

LEWISTOWN SCHOOL DISTRICT #1

**FERGUS COUNTY
LEWISTOWN, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal Year Ended June 30, 2022

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

LEWISTOWN SCHOOL DISTRICT NO. 1

FERGUS COUNTY
LEWISTOWN, MONTANA 59457

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LEWISTOWN SCHOOL DISTRICT NO. 1

FERGUS COUNTY
LEWISTOWN, MONTANA 59457

ORGANIZATION

BOARD OF TRUSTEES

Doreen Heintz Chair
CJ Bailey Vice Chair
Phillip Koterba Trustee
Kris Birdwell Trustee
Jeff Southworth Trustee
Whitney Brady Trustee
Zane Fulbright Trustee

OFFICIALS

Thom Peck Superintendent
Rebekah Rhoades School District Clerk
Rhonda Long County Superintendent
Montana School Boards Association (MTSBA) School District Attorney

Lewistown Public Schools
Management Discussion and Analysis (MD&A)
For The Year Ended June 30, 2022

The Business Manager of the Lewistown Public Schools has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2022.

Using This Financial Report

The general format of the report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). This is born the GASB 34 requirement.

Reporting the School District as a Whole

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

- A. The Statement of Net Position shows “assets” (what is owned), “liabilities” (what is owed), and the “net position” (the resources that would remain if all obligations were settled) of the school district. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in “fixed” or “capital” assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.
- B. The Statement of Activities shows the amounts of program-specific and general school district revenue used to support the school district’s various functions.

The Statement of Net Position and the Statement of Activities divide the activities of the school district into three categories:

Governmental activities – The school functions including instruction, student services, administration, etc. Property taxes, state and federal revenues usually support most of these functions of the district.

Proprietary (business-type) activities – school operations included in this category include IMC, Central Supply Store, and Central Transportation.

Reporting the District’s Most Significant Funds

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Procedures (GAAP) established the fund structure of school districts. State law generally requires school districts to segregate money generated for certain purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant or “major” funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school 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.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds such as the general funds, special revenue funds for transportation and school food service, and debt service and capital outlay funds. These funds use the modified accrual basis of accounting and represent the majority of the district's activities and programs.

Fund statements include a reconciliation of the governmental fund statements to the district-wide statements. Most significant differences result from the use of different presentation basis. The district-wide statements are presented using the accrual basis of accounting and the fund statements for 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.

Reporting the District's Trust and Fiduciary Responsibilities

The District is the trustee, or fiduciary, for endowments (including Eveline Eccles and Alweis Scholarships) and the student extracurricular funds.

This report includes the activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position because the district cannot use these assets to fund its operation.

The District is responsible for ensuring these assets are used for their intended purpose.

Budget-to-Actual Comparisons

The district consistently reconciles its books monthly.

THE DISTRICT AS A WHOLE

Net Position serves over time as a useful indicator of a school district's financial position. In the Lewistown Public Schools, assets exceeded liabilities by \$7,445,399 as of June 30, 2021. In 2018, the District was required to implement the new OPEB GASB 75 standard for liability accounting of post-employment benefits (non-pension). In 2019, it was required that this be reviewed annually, rather than the every 3 years it was previously. This number, in addition to the required reporting of the TRS and PERS liability that was implemented in 2015, has caused liabilities to appear inflated over the past several years. In 2022, passage of the Elementary Bond and a decrease in the PERS and TRS liability has once again allowed our assets to exceed our liabilities.

LEWISTOWN SCHOOL DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2022

**Lewistown Public Schools
Condensed Statement of Net Position**

Governmental Activities

	<u>FY2021</u>	<u>FY2022</u>
Current and other assets	7,356,295	31,686,441
Capital assets	<u>10,834,093</u>	<u>11,278,592</u>
Total Assets	18,190,388	42,965,033
Current liabilities	111,354	89,911
Non-current liabilities	<u>19,022,824</u>	<u>35,429,723</u>
Total Liabilities	19,143,178	35,519,634
Invested in capital assets, Net of debt	10,834,093	(12,628,216)
Restricted	4,833,754	28,678,754
Unrestricted	<u>(14,211,048)</u>	<u>(14,292,303)</u>
Total Net Position	1,456,799	1,758,235

**Lewistown Public Schools
Changes in Net Position**

Governmental Activities

GENERAL REVENUES

	<u>FY2021</u>	<u>FY2022</u>
District Levy	4,461,575	4,524,402
State Equalization	3,708,832	3,742,041
Other State Revenue	3,296,928	3,336,716
County	1,263,320	1,288,170
Federal	0	0
Investment Earning	49,224	54,955
Gain on Asset	11,565	63,273
Other	<u>87,235</u>	<u>213,411</u>
Total General Revenue	16,673,229	12,878,681

GOVERNMENT OPERATIONS

Instruction (includes OPEB)	9,274,372	8,657,127
Support - Students	412,290	451,895
Support - Instructional	741,239	503,712
Administration	2,253,759	2,576,083
O & M	2,172,423	1,837,271
Transportation	926,268	1,039,087
Extracurricular	504,588	781,817
School Food	776,814	849,350
Other Current Charges	0	0

LEWISTOWN SCHOOL DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2022

Community Services	17,394	2,312
Intergovernmental	90,639	132,106
Interest and Other Charges	0	0
Depreciation – unallocated	<u>292,307</u>	<u>309,555</u>
Total Operations	17,732,093	17,140,315

Capital Assets

As of June 30, 2022, the District had invested over \$11 million in capital assets including land and land improvements, buildings and improvements, and machinery and equipment. General fixed assets are reported at historical cost. Historical cost was established at the initial booking of fixed assets by determining actual costs or estimating using standard costing procedure. The District's fixed asset policy is set to include items of \$5,000 and a useful life in excess of one year. The following schedule presents capital balances with accumulated depreciation as of June 30th.

