,426	$	162,467

*Deferred outflows for PERS and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of $21,144, and $110,517, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2022.

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

Public Employee's Retirement System – Defined Benefit Retirement Plan

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

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

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

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

Summary of Benefits

Service retirement:

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

Early Retirement (actuarially reduced):

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

Second Retirement (requires returning to PERS-covered employer or PERS service):
1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

a. A refund of member's contributions plus return interest (currently 2.02%

effective July 1, 2018).
b. No service credit for second employment;
c. Start the same benefit amount the month following termination; and
d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
a. The same retirement as prior to the return to service;
b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula
Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other

adjustments to the member's benefit.

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

Contributions

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

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

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

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

	Member		**School Districts**	
Fiscal Year	Hired<07/01/11	Hired>07/01/11	Employer	State
2022	7.900%	7.900%	8.600%	0.370%
2021	7.900%	7.900%	8.500%	0.370%
2020	7.900%	7.900%	8.400%	0.370%
2019	7.900%	7.900%	8.300%	0.370%
2018	7.900%	7.900%	8.200%	0.370%
2017	7.900%	7.900%	8.100%	0.370%
2016	7.900%	7.900%	8.000%	0.370%
2015	7.900%	7.900%	7.900%	0.370%
2014	7.900%	7.900%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	6.800%	0.370%
2010 – 2011	6.900%		6.800%	0.370%
2008 – 2009	6.900%		6.800%	0.235%
2000 - 2007	6.900%		6.800%	0.100%

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

2. Employer contributions to the system:
    a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
    b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
    c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions:
    a. Special Funding
        i. The state contributed 0.1% of members' compensation on behalf of local government entities.
        ii. The state contributed 0.37% of members' compensation on behalf of school district entities.
        iii. The state contributed a Statutory Appropriation from the General Fund of $34,290,660.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2022, and 2021, are displayed below. The District proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The District recorded a liability of $237,786 and the District's proportionate share was 0.013114 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	$ 237,786	$ 363,059	0.013114%	0.013762%	-0.000648%
State of Montana Proportionate Share associated with Employer	76,704	124,715	0.004230%	0.004727%	-0.000497%
Total	$ 314,490	$ 487,774	0.017344%	0.018489%	-0.001145%

Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2022, the District recognized a Pension Expense of $(11,302) for its proportionate share of the pension expense. The District also recognized grant revenue of $16,343 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/22	Pension Expense as of 6/30/21
Employer Proportionate Share	$ (11,302)	$ 36,550
State of Montana Proportionate Share associated with the Employer	16,343	20,396
Total	$ 5,041	$ 56,946

Recognition of Beginning Deferred Outflow

At June 30, 2022, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2021 contributions of $5,090.

Recognition of Deferred Inflows and Outflows:

At June 30, 2022, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,538	$ 1,721
Actual vs. Expected Investment Earnings	-	96,330
Changes in Assumptions	35,221	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	25,082
Employer contributions sunsequent to the measurement date - FY22*	21,144	-
Total	$ 58,903	$ 123,133

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

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2022	$	(19,087)
2023	$	(12,271)
2024	$	(23,266)
2025	$	(30,751)
2026	$	-
Thereafter	$	-

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

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
  *includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

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

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the *2021 OASDI Trustees Report* used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table on the top of the next page.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	3.00%	(0.33)%
Domestic Equity	30.00%	5.90%
Foreign Equity	17.00%	7.14%
Private Equity	15.00%	9.13%
Natural Resources	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed	6.00%	3.02%
Total	100%	

Discount Rate

The discount rate used to measure the TPL was 7.06%. 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.

1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
$ 377,448	$ 237,786	$ 120,642

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

PERS Disclosure for the defined contribution plan

Hot Springs Public School contributed to the state of Montana Public employee Retirement

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

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.
Member and employer contributions rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

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

At the plan level for the measurement period ended June 30, 2021, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled $1,103,889.

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

<u>Teachers Retirement System</u>

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

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

Plan Descriptions

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

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

Summary of Benefits

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

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

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

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

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

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

School District and Other Employers

	Members	Employers	General fund	Total employee & employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1,2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.3 1%
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%	19.5 1%
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%	19.8 1%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

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

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2022, and June 30, 2021 (reporting dates).

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	$ 1,306,880	$ 1,797,308	0.0789%	0.0799%	-0.0010%
State of Montana Proportionate Share associated with Employer	745,102	1,061,350	0.0450%	0.0472%	-0.0022%
Total	$ 2,051,982	$ 2,858,658	0.1239%	0.1271%	-0.0032%

At June 30, 2022, the District recorded a liability of $1,306,880 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2020, through June 30, 2021, relative to the total District contributions received from all of TRS' participating employers. At June 30, 2022, the District's proportion was 0.0789 percent.

Changes in actuarial assumptions and methods:

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

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

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2022, the District recognized a Pension Expense of $158,426 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of $72,590 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

		Pension Expense as of 6/30/22
Employer Proportionate Share	$	85,836
State of Montana Proportionate Share associated with the Employer		71,590
Total	$	157,426

Recognition of Beginning Deferred Outflow

At June 30, 2022, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2021 contributions of $103,040.

Recognition of Deferred Inflows and Outflows:

At June 30, 2022, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 20,525	$ -
Actual vs. Expected Investment Earnings	-	412,956
Changes in Assumptions	148,808	671
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	52,525
Employer contributions sunsequent to the measurement date - FY22*	110,517	-
Total	$ 279,850	$ 466,152

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

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	$	(48,341)
2024	$	(37,257)
2025	$	(80,178)
2026	$	(131,040)
2027	$	-
Thereafter	$	-

Actuarial Assumptions
The Total Pension Liability as of June 30, 2021, is based on the results of an actuarial valuation date of July 1, 2021. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2021, valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total Wage Increases* 3.25% - 7.76% for Non-University Members and 4.25% for University Members
- Investment Return 7.06%
- Price Inflation 2.40%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years
- Mortality among disabled members
  - RP 2000 Disabled Mortality Table for, set back three years for males and set forward two years for females, with mortality improvements projected by Scale BB to 2022.

*Total Wage Increases include 3.25% general wage increase.

Discount Rate
The discount rate used to measure the total pension liability was 7.06%. The projection of

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

Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return*
Domestic Equity	30.00%	6.90%
International Equity	17.00%	7.14%
Private Equity	15.00%	9.13%
Natural Resources	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 assumed rate is comprised of a 2.50% inflation rate and a real long-term expected rate of return of 5.00%.

The long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yield a median real return of 4.66%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.06%.

Sensitivity Analysis

1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
$ 1,941,770	$ 1,306,880	$ 777,075

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022, was as follows:

Due to/from other funds

Purpose	Receivable Fund	Payable Fund	Amount
Unknown	General – Major Governmental	Building – Nonmajor Governmental	$ 345

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2022:

Purpose	Receivable Fund	Payable Fund	Amount
To removed excess monies not needed for future vacation and sick leave	General – Major Governmental	Compensated Absences – Nonmajor Governmental	$ 1,798
Residual Equity Transfer	Misc. Programs – Major Governmental	Interlocal – Nonmajor Governmental	1,223
			$ 3,021

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

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

Restricted Fund Balance

Fund	Amount	Purpose of Restriction
Bus Depreciation Reserve	$ 248,125	Bus replacement
Retirement	132,317	Employer costs of benefits
Miscellaneous Programs	84,452	Third party grantor restrictions
All other aggregate	79,808	Debt Service
	53,770	Pupil Transportation
	72	Food services
	2,058	Student instructional services
	13,798	Vacation and sick leave payouts
	653	Technology upgrades and maintenance
	4,622	Adult Education
	38,768	Future construction costs
Total	$ 658,443	

NOTE 12. RESTATEMENTS

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

Fund	Amount	Reason for Adjustment
General	$(174,789)	Overstated prior year cash
Impact Aid **	174,789	Understated prior year cash
Total	$ -	

**The Impact Aid Fund is reported with the General Fund for financial reporting purposes under GASB No. 54

NOTE 13. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

The District is a member of the Cabinet Mountain Cooperative. The Cooperative is comprised of member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Every year each member district appoints a member to the Joint Advisory Board. From this board a four member Management Council is elected to administrated the Cooperative. The County Superintendent of Schools is the prime fiscal agent. The Cooperative provides special education services to the District.