	<u>FY2021</u>	<u>FY2022</u>
Land and Improvements	2,053,551	2,205,484
Accumulated Depreciation	<u>(1,090,804)</u>	<u>(1,133,137)</u>
	962,747	1,072,347
Buildings and Improvements	16,679,806	16,874,221
Construction in Progress	0	446,317
Accumulated Depreciation	<u>(8,781,710)</u>	<u>(9,322,776)</u>
	7,898,096	7,997,762
Machinery and Equipment	4,979,501	5,485,674
Accumulated Depreciation	<u>(3,016,249)</u>	<u>(3,277,190)</u>
	1,963,252	2,208,484

The District's Future

State law enables districts to use three-year average or current year enrollment (whichever is higher) when calculating budgets. Over the past five years, enrollment has remained fairly steady in the elementary. In the high school district, we saw a decrease in enrollment until 2021 where enrollment has now been increasing and is back to levels seen in 2016. Due to these recent increases, we will be utilizing the current year ANB for budget calculations.

There continues to be a growing need for services for special needs students, and for the first time in years, Legislature provide a slight increase in assistance from the State. Legislature has allowed a permissive levy for high needs students, but this puts more stress on the local taxpayers so must be used thoughtfully. The current Lewistown Collective Bargaining Agreement extends through FY26, so we will be better able to predict our certified salary expenses in advance. While the new matrix may help us with recruitment and retention, we must also be prepared for the budgetary challenges that could come as a result. Over the past several years, we have had several retirements, causing the demographics of the District to change to a younger population. The start of the 2021-22 school year saw the most hiring we have ever seen at the start of a school year and some difficulty in filling positions, and we continued with this trend in 2022-23.

The district also faces other challenges and decisions including:

- The Lewistown Board of Trustees ran an Elementary and High School Bond Election in November 2021. While the Elementary Bond Election passed, the High School Bond Levy failed. Trustees will need to consider how to address safety/security, mechanical, roofing and other concerns in the high school district and the possibility of placing another High School Bond Election in front of the voters.
- The Lewistown Board of Trustees chose to run an Elementary Levy in May of 2022 that ultimately failed. While this may have come as a result of the Bond Election passing in November, the Board will need to consider running an additional levy in May of 2023 and how that need will be communicated to the community. In addition, recent Legislative decisions have “shifted” some of the costs of education to the local taxpayers in the form of non-voted levies. The intent to increase these levies is now required to be posted and advertised to the public each year in March. The Board will need to continue to be diligent in their consideration of both voted and non-voted levies in the future.
- The District estimates that general building repairs and maintenance in excess of \$10 million will be necessary over the next several years. Both an Elementary and High School Building Reserve Levy passed in May 2016, helping to support the needs of upkeep of the District’s facilities. In 2017, Legislature added the ability to “permissively” levy in the Building Reserve Fund. Since 2020, the Board has used this new authority and is taking advantage of the matching State dollars. As mentioned above, the Elementary District passed a Bond election in November 2021 to address facility needs in the district.
- Safety has become top priority in many Districts, ours being no exception. In the 2019 Legislature, the “permissive” Building Reserve Fund Levy was expanded to include the ability to use those funds for building safety, School Resource Officers and Counselors. With these funds being open to both Facility and Safety purposes, the Board may have to choose which takes higher priority. There is also the ability to run a voted Safety Levy, but the Board has yet to consider that option.
- The ever-increasing use of technology in the classrooms has put a financial dilemma upon the District. Currently, both the Elementary and High School have permanent levies in place. The Elementary yearly levy is \$61,498 and the High School’s is \$54,165, not enough to keep all technology within the District up to date. Due to changes in state law, if additional funds are requested of voters, the levy may not exceed 10 years. The Board will need to determine if non-permanent Technology Levy request will need to be presented to voters in the future. Due to the Coronavirus Pandemic, we were given additional funds in 2019-20, 2020-21 and 2021-22 that will allow us to purchase technology equipment and take some immediate pressure off of the Technology Levy.
- The Coronavirus Pandemic that closed schools in March 2020 has created its own unique challenges. As of June 30, 2022, the District spent both the Governor’s Coronavirus Relief Funds and ESSER I Funds (total of \$778,049) in response to the pandemic. In addition, \$959,765 in ESSER II and \$467,719 in ESSER III Funds have been expended. As a District, it is important that we use the funds we are given wisely and consider how to use those funds to assist us in the future, not just in the moment.

In the end, all of the District's finances come down to how effectively we are educating our children with the resources that we have. We must continue to keep our focus on our students' education and allocate our resources in the manner that best serves them. The pandemic has increased the challenges we face, both budgetary and in determining how to meet the needs of students.

Contact for Additional Information

If you have questions about this report or need additional information, contact the Business Manager at the Lewistown Public Schools, 215 7th Avenue South, Lewistown, MT 59457, (406)-535-8777 x1116.



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lewistown School District No. 1 (School District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle Applicable for FY 2022 audits

As described in Note 1 to the financial statements, during the year ended June 30, 2022, Lewistown School District No. 1 adopted GASB Statement No. 87 – *Leases* which resulted in a restatement of the net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-8), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 46), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 47-52), and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 53-57) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 School District's basic financial statements. The accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Funds (page 58-59), and Schedule of Reported Enrollment (page 60), and Schedule of Expenditures of Federal Awards (pages 61-62) as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses, and Balances - Student Activity Funds, and Schedule of Reported Enrollment, and Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2022 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
December 20, 2022

STATEMENT OF NET POSITION
 June 30, 2022

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 30,732,465
Taxes Receivable	118,863
Due from Other Governments	698,816
Other Current Assets	4,078
Inventories	36,465
Lease Related Receivable	95,754
Total Current Assets	31,686,441
Noncurrent Assets:	
Capital Assets:	
Land	590,530
Construction in Progress	446,317
Net Depreciable Assets	10,241,745
Total Noncurrent Assets	11,278,592
Total Assets	42,965,033
DEFERRED OUTFLOWS OF RESOURCES:	
Employer Pension Plan Related	1,922,359
Other Postemployment Benefits Related	21,931
Total Deferred Outflows of Resources	1,944,290
Total Assets and Deferred Outflows of Resources	\$ 44,909,323
LIABILITIES:	
Current Liabilities:	
Unearned Revenue	\$ 19,453
Current Portion of Compensated Absences	54,858
Current Portion of Long-term Capital Obligations	15,600
Total Current Liabilities	89,911
Noncurrent Liabilities:	
Compensated Absences	387,255
Net Pension Accrual	8,676,980
Other Postemployment Benefits	2,474,280
Long-term Capital Debt Obligations	20,400,000
Premium on General Obligation Bonds	3,491,208
Total Noncurrent Liabilities	35,429,723
Total Liabilities	35,519,634
DEFERRED INFLOWS OF RESOURCES:	
Employer Pension Plan Related	3,161,710
Other Postemployment Benefits Related	4,373,990
Lease Related	95,754
Total Deferred Inflows of Resources	7,631,454
NET POSITION:	
Net Investment in Capital Assets	(12,628,216)
Restricted	28,678,754
Unrestricted (Deficit)	(14,292,303)
Total Net Position	1,758,235
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 44,909,323