The District's contribution to the Cooperative was $44,178 for the fiscal year ended June 30, 2022. Separate financial statements are available from the Cabinet Mountain Cooperative.

NOTE 14. SERVICES PROVIDED BY OTHER GOVERNMENTS

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

NOTE 15. RISK MANAGEMENT

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

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

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

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

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

NOTE 16. PENDING LITIGATION

The following is a list of threatened litigation pending against the District and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case. The District has liability insurance which may cover all or part of the damages requested.

Case	Damages Requested	Potential of Loss
Heather Piper v. Hot Springs Public School #14J	*Unknown*	*Unknown*

NOTE 17. SUBSEQUENT EVENTS

The District continues to utilize its awarded Elementary and Secondary School Emergency Relief Fund (ESSER) funding. At the end of fiscal year 2022, the District had spent $309,376 of its $325,251 awarded ESSER II funding. Through March 2023, the District had spent and additional $2,828. At the end of fiscal year 2022, the District had spent $544,155 of its $725,554 awarded ESSER III funding. Through March 2023, the District had incurred an additional $81,344 in costs. The District is using these funding sources for salaries and benefits as well as new equipment. The ESSER II funds are to be expended by September 30, 2023, and the ESSER III to be expended by September 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	$ 406,109	$ 406,109	$ 407,533	$ 1,424
State revenue	1,523,993	1,523,993	1,488,579	(35,414)
Amounts available for appropriation	$ 1,930,102	$ 1,930,102	$ 1,896,112	$ (33,990)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	$ 959,008	$ 959,008	$ 838,853	$ 120,155
Instructional - special education	80,603	80,603	70,686	9,917
Instructional - vocational education	136,762	136,762	141,506	(4,744)
Supporting services - operations & maintenance	233,154	233,154	242,965	(9,811)
Supporting services - general	-	-	1,822	(1,822)
Supporting services - educational media services	36,435	36,435	17,469	18,966
Administration - general	149,244	149,244	157,799	(8,555)
Administration - school	159,620	159,620	190,157	(30,537)
Administration - business	57,797	57,797	73,142	(15,345)
Student transportation	19,800	19,800	16,569	3,231
Extracurricular	97,679	97,679	125,016	(27,337)
School food	-	-	31	(31)
Debt service expense - principal	-	-	8,030	(8,030)
Debt service expense - interest	-	-	1,372	(1,372)
Total charges to appropriations	$ 1,930,102	$ 1,930,102	$ 1,885,417	$ 44,685
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ -	$ 1,798	$ 1,798
Total other financing sources (uses)	$ -	$ -	$ 1,798	$ 1,798
Net change in fund balance			$ 12,493	
Fund balance - beginning of the year			$ 173,096	
Restatements			(174,789)	
Fund balance - beginning of the year - restated			$ (1,693)	
Fund balance - end of the year			$ 10,800	

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	Bus Depreciation Reserve			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY	VARIANCE WITH FINAL
	ORIGINAL	FINAL	BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Local revenue	$ 64,693	$ 64,693	$ 65,795	$ 1,102
Amounts available for appropriation	$ 64,693	$ 64,693	$ 65,795	$ 1,102
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Student transportation	$ 3,105	$ 3,105	$ 3,105	$ -
Capital outlay	134,122	134,122	134,122	-
Total charges to appropriations	$ 137,227	$ 137,227	$ 137,227	$ -
Net change in fund balance			$ (71,432)	
Fund balance - beginning of the year			$ 253,677	
Fund balance - end of the year			$ 182,245	