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

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2022

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
GOVERNMENT OPERATIONS:					
Instructional Services	\$ 8,657,127	\$ 19,332	\$ 1,586,837	\$ -	\$ (7,050,958)
Support Services - Students	451,895	-	110,281	-	(341,614)
Support Services - Instructional	503,712	-	120,466	-	(383,246)
General Administrative Services	2,576,083	187,781	201,289	-	(2,187,013)
Operation and Maintenance Services	1,837,271	14,867	436,857	110,074	(1,275,473)
Transportation Services	1,039,087	-	138,311	53,997	(846,779)
School Food Services	849,350	40,665	762,392	-	(46,293)
Extracurricular	781,817	433,569	-	-	(348,248)
Community Services	2,312	-	-	-	(2,312)
Intergovernmental	132,106	-	-	-	(132,106)
Unallocated Depreciation Expense *	309,555	-	-	-	(309,555)
Total Governmental Operations	<u>17,140,315</u>	<u>696,214</u>	<u>3,356,433</u>	<u>164,071</u>	<u>(12,923,597)</u>
GENERAL REVENUES:					
District Levies					4,524,402
State Equalization					3,742,041
Other State Revenues					3,336,716
County					1,288,170
Interest					54,955
Other					213,411
Gain (loss) on Sale of Assets					<u>63,273</u>
Total General Revenues					<u>13,222,968</u>
Change in Net Position					299,371
NET POSITION:					
Beginning of the Year					1,456,799
Prior Period Adjustments					<u>2,065</u>
End of the Year					<u>\$ 1,758,235</u>

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2022

	MAJOR				
	General	Miscellaneous Programs (Elem)	Building (Elem)	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 2,902,264	\$ 42,107	\$ 23,479,499	\$ 4,204,565	\$ 30,628,435
Taxes Receivable	77,162	-	-	41,701	118,863
Due from Other Governments	-	681,671	-	17,145	698,816
Other Current Assets	4,073	-	-	5	4,078
Inventories	-	-	-	36,465	36,465
Lease Related Receivable	-	-	-	95,754	95,754
Total Assets	2,983,499	723,778	23,479,499	4,395,635	31,582,411
DEFERRED OUTFLOWS OF RESOURCES:					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 2,983,499	\$ 723,778	\$ 23,479,499	\$ 4,395,635	\$ 31,582,411
LIABILITIES:					
Current Liabilities:					
Unearned Revenue	\$ -	\$ -	\$ -	\$ 19,453	\$ 19,453
Total Liabilities	-	-	-	19,453	19,453
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Property Taxes Receivable	77,162	-	-	41,701	118,863
Lease Related	-	-	-	95,754	95,754
Total Deferred Inflows of Resources	77,162	-	-	137,455	214,617
FUND BALANCE (DEFICITS):					
Nonspendable	-	-	-	36,465	36,465
Restricted	195,049	723,778	23,479,499	4,202,262	28,600,588
Assigned	5,109	-	-	-	5,109
Unassigned	2,706,179	-	-	-	2,706,179
Total Fund Balance	2,906,337	723,778	23,479,499	4,238,727	31,348,341
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,983,499	\$ 723,778	\$ 23,479,499	\$ 4,395,635	\$ 31,582,411
RECONCILIATION TO THE STATEMENT OF NET POSITION					
Total Fund Balance Reported Above					\$ 31,348,341
Internal Service Fund Net Position					104,030
Unavailable Property Taxes Receivable					118,863
Governmental Capital Assets					11,278,592
Employer Pension Plan Related					1,922,359
Other Postemployment Benefits Related					21,931
Long-term Liabilities					
Long-term Capital Obligations					(20,415,600)
Compensated Absences					(442,113)
Premium on General Obligation Bonds					(3,491,208)
Net Pension Accrual					(8,676,980)
Other Postemployment Benefits					(2,474,280)
Employer Pension Plan Related					(3,161,710)
Other Postemployment Benefits Related					(4,373,990)
Net Position of Governmental Activities					\$ 1,758,235

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

STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2022

	MAJOR				
	General	Miscellaneous Programs (Elem)	Building (Elem)	Other Governmental Funds	Total Governmental Funds
REVENUES:					
District Levies	\$ 2,940,788	\$ -	\$ -	\$ 1,602,474	\$ 4,543,262
Interest	9,321	-	32,207	13,427	54,955
Charges for Services	187,781	-	-	508,433	696,214
Other	71,814	62,259	-	79,338	213,411
County	-	-	-	1,355,419	1,355,419
State	7,121,930	36,401	-	205,469	7,363,800
Federal	-	1,763,709	-	891,101	2,654,810
Total Revenues	<u>10,331,634</u>	<u>1,862,369</u>	<u>32,207</u>	<u>4,655,661</u>	<u>16,881,871</u>
EXPENDITURES:					
Current:					
Instructional Services	5,502,863	1,079,541	-	1,130,441	7,712,845
Support Services - Students	263,308	94,537	-	93,587	451,432
Support Services - Instructional	265,309	120,617	-	104,147	490,073
General Administrative Services	2,041,524	66,385	-	373,059	2,480,968
Operation and Maintenance Services	1,225,268	221,874	-	130,274	1,577,416
Transportation Services	39,173	6,048	-	700,552	745,773
School Food Services	128,656	3,477	-	708,988	841,121
Extracurricular	257,651	-	-	483,527	741,178
Community Services	158	2,121	-	33	2,312
Capital Outlay	135,989	194,031	446,317	648,571	1,424,908
Intergovernmental	82,930	49,176	-	-	132,106
Total Expenditures	<u>9,942,829</u>	<u>1,837,807</u>	<u>446,317</u>	<u>4,373,179</u>	<u>16,600,132</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>388,805</u>	<u>24,562</u>	<u>(414,110)</u>	<u>282,482</u>	<u>281,739</u>
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	28,950	363	-	35,485	64,798
Sale of Bonds	-	-	23,891,208	-	23,891,208
Fund Transfers In	-	-	-	207	207
Fund Transfers (Out)	-	-	-	(207)	(207)
Total Other Financial Sources (Uses)	<u>28,950</u>	<u>363</u>	<u>23,891,208</u>	<u>35,485</u>	<u>23,956,006</u>
Net Change in Fund Balance	<u>417,755</u>	<u>24,925</u>	<u>23,477,098</u>	<u>317,967</u>	<u>24,237,745</u>
FUND BALANCE:					
Beginning of the Year	1,479,952	699,018	2,401	4,927,160	7,108,531
Prior Period Adjustments	1,008,630	(165)	-	(1,006,400)	2,065
End of the Year	<u>\$ 2,906,337</u>	<u>\$ 723,778</u>	<u>\$ 23,479,499</u>	<u>\$ 4,238,727</u>	<u>\$ 31,348,341</u>