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	Retirement			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	$ -	$ -	$ 161	$ 161
County revenue	244,122	244,122	258,256	14,134
Amounts available for appropriation	$ 244,122	$ 244,122	$ 258,417	$ 14,295
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	$ 141,215	$ 141,215	$ 96,942	$ 44,273
Instructional - special education	21,470	21,470	16,805	4,665
Instructional - vocational education	16,915	16,915	17,634	(719)
Supporting services - operations & maintenance	17,970	17,970	16,973	997
Supporting services - educational media services	4,654	4,654	2,055	2,599
Administration - general	18,129	18,129	17,688	441
Administration - school	26,566	26,566	15,418	11,148
Administration - business	9,151	9,151	8,522	629
Student transportation	7,124	7,124	3,814	3,310
Extracurricular	13,142	13,142	17,357	(4,215)
School food	6,957	6,957	8,722	(1,765)
Total charges to appropriations	$ 283,293	$ 283,293	$ 221,930	$ 61,363
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 39,172	$ 39,172	$ -	$ (39,172)
Total other financing sources (uses)	$ 39,172	$ 39,172	$ -	$ (39,172)
Net change in fund balance			$ 36,487	
Fund balance - beginning of the year			$ 95,830	
Fund balance - end of the year			$ 132,317	

Hot Springs Public School, Sanders County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Bus Depreciation Reserve	Retirement
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 1,896,112	$ 65,795	$ 258,417
Combined funds (GASBS 54) revenues	189,591	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	$ 2,085,703	$ 65,795	$ 258,417
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,885,417	$ 137,227	$ 221,930
Combined funds (GASBS 54) expenditures	256,366	-	-
- Encumbrances reported at the end of the year	-	(65,880)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 2,141,783	$ 71,347	$ 221,930

Note B
The Miscellaneous Programs Fund is a non-budgeted special revenue fund.

Hot Springs Public School, Sanders County, Montana
Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service Cost	$ 3,489	$ 5,891	$ 5,891	$ 4,037	$ 4,037
Change in assumptions and inputs	(24,552)	-	(1,370)	-	-
Net change in total OPEB liability	(21,063)	5,891	4,521	4,037	4,037
Total OPEB Liability - beginning	70,906	65,015	60,494	56,457	43,004
Restatement	-	-	-	-	9,416
Total OPEB Liability - ending	$ 49,843	$ 70,906	$ 65,015	$ 60,494	$ 56,457
Covered-employee payroll	$ 848,664	$ 796,680	$ 769,680	$ 1,027,841	$ 1,027,841
Total OPEB liability as a percentage of covered -employee payroll	6%	9%	8%	6%	5%

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

Hot Springs Public School, Sanders County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2022

	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.013114%	0.013762%	0.016089%	0.016393%	0.019189%	0.017673%	0.017712%	0.017521%
Employer's proportionate share of the net pension liability associated with the Employer	$ 237,786	$ 363,059	$ 336,313	$ 342,146	$ 373,737	$ 301,028	$ 247,591	$ 218,316
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 76,704	$ 124,715	$ 119,251	$ 125,474	$ 17,072	$ 14,069	$ 11,634	$ 10,206
Total	$ 314,490	$ 487,774	$ 455,564	$ 467,620	$ 390,809	$ 315,097	$ 259,225	$ 228,522
Employer's covered payroll	$ 239,001	$ 238,318	$ 274,104	$ 278,470	$ 245,982	$ 218,833	$ 213,714	$ 205,205
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	99.49%	152.34%	122.70%	122.87%	151.94%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

	TRS 2022	TRS 2021	TRS 2020	TRS 2019	TRS 2018	TRS 2017	TRS 2016	TRS 2015
Employer's proportion of the net pension liability	0.0789%	0.0799%	0.0805%	0.0858%	0.0840%	0.0821%	0.0803%	0.0815%
Employer's proportionate share of the net pension liability associated with the Employer	$ 1,306,880	$ 1,797,308	$ 1,552,218	$ 1,591,877	$ 1,415,611	$ 1,499,531	$ 1,319,344	$ 1,254,032
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 745,102	$ 1,061,350	$ 940,930	$ 993,766	$ 898,783	$ 980,240	$ 890,593	$ 861,497
Total	$ 2,051,982	$ 2,858,658	$ 2,493,148	$ 2,585,643	$ 2,314,394	$ 2,479,771	$ 2,209,937	$ 2,115,529
Employer's covered payroll	$ 1,123,785	$ 1,107,821	$ 1,092,728	$ 1,145,558	$ 1,107,392	$ 1,065,471	$ 1,024,909	$ 1,027,675
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	116.29%	162.24%	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

Hot Springs Public School, Sanders County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022

	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	$ 21,144	$ 5,090	$ 20,230	$ 22,832	$ 22,834	$ 19,925	$ 17,694	$ 17,033
Contributions in relation to the contractually required contributions	$ 21,144	$ 5,090	$ 20,230	$ 22,832	$ 22,834	$ 19,925	$ 17,694	$ 17,033
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 245,860	$ 59,882	$ 238,318	$ 274,104	$ 278,470	$ 245,982	$ 218,833	$ 213,714
Contributions as a percentage of covered payroll	8.60%	8.50%	8.49%	8.33%	8.20%	8.10%	8.09%	7.97%

	TRS 2022	TRS 2021	TRS 2020	TRS 2019	TRS 2018	TRS 2017	TRS 2016	TRS 2015
Contractually required contributions	$ 110,517	$ 103,040	$ 99,749	$ 98,018	$ 126,238	$ 97,118	$ 92,376	$ 87,835
Contributions in relation to the contractually required contributions	$ 110,517	$ 103,040	$ 99,749	$ 98,018	$ 126,238	$ 97,118	$ 92,376	$ 87,835
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,161,550	$ 1,123,785	$ 1,107,821	$ 1,092,728	$ 1,145,558	$ 1,107,392	$ 1,065,471	$ 1,024,909
Contributions as a percentage of covered payroll	9.51%	9.17%	9.00%	8.97%	11.02%	8.77%	8.67%	8.57%

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

Hot Springs Public School, Sanders County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022

<u>Public Employees' Retirement System of Montana (PERS)</u>

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

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013
- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013
- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.
- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
  - 1.5% each tear PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

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

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

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

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

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

2017 Legislative Changes

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

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 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.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment**.**

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

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

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

Changes in Actuarial Assumptions and Methods
Method and assumptions used in calculations of actuarially determined contributions.

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

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.28%

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 actuarial administrative expenses.

Hot Springs Public School, Sanders County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022

Teachers' Retirement System of Montana (TRS)

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

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

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

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

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

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

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

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

- Annual State contribution equal to $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 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%.

Hot Springs Public School, Sanders County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022

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	29 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

SUPPLEMENTAL INFORMATION

Hot Springs Public School
Sanders County, Montana
Schedule of Enrollment/ANB Schedule
For the Fiscal Year Ended June 30, 2022

Students Grade K – 8

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	20	20	0
Grades 1-6	82	82	0
Grades 7-8	22	22	0
Spring Enrollment-El District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Kindergarten Half Day	0	0	0
Kindergarten Full Day	14	14	0
Grades 1-6	76	76	0
Grades 7-8	26	26	0

Part Time Students:

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

Students Grades 9 – 12:

Full-Time Students:

Fall Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grades 9 - 12	54	54	0
19-year olds included	1	1	0
Job Corps	0	0	0
Youth challenge	0	0	0
Spring Enrollment-HS District	**MAEFAIRS Reports**	**District Reports**	**Difference**
Grades 9 - 12	55	55	0
19-year olds included	1	1	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	0	0	0

Part Time Students:

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

Hot Springs School District
Sanders County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2022