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

Lewistown SD
 Fergus County
 Lewistown, Montana 59457

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2022

Net Changes in Fund Balance		\$ 24,237,745
Change in Net Position from Internal Service Funds		16,264
Revenues on the Statement of Activities not Included in Governmental Funds Statement:		
Increase (Decrease) in Taxes Receivable	(18,860)	
State Pension Aid	<u>513,402</u>	494,542
Revenues Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Bond and/or Note Proceeds	23,891,208	
Sale of Capital Assets	<u>64,798</u>	(23,956,006)
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:		
Depreciation Expense	(978,884)	
Actuarial Pension Expense	(244,879)	
Retirement Incentive	19,500	
(Increase) Decrease in Other Postemployment Benefits	(785,589)	
(Increase) Decrease in Compensated Absence Liability	<u>8,497</u>	(1,981,355)
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Capital Outlays	1,424,908	
Gain (Loss) on Sale of Assets	<u>63,273</u>	<u>1,488,181</u>
Change in net Position Reported on the Statement of Activities		<u>\$ 299,371</u>

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

Lewistown SD
 Fergus County
 Lewistown, Montana 59457

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 June 30, 2022

	<u>Governmental Activities - Internal Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 104,030
Total Current Assets	<u>104,030</u>
Noncurrent Assets:	
Capital Assets:	
Net Depreciable Assets	<u>-</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>104,030</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Total Deferred Outflows of Resources	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 104,030</u>
LIABILITIES:	
Current Liabilities:	
Total Current Liabilities	<u>\$ -</u>
Noncurrent Liabilities:	
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:	
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION:	
Net Investment in Capital Assets	-
Unrestricted (Deficit)	<u>104,030</u>
Total Net Position	<u>104,030</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 104,030</u>

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

Lewistown SD
Fergus County
Lewistown, Montana 59457

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	<u>Governmental Activities - Internal Service</u>
OPERATING REVENUES:	
Charges for Services	\$ 146,270
Total Operating Revenues	<u>146,270</u>
OPERATING EXPENSES:	
Personal Services	<u>130,006</u>
Total Operating Expense	<u>130,006</u>
Operating Income (Loss)	<u>16,264</u>
Change in Net Position	16,264
NET POSITION:	
Beginning of the Year	<u>87,766</u>
End of the Year	<u>\$ 104,030</u>

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2022

	<u>Governmental Activities - Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 146,270
Payments to Employees	<u>(130,006)</u>
Net Cash Provided (Used) by Operating Activities	<u>16,264</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net Cash Provided (Used) by Non-capital Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Cash Provided (Used) by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>16,264</u>
BALANCE:	
Beginning of the Year	<u>87,766</u>
End of the Year	<u>\$ 104,030</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	<u>\$ 16,264</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,264</u>

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of the Lewistown School District No. 1 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana (Montana), which conforms to Generally Accepted Accounting Principles (GAAP), as applied to governmental units. The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

At the end of fiscal year 2022, the School District adopted the following GASB Statements:

- GASB Statement No. 87 – *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It 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 requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
- GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Suppression of GASB Statement No. 32*. This Statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution other postemployment benefits (OPEB) plans, and other employee benefit plans (for example, certain Section 457 plans). This Statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021 and some elements are effective for reporting periods beginning after June 15, 2021.
- GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.
- GASB Statement No. 99 – *OMNIBUS 2022*. This Statement provided for the following elements the School District could address:
 - Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
 - Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
 - Disclosures related to nonmonetary transactions
 - Pledges of future revenues when resources are not received by the pledging government
 - Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements
 - Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
 - Terminology used in Statement 53 to refer to resource flows statements.

The School District determined these elements of the Statement do not significantly affect its financial reporting.

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

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- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement establishes standards of accounting and financial reporting for subscription based information technology arrangements by a government end user (a government). At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.
 - GASB Statement No. 99 – *OMNIBUS 2022*. This Statement provided for the following, which *have not* been implemented:
 - Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
 - The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.
 - Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
 - Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (LEWISTOWN) term and (b) recognition and measurement of installment payments and the transfer of the underlying LEWISTOWN asset
 - Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
 - The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.
 - GASB Statement No. 100 – *Accounting Changes And Error Corrections – An Amendment Of GASB Statement NO. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.
 - GASB Statement No. 101 – *COMPENSATED ABSENCES*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Separate statements for each fund category – governmental and proprietary– are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

Proprietary fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the dental self-insurance internal service fund is charges to employees and the School District for services. Operating expenses for internal service funds include the cost of dental care services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

The School District reports the following major governmental funds:

- General Fund – The General fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements, the General fund also includes the activities of the elementary and high school Metal Mines Tax Reserve funds, high school Interlocal Agreement fund, and the elementary and high school Flexibility funds since the restrictions on those funds are similar to the General fund.
- Elementary Miscellaneous Fund – This fund is used to account for local, state, and federal grants and reimbursements. Also, donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- Elementary Building Fund – This fund is used to account for financing voter approved building or construction projects funded with School mill levies, which includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land for school purposes in the School District.

1. b. 3. OTHER FUND TYPES

Proprietary Fund Types

- Internal Service Funds – These funds account for the financing of goods or services provided by one department to other departments of the School District, on a cost reimbursement basis. The fund includes a self-insured dental insurance fund. Because all of the services predominately benefit governmental rather than business type functions, they are included with governmental activities in the government-wide financial statements.