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
6th Grade Adopt a Family	$ 89	$ -	$ -	$ 89
AAA	2,753	5,387	5,458	2,682
Annual	1,457	808	2,225	40
Art	200	-	-	200
Athletics	(4,098)	15,257	12,211	(1,052)
Baldy Press	3,581	-	1,402	2,179
Boys Basketball - HS	135	441	576	-
Cheerleading	206	-	-	206
Chromebook Fines	355	-	-	355
Class of 2020	-	-	-	-
Class of 2021	51	-	10	41
Class of 2022	1,974	4,567	6,339	202
Class of 2023	520	1,336	371	1,485
Class of 2024	570	617	7	1,180
Class of 2025	322	124	-	446
Class of 2026	214	581	48	747
Class of 2029	125	-	-	125
Concessions	4,562	7,679	6,617	5,624
Counselor Fund	1,970	2,000	78	3,892
Cross Country	91	49	98	42
Crows Nest Fund	488	-	-	488
Drama	652	-	-	652
Elementary	2,096	-	705	1,391
Family Consumer Service	86	-	3	83
FCCLA	1,022	2,561	1,829	1,754
FFA	4,511	8,978	4,034	9,455
Football HS	218	-	-	218
Girls Basketball - HS	354	320	320	354
Interest Income	2	-	-	2
JMG	3,555	8,375	7,369	4,561
Junior High	469	-	101	368
Just Do It Scholarship	501	-	-	501
Library Fund	560	114	-	674
Library Fund RIF	1,139	-	-	1,139
Music	1,033	1,734	1,159	1,608
Native American Club	164	420	-	584
PEP Club	773	20	762	31
Petty Cash	1,600	-	-	1,600
ProStart	1,591	1,200	1,755	1,036
Registration & Misc.	629	941	823	747
Shop & Mechanics	1,213	535	-	1,748
Student Council	569	507	136	940
Track	273	-	-	273
Tripp Memorial	(150)	2,450	1,250	1,050
Volleyball - HS	148	-	-	148
Welding Dual Credit	3,995	2,000	3,916	2,079
Class of 2027	-	1,103	-	1,103
Community Fundraiser	-	1,270	962	308
Spa City Bball Tournament	-	2,442	-	2,442
Total	$ 42,568	$ 73,816	$ 60,564	$ 55,820

SINGLE AUDIT SECTION

Hot Springs Public School
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Cluster Title/Federal Grantor/Pass-through Grantor /Program	***Federal CFDA Number***	***Pass-through Grantor Number***		***Federal Expenditures***
Child Nutrition Cluster				
United States Department of Agriculture				
Passed through Montana Office of Public Instruction				
School Breakfast Program (SBP)	10.553	N/A	$	52,066
National School Lunch Program (NSLP)	10.555	N/A		94,189
Fresh Fruit and Vegetable Program (FFVP)	10.582	N/A		5,152
Total United States Department of Agriculture			$	151,407
Total Child Nutrition Cluster			$	151,407
Other Programs				
Department of Education				
Passed through Montana Office of Public Instruction				
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	045-0815-32-2021	$	3,072
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	045-0815-32-2022		108,554
Career and Technical Education--Basic Grants to States (Perkins V)	84.048	045-0815-81-2022		5,747
Twenty-First Century Community Learning Centers	84.287	045-0815-17-2022		154,319
Student Support and Academic Enrichment Program	84.424	045-0815-52-2022		9,941
Student Support and Academic Enrichment Program	84.424	045-0815-52-2021		3,541
Education Stabilization Fund (ESF)	84.425	045-0815-92-2021 84.425D Bse		307,588
Education Stabilization Fund (ESF)	84.425	045-0815-92-2021, 84.425D Related Services		1,788
Education Stabilization Fund (ESF)	84.425	045-0815-93-2021 84.425U Lost Instructional		54,020
Education Stabilization Fund (ESF)	84.425	045-0815-93-2021 84.425U Base		490,130
Direct				
Impact Aid (Title VII of ESEA)	84.041	N/A		132,088
Rural Education	84.358	N/A		5,814
Total Department of Education			$	1,276,602
Federal Communications Commission				
Direct				
UNIVERSAL SERVICE FUND - SCHOOLS and LIBRARIES	32.004	N/A	$	20,085
Total Federal Communications Commission			$	20,085
Total Other Programs			$	1,296,687
Total Federal Financial Assistance			$	1,448,094

The accompanying notes are an integral part of this schedule

HOT SPRINGS PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2022

Basis of Presentation and Significant Accounting Policies

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

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

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

Value of Federal Awards Expended in the form of Noncash Assistance

- *Food Commodities value equals the fair value at the time of the receipt $779.*

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

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

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

To the Board of Trustees
Hot Springs Public School
Sanders County
Hot Springs, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hot Springs Public School, Sanders County, Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hot Springs Public School's basic financial statements and have issued our report thereon dated March 29, 2023.

In planning and performing our audit of the financial statements, we considered Hot Springs Public School, Sanders County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hot Springs Public School, Sanders County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Hot Springs Public School's internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses listed as item(s) 2022-001 and 2022-002.

Compliance and Other Matters

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

Hot Springs Public School's Response to Findings

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

Purpose of this Report

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

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

March 29, 2023

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

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

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

To the Board of Trustees
Hot Springs Public School
Sanders County
Hot Springs, Montana

Report on Compliance for each Major Federal Program

Qualified and Unmodified Opinions
We have audited Hot Springs Public School'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 Hot Springs Public School's Major federal programs for the year ended June 30, 2022. Hot Springs Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Hot Springs Public School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Education Stabilization Fund for the year ended June 30, 2022.

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

We are required to be independent of Hot Springs Public School 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 Hot Springs Public School's compliance with the compliance requirements referred to above.

Matter(s) Giving Rise to Qualified Opinion on Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, Hot Springs Public School did not comply with the requirements regarding Education Stabilization Fund 84.425D as described in finding numbers 2022-003 for Special Tests and Revisions. Compliance with such requirements is necessary, in our opinion, for Hot Springs Public School to comply with the requirements applicable to that program.

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 with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hot Springs Public School'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 Hot Springs Public School'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 generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hot Springs Public School's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the 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 Hot Springs Public School'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 Hot Springs Public School'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 Hot Springs Public School'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.

Other Matters
Government Auditing Standards requires the auditor to perform limited procedures on Hot Springs Public School's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Hot Springs Public School's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance
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 may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that here is a reasonable possibility that material noncompliance with a types of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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.

Government Auditing Standards requires the auditor to perform limited procedures on Hot Springs Public School's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Hot Springs Public School's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

March 29, 2023

HOT SPRINGS PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	*Unmodified*
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

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

Section II – Financial Statement Findings

2022-001 Payroll Clearing Fund

Condition:
The warrants payable in the payroll clearing fund did not tie to the outstanding warrant report and there were old payroll liabilities with balances that have not changed.

Context:
As part of substantive audit testing, we compared the outstanding warrants per the financial statements to the outstanding warrant listing. we then reviewed the other payroll liabilities and noted that there were balances that at year end and still have not changed as of March 2023.

Criteria:
Outstanding warrants per the trial balance should tie to the outstanding warrant listing. Also, the payroll clearing fund should be balanced on a monthly basis with balances investigated verified to be accurate.

Effect:
Outstanding warrants was overstated by $11,303 and payroll liabilities by $4,069 in the Payroll Clearing Fund which is combined with the General Fund for financial reporting purposes. This was corrected in the financial statements.

Cause:
the District completed a journal voucher that increased warrants payable in March 2022. The District was also not reviewing and reconciling the payroll clearing fund on a monthly or even yearly basis.

Recommendation:
We recommend that warrants payable per the trial balance be reconciled to warrants payable per the outstanding warrant report. We also recommend that for the other payroll liabilities, the District ensure that they review and reconciled on a monthly basis.

2022-002 Student Activities Internal Controls

Condition:
We noted the following weaknesses related to the internal controls of the District Student Activities receipting systems:

1. Adequate supporting documentation for concession sales, gate ticket sales, and fundraising is not being provided from the activity advisories for cash and checks collections deposited with the fund custodian.
2. Receipts are not being issued by the fund custodian when collections are being received from activity advisors.
3. We couldn’t determine if receipts were being made timely due to a lack of supporting documentation being provided to show when the event occurred versus when deposits were made.
4. Monthly activity detail reports are not being provided to activity advisors for review.