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

1. c. 1 CASH AND INVESTMENTS

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

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

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

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

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

Statement of Cash Flows – For purposes of the Statement of Cash Flows, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

1. c. 2. TAXES

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

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

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

1. c. 3. RECEIVABLES

Accounts receivable represent the amounts the School District expects to receive for providing goods or services delivered or used but not yet paid for by customers or amounts due from governmental agencies for costs incurred but not yet reimbursed. All receivables are current and therefore due within one year.

1. c. 4. INVENTORIES

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

1. c. 5. CAPITAL ASSETS

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

Capital Asset Classes	Useful Life
Buildings	7 – 50 years
Improvements Other than Buildings	20 years
Machinery and Equipment	5 – 25 years

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

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

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

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

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

Other Postemployment Benefits Liability – Deferred Outflows and Inflows – The School District recognizes a net pension liability for each OPEB liability plan participant. Changes in OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other OPEB related changes.

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

Lease Related – Deferred Inflows - The School District recognizes a lease related receivable when the right to use the underlying nonfinancial asset occurs. A lease receivable for the amount of the lease contract is reported and a deferred inflow of resources. The lease receivable represents the present value of the future lease payments and the deferred inflow of resources represents the value of the lease receivable plus: other payments received or paid to or on behalf of the lessee at or before the inception of the lease.

1. c. 7. VACATION AND SICK LEAVE

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

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

Certified Employee Staff – Certified School District employees accrue 10 days of discretionary leave at the beginning of each year. Unused discretionary leave is accruable to 160 days per employee. After eight consecutive years of employment with the School District, certified employees who terminate employment shall be paid a lump sum of 30% of their accumulated discretionary leave at their current rate of pay.

Reporting – Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds. Expenses are accrued when earned on the Statement of Activities. At June 30, 2022, the amount expected to be paid within one year related to governmental activities amounted to \$54,858 and is generally paid out of the General fund.

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

1. c. 8. NET POSITION AND FUND BALANCE

The Statement of Net Position includes the following:

- Net Investment in Capital Assets – This component of net position is comprised of the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – This component of net position is restricted externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position is difference between the assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

- Nonspendable – This balance includes amounts that cannot be spent either because they are not in a spendable form or because of legal or contractual constraints.
- Restricted – This balance includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – This balance includes amounts management has set aside for a specific purpose. This includes the executing of a purchase order for a specific purpose such as an encumbrance.
- Unassigned – This balance includes amounts that are available for any purpose. These amounts are reported only in the General fund.

At June 30, 2022, fund balance components other than unassigned fund balance were as follows:

<u>Purpose</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional and Support Services	\$ 0	\$ 240,344	\$ 5,109
Operations and Maintenance	0	52,350	0
Student Transportation	0	299,542	0
Extracurricular	0	185,436	0
School Food	36,465	204,778	0
Third Party Grantor Restrictions	0	1,053,431	0
Employer Retirement Benefits	0	448,420	0
Future Technology	0	433,202	0
Future Capital Costs	0	25,683,085	0
Total	<u>\$ 36,465</u>	<u>\$ 28,600,588</u>	<u>\$ 5,109</u>

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

1. d. OTHER

1. d. 1. USE OF ESTIMATES

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

1. d. 2. COUNTY PROVIDED SERVICES

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2022, cash and cash equivalents for governmental activities were as follows:

	Governmental Activities
Cash and Cash Equivalents	\$ 30,732,465

The carrying amounts of cash on hand, deposits, and investments at June 30, 2022 were as follows:

Account Type	Amount
Demand Accounts	\$ 289,466
County Investment Pool	<u>30,442,999</u>
Total	<u>\$ 30,732,465</u>

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

Custodial Credit Risk – Deposits – The cash of the extracurricular funds and the dental self-insurance fund is held separately by the School District and, consequently, the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At June 30, 2022, the deposits in the extracurricular fund and the dental self-insurance fund were covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2021, upon which the levy for the 2022 fiscal year was based, amounted to \$14,248,842 for the Elementary School District and \$15,517,954 for the High School District. The tax rates assessed for the year ended June 30, 2022 to finance School District operations and applicable taxes receivable for the elementary and high schools were as follows:

Fund	Mill Levies	Taxes Receivable
<u>Governmental Funds</u>		
<u>Elementary</u>		
General *	130.69	\$ 48,600
Transportation	21.82	9,167
Bus Depreciation	17.55	5,522
Tuition	13.57	4,580
Technology	4.32	1,717
Debt Service	0.00	244
Building Reserve	9.64	3,642
<u>High School</u>		
General *	69.32	28,562
Transportation	12.70	4,982
Bus Depreciation	15.24	5,926
Tuition	2.99	1,083
Adult Education	0.00	326
Technology	3.49	1,455
Building Reserve	<u>7.55</u>	<u>3,057</u>
Total	<u>308.88</u>	<u>\$ 118,863</u>

* Denotes Major Fund

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

Property taxes assessed may be paid under protest and held by the County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax. Money paid under protest is accounted for by the County in a protested tax fiduciary fund until the final determination. The amount reported above includes \$1,019 of taxes paid under protest.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable represent the outstanding balances of amounts billed for services the School District has provided for the CMEC building. An allowance for doubtful accounts has not been established since the outstanding amount is not material.

Fund	Accounts Receivable
Interlocal Agreement*	\$ 4,078
* Denotes Major Fund	

NOTE 5. OTHER ASSETS

5. a. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the School District for costs incurred but not reimbursed by third party governments. The amounts due from other governments as of June 30, 2022 were as follows:

Fund	Amount	Due From	Reason
<u>Elementary</u>			
School Food	\$ 1,514	State of MT	State matching funds earned in FY22
Miscellaneous *	268,548	State of MT	ESSER II grant revenue earned in FY22
Miscellaneous *	289,338	State of MT	ESSER III grant revenue earned in FY22
Miscellaneous *	49,134	State of MT	ESSER Lost Inst. Time revenue earned in FY22
Miscellaneous *	72,144	State of MT	Title I grant revenue earned in FY22
Miscellaneous *	2,507	State of MT	MTSS grant revenue earned in FY22
<u>High School</u>			
Miscellaneous	6,773	State of MT	Carl Perkins grant revenue earned in FY22
Traffic Education	8,858	State of MT	Per pupil reimbursement
Total	<u>\$ 698,816</u>		
* Denotes Major Fund			

5. b. LEASE RELATED ACTIVITIES

Lease accounting is based on the principle that leases are financing the right to use an underlying nonfinancial asset (the underlying asset – i.e., vehicle, building, land, office space, etc.). A lease is “a contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time.

The School District entered into lease related activities as follows:

Lease related receivables –

During the current fiscal year, the School District reported leased assets as noted below and will recognize revenue over the lease term. The stated interest rate ranges from 0.00%-4.00%.

Vendor Name	Purpose	Contract Period	Contract Amount	Outstanding June 30, 2022	Deferred Inflows June 30, 2022	Annual Payments
CMLRCC	Office space	None	\$ 7,000	\$ 32,409	\$ 32,409	\$ 7,000
U. of Providence	Office space	7 years	67,200	58,723	58,723	9,600
MT Job Service	Office space	2 years	4,800	4,622	4,622	2,400
Total			<u>\$ 79,000</u>	<u>\$ 95,754</u>	<u>\$ 95,754</u>	<u>\$ 19,000</u>

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

NOTE 6. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS

6. a. GENERAL CAPITAL ASSETS

The schedule of changes in general capital assets for the year ended June 30, 2022 follows:

Governmental Activities	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<u>Non-depreciable Assets:</u>				
Land	\$ 590,530	\$ 0	\$ 0	\$ 590,530
Construction in Progress	<u>0</u>	<u>446,317</u>	<u>0</u>	<u>446,317</u>
Total Non-depreciable Assets	590,530	446,317	0	1,036,847
<u>Depreciable Assets:</u>				
Buildings	16,679,806	194,415	0	16,874,221
Improvements Other than Buildings	1,463,020	159,433	(7,500)	1,614,953
Machinery and Equipment	<u>4,989,501</u>	<u>630,743</u>	<u>(134,570)</u>	<u>5,485,674</u>
Total Depreciable Assets	23,132,327	984,591	(142,070)	23,974,848
<u>Accumulated Depreciation:</u>				
Buildings	(8,781,710)	(541,066)	0	(9,322,776)
Improvements Other than Buildings	(1,090,804)	(45,708)	3,375	(1,133,137)
Machinery and Equipment	<u>(3,016,250)</u>	<u>(392,110)</u>	<u>131,170</u>	<u>(3,277,190)</u>
Total Accumulated Depreciation	<u>(12,888,764)</u>	<u>(978,884)</u>	<u>134,545</u>	<u>(13,733,103)</u>
Net Depreciable Assets	<u>10,243,563</u>	<u>5,707</u>	<u>(7,525)</u>	<u>10,241,745</u>
Net General Capital Assets	<u>\$ 10,834,093</u>	<u>\$ 452,024</u>	<u>\$ (7,525)</u>	<u>\$ 11,278,592</u>

Depreciation expense charged to governmental functions was as follows:

Function	Amount
Instructional Services	\$ 13,239
Educational Media Services	14,573
General Administrative Services	7,634
Operation and Maintenance Services	294,342
Transportation Services	289,744
School Food Services	9,045
Extracurricular	40,752
Unallocated	<u>309,555</u>
Total Depreciation Expense	<u>\$ 978,884</u>

NOTE 7. CURRENT LIABILITIES

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

7. a. UNEARNED REVENUES

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

Fund	Amount	Purpose
<u>Elementary</u>		
School Food Services	\$ 19,453	Prepaid meals.

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

NOTE 8. LONG-TERM DEBT

8. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2022 follows:

Governmental Activities	Balance July 1, 2021	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2022	Due within One Year
Bonds and Notes Payable:					
General Obligation (GO) Bonds	\$ 0	\$ 20,400,000	\$ 0	\$ 20,400,000	\$ 0
Premium on GO Bonds	0	3,491,208	0	3,491,208	0
Total Bonds and Notes Payable	0	23,891,208	0	23,891,208	0
Other Liabilities:					
Compensated Absences	450,610	0	(8,497)	442,113	54,858
Accrued Pension	12,236,928	0	(3,559,948)	8,676,980	0
Retirement Incentive	35,100	0	(19,500)	15,600	15,600
Other Postemployment Benefits	6,389,265	0	(3,914,985)	2,474,280	0
Total Other Liabilities	19,111,903	0	(7,502,930)	11,608,973	70,458
Total Governmental Activities - Long-term Debt	\$ 19,111,903	\$ 23,891,208	\$ (7,502,930)	\$ 35,500,181	\$ 70,458

8. a. 1 GENERAL OBLIGATION BONDS

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

Description	Issue Date	Interest Rate	Term	Maturity Date	Amount Issued	Outstanding June 30, 2022
EL GO Bonds Series 2022	2/3/22	3-5%	20 years	7/1/42	\$ 20,400,000	\$ 20,400,000
EL GO bond premium	2/3/22	0%	20 years	7/1/42	3,491,208	3,491,208
					<u>\$ 23,891,208</u>	<u>\$ 23,891,208</u>

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

For the year ended June 30:	Elementary		Reoffering Premium Amortization*
	Principal	Interest	
2023	\$ 0	\$ 745,608	\$ 0
2024	370,000	810,950	174,560
2025	725,000	789,050	174,560
2026	750,000	759,550	174,561
2027	780,000	732,850	174,560
2028-2032	4,405,000	3,135,125	872,802
2033-2037	5,370,000	2,154,000	872,802
2038-2042	6,530,000	967,400	872,802
2043	1,470,000	29,400	174,561
Totals	<u>\$20,400,000</u>	<u>\$10,123,933</u>	<u>\$ 3,491,208</u>

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

8. a. 2. RETIREMENT INCENTIVE

The School District offered certified teachers a one-time incentive to retire in prior years that amounted to \$650 per month to each teacher who participated. The change in the retirement incentive liability was as follows:

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

<u>Description</u>	<u>Issue Date</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2021</u>
Retirement Incentive	Sept 2021	1 ½ years	6/30/2023	\$ 35,100	\$ 15,600

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

<u>For the year ended June 30:</u>	<u>Elementary</u>	<u>High School</u>
2022	\$ 10,400	\$ 5,200