Context:
The auditor completed a test of the internal controls related to the District Activities receipting and disbursing processes using inquiry, inspection, observation and documentation.

Criteria:
1. Adequate internal control procedures would require adequate supporting documentation for concession, gate ticket sales, and fundraising in order to ensure all money being collected by the fund custodian is accounted for.
2. Internal control procedures should require that all collections are receipted at the time of the transaction, and copy of receipt given to the payer/advisor.
3. Adequate internal control procedures should require support so it can be verified that collections are being made timely.
4. Internal control procedures should include timely monitoring of activities funds.

Effect:
The internal control procedures are weakened increasing the risk of error or misappropriation of assets.

Cause:
1. Supporting documentation is not being provided to the fund custodian by the advisors to support the collection of concessions, gate ticket sales, and fundraising being deposited the activity fund custodian.
2. The fund custodian writes receipts when preparing the deposits, and no receipt is provided to the activity advisors.
3. There was a lack of supporting documentation so we couldn't determine if depsoits were made timely.
4. There is control procedure to send the activity detail reports to advisors on a monthly basis, and currently are provided upon request

Recommendation:
1. We recommend that the District require supporting concession sales reports and the gate ticket sales form be remitted with all cash deposits to determine whether all money received is properly deposited.
2. We recommend that the District require receipts be issued for all collections upon receipt of activity collection envelops, and copy given to payer.
3. We recommend the District require dated support to show that deposits are made timely.
4. We recommend once the activity funds are reconciled, detail fund reports be emailed to the activity advisors for monitoring of the funds activity

Section III – Federal Award Findings and Questioned Costs

2022-003 Prevailing Wage Rate Internal Control and Compliance
CFDA Title: ESSER II
CFDA Number: 84.425D
Federal Award Number: 036-0648-92-2021
Federal Agency: U.S. Department of Education
Pass-through Entity: Montana Office of Public Instruction

Condition:
The District did not require a contract indicating the requirement of prevailing wage rate and weekly certified payrolls submitted for federal construction project with contractor.

Context:
During the testing of expenditures for the ESSER projects we noted construction projects with labor in excess of $2,000.

Criteria:
All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141--3144, 3146, and 3147.

Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.326).

Effect:
The District was not in compliance with the prevailing wage rate requirement and the internal control system of the District did not identify the need for the compliance.

Cause:
Internal control procedures were not in place to ensure a contract was draw up to include the prevailing wage rate clause and to ensure the weekly certified payrolls were submitted to the District.

Recommendation:
The District should implement internal control procedures for any construction contracts in excess of $2,000 funded with federal monies include a contract with the prevailing wage rate clause and submission of weekly certified payrolls.

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

To the Board of Trustees
Hot Springs Public School
Sanders County
Hot Springs, Montana

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

Recommendation	Action Taken
2021-001 Understated Due From Other Government	Implemented
2021-002 School Food Services Fund Deficit Fund Balance	Implemented
2021-003 Student Activities Internal Controls	Partially Repeated Receipting

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

March 29, 2023

Hot Springs Public Schools #14-J

Proudly Serving Students in Grades K-12
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High School Office
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Contact Person:
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Business Manager/Clerk
406-741-2964
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Expected Completion Date of Corrective Action Plan:
6/30/2022

CORRECTIVE ACTION PLAN

FINDING 2022-001: Payroll Clearing Fund

Response:
The Districts will ensure that the payroll clearing fund is reconciled to the outstanding warrants listing monthly.

FINDING 2022-002: Student Activities Internal Control

Response:
The District implemented all internal control recommendations for student activities at the start of the 2022-2023 school year.

FINDING 2022-003: Prevailing Wage Rate Internal Control and Compliance

Response:
The District will notify contractors paid with federal funds of the prevailing wage requirement and require submission of weekly certified payrolls, prior to final payment.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2021-001: Understated Due From Other Governments

Response:
Implemented

FINDING 2021-002: School Food Service Fund Deficit Fund Balance

Response:
Implemented

FINDING 2020-003: Student Activities Internal Control

Response:
Implementation in process.