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

The School District reported deferred property taxes at June 30, 2022 as follows:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
<u>Elementary</u>		
General *	\$ 48,600	Taxes Receivable
Transportation	9,167	Taxes Receivable
Bus Depreciation	5,522	Taxes Receivable
Tuition	4,580	Taxes Receivable
Technology	1,717	Taxes Receivable
Debt Service	244	Taxes Receivable
Building Reserve	3,642	Taxes Receivable
<u>High School</u>		
General *	28,562	Taxes Receivable
Transportation	4,982	Taxes Receivable
Bus Depreciation	5,926	Taxes Receivable
Tuition	1,083	Taxes Receivable
Adult Education	326	Taxes Receivable
Technology	1,455	Taxes Receivable
Building Reserve	3,057	Taxes Receivable
Total	<u>\$ 118,863</u>	

* Denotes Major Fund

NOTE 10. PRIOR PERIOD ADJUSTMENTS

The School District recorded prior period adjustments at June 30, 2022 as follows:

<u>Fund</u>	<u>Governmental Funds</u>	<u>Reason</u>
<u>Elementary</u>		
General *	\$ 1,008,630	GASB 54 change Interlocal Agreement to general
Miscellaneous *	(149)	ESSER II ARPA not spent
Miscellaneous *	(15)	ESSER III ARPA not spent
<u>High School</u>		
Traffic Education	1,178	OPI payment on additional student from PY
Building Reserve	1,051	Prior year payment
Interlocal Agreement	(1,008,630)	GASB 54 change Interlocal Agreement to general
Total	<u>\$ 2,065</u>	

* Denotes Major Fund

Governmental Activities	<u>0</u>
Total	<u>\$ 2,065</u>

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

NOTE 11. INTERFUND OPERATING TRANSFERS IN AND OUT

The School District recorded interfund transfers during the year ended June 30, 2022 as follows:

<u>Operating Fund - In</u>	<u>Amount</u>	<u>Operating Fund - Out</u>	<u>Purpose</u>
<u>Elementary</u>		<u>Elementary</u>	
Building Reserve	\$ 207	Debt Service	Residual equity transfer
<u>High School</u>		<u>Elementary</u>	
Interlocal Agreement *	314,324	General *	To fund interlocal agreement
<u>High School</u>		<u>High School</u>	
Interlocal Agreement *	142,419	General *	To fund interlocal agreement
Total	<u>\$ 456,950</u>		
Less Internal Transactions **	<u>(456,743)</u>		
Total	<u>\$ 207</u>		

* Denotes Major Fund

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

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS

12. a. PLAN DESCRIPTION

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

12. b. FUNDING POLICY

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

12. c. BENEFITS PROVIDED

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

12. d. EMPLOYEES COVERED BY BENEFIT TERMS

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

Active employees	153
Inactive employees (may include spouses)	52

12. e. TOTAL OPEB LIABILITY

The School District's total OPEB liability amounted to \$2,474,280 at June 30, 2022. The liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

12. f. ASSUMPTIONS AND OTHER INPUTS

The School District obtained an actuarial valuation to determine the OPEB liability.

Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 40% of plan participants would elect to continue coverage after retirement.

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

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

Average salary increases	3.25%
Discount rate	4.02%
Retiree's share of benefit related costs	100.00%
Healthcare cost trend rate	3.80% up to 8.80%

12. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance July 1, 2021	\$ 6,389,265
Changes for the Year:	
Service Cost (OPEB Expense)	391,950
Interest	152,719
Differences in experience	(3,097,464)
Changes in Assumptions or Other Inputs	(1,254,595)
Benefit Payments	<u>(107,595)</u>
Net Changes	<u>(3,914,985)</u>
Balance June 30, 2022	<u>\$ 2,474,280</u>

Changes in benefit terms and assumptions and other inputs are composed of the following:

- Decrease of \$3,097,464 is due to changes in benefit terms and actual experience over expected experience.
- Decrease of \$1,205,741 is due to the change in interest rate used
- Decrease of \$70,785 due to salary inflation changes
- Increase of \$21,038 due to updated healthcare trend assumptions

* GASB No. 75 requires an actuarial valuation or calculation using the specified actuarial valuation of the total OPEB liability to be performed at least once every two years and roll forward procedures on the off years. Accordingly, the School District did not perform a valuation of their total OPEB liability as of June 30, 2022 and the liability displayed is based on the measurement date of June 30, 2021 with changes based on roll forward procedures. The roll forward procedures add the annual normal costs and subtract the benefits payments.

12. h. SENSITIVITY ANALYSIS

Discount Rate The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (**3.02%**) or 1% higher (**5.02%**) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ 3,052,977	\$ 2,474,280	\$ 2,033,208

Healthcare Cost Trend Rates The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (**8.80% decreasing to 7.80%**) or 1% higher (**8.80% increasing to 9.80%**) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 1,974,789	\$ 2,474,280	\$ 3,150,622

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

For the year ended June 30, 2022, the School District reported \$785,589 in expense related to OPEB.

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Re- sources
Difference Between Expected and Actual Experience	\$ 0	\$ (3,097,464)
Changes of Assumptions	<u>21,931</u>	<u>(1,276,526)</u>
Total	<u>\$ 21,931</u>	<u>\$ (4,373,990)</u>

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 0	\$ (343,382)
2023	0	(343,382)
2024	0	(343,382)
2025	0	(343,382)
2026	0	(343,382)
Thereafter (8 years)	0	(1,897,610)

NOTE 13. OTHER COMMITMENTS

13. a. ENCUMBRANCES

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

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

Fund	Amount
<u>Elementary</u>	
Building *	\$ 1,416,188
<u>High School</u>	
General *	<u>5,109</u>
Total	<u>\$ 1,421,297</u>

* Denotes Major Fund

NOTE 14. RISK MANAGEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

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

NOTE 15. EMPLOYEE RETIREMENT SYSTEM

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

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

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

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

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

The Montana Public Employee Retirement Administration (MPERA) and the TRS prepare their financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, and information about the fiduciary net position and additions to and deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and TRS. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

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

15. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

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

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

15. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service; or
 - 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)
- Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018);
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
 - Retire before January 1, 2016 and accumulate at least 2 years additional service credit:
 - A recalculated retirement benefit based on provision in effect after the initial retirement; and
 - GABA starts on the recalculation benefit in the January after receiving the new benefit for 12 months.
 - Retire on or after January 1, 2016 and accumulate 5 or more years additional service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.
- Vesting: 5 years of membership service
- Member's Highest Average Compensation (HAC):
- Hired prior to July 1, 2011:
 - HAC during any consecutive 36 months.
 - Hired on or after July 1, 2011:
 - HAC during any consecutive 60 months.
- Compensation Cap:
- Hired on or after July 1, 2013:
 - 110% annual cap on compensation considered as part of a member's HAC.
- Monthly Benefit Formula:
- Hired prior to July 1, 2011:
 - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
 - 25 years of membership service or more - 2% of HAC per year of service credit.
 - Hired on or after July 1, 2011:
 - Less than 10 years of membership service - 1.5% of HAC per year of service credit;
 - 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit; or
 - 30 years or more of membership service - 2% of HAC per year of service credit.
- Guaranteed Annual Benefit Adjustment:
- After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of other adjustments to the member's benefit:
- 3% for members hired **prior** to July 1, 2007
 - 1.5% for members hired **between** July 1, 2007 and June 30, 2013
 - Members hired on or **after** July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

15. b. 2. OVERVIEW OF CONTRIBUTIONS

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

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

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions, including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions:
 - a. Special Funding - The State of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.
 - i. The State contributed 0.1% 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 amounting to \$34,290,660.

15. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2021 was determined by taking the results of the June 30, 2020 actuarial valuation and applying standard roll forward procedures. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following:

- Investment Return (net of admin expenses) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth (includes inflation at 2.40%) 3.50%

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

- Merit Increases 0.00% to 4.80%
- Postretirement Benefit Increases:
 - GABA. After the member has completed 12 full months of retirement, the member’s benefit increases by the following percentage each January, inclusive of all other adjustments to the member’s benefit:
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members and service retired members and beneficiaries were 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 Employee and Annuitant Mortality Tables with no projections.

15. b. 4. 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.

15. b. 5. TARGET ALLOCATIONS

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 below.

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

15. b. 6. DEFINED CONTRIBUTION PLAN

The School District contributed to the State of Montana Public Employee Retirement System Defined Contribution Retirement Plan (Defined Contribution plan) for employees that have elected the Defined Contribution plan. The Defined Contribution plan is administered by the Montana Public Employees Retirement Board (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 Defined Benefit plan and have a 12-month window during which they may choose to remain in the Defined Benefit plan or join the PERS- Defined Contribution Retirement Plan (Defined Contribution plan) by filing an irrevocable election. Members may not be participants of both the *Defined Benefit* and *Defined Contribution* retirement plans. Member and employer contribution rates are specified by state law and are a percentage of the member’s compensation.

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

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 Defined Contribution plan.

At the plan level for the measurement period ended June 30, 2020, the Defined Contribution plan 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.

15. c. TEACHERS' RETIREMENT SYSTEM

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

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20, MCA, and administrative rules set forth in Title 2, Chapter 44 of the Administrative Rules of Montana.

15. c. 1. SUMMARY OF BENEFITS

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

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

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

15. c. 2. OVERVIEW OF CONTRIBUTIONS

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

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

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

15. c. 3. ACTUARIAL ASSUMPTIONS

The TPL as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the July 1, 2019 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% to 7.76% for Non-University members
 - 4.25% for University members
- (includes 3.25% general wage increase assumption)
- Investment Return:
 - 7.06%
- Price Inflation:
 - 2.40%
- Postretirement Benefit Increases:
 - Tier One. If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two. The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase are not projected to cause the funded ratio to be less than 85%.
- Mortality:
 - RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
- (among contributing members, service retired members, and beneficiaries)
- Mortality:
 - Males. RP 2000 Disabled Mortality Table for males, set forward one year, with mortality improvements projected by Scale BB to 2022.
 - Females. RP 2000 Disabled Mortality Table for females, set forward five years, with mortality improvements projected by Scale BB to 2022.
- (among disabled members)

15. c. 4. 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 will be made based on the Board's funding policy, which establishes the contractually required rates under MCA. In addition to the contributions, the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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 TPL. No municipal bond rate was incorporated in the discount rate.

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

15. c. 5. TARGET ALLOCATIONS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investment	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	<u>3.00%</u>	-0.33%
Total	100.00%	

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%.

15. d. SENSITIVITY ANALYSIS

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

<u>As of measurement date</u>	<u>1.0% Decrease (6.06%)</u>	<u>Current Discount Rate (7.06%)</u>	<u>1.0% Increase (8.06%)</u>
<u>PERS</u>			
Net Pension Liability	\$ 2,878,206,733	\$ 1,813,221,704	919,946,479
School District's Net Pension Liability	2,573,175	1,621,057	822,451
<u>TRS</u>			
Net Pension Liability	2,461,288,724	1,656,535,253	984,981,456
School District's Net Pension Liability	10,483,728	7,055,923	4,195,476

15. d. NET PENSION LIABILITY

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers are required to recognize, and report certain amounts associated with their participation in the PERS and TRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective NPL, Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, PERS and TRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and TRS that are used to provide pension benefits to the retired members. Due to the existence of this special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

The TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2021, and 2020, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

As of measurement date	NPL		Percent of Collective NPL as of 6/30/20	Percent of Collective NPL as of 6/30/19	Change in Percent of Collective NPL
	as of 6/30/20	as of 6/30/19			
PERS					
School District Proportionate Share	\$ 1,621,057	\$2,518,106	0.089402%	0.095447%	(0.006045)%
State of Montana Proportionate Share associated with Employer	<u>528,167</u>	<u>872,315</u>	<u>0.029129%</u>	<u>0.033065%</u>	<u>(0.003936)%</u>
Total	<u>\$ 2,149,224</u>	<u>\$3,390,421</u>	<u>0.118531%</u>	<u>0.128512%</u>	<u>(0.009981)%</u>
TRS					
School District Proportionate Share	\$ 7,055,923	\$9,718,822	0.4259%	0.4321%	(0.0062)%
State of Montana Proportionate Share associated with Employer	<u>4,025,645</u>	<u>5,746,200</u>	<u>0.2430%</u>	<u>0.2554%</u>	<u>(0.0124)%</u>
Total	<u>\$11,081,568</u>	<u>\$15,465,022</u>	<u>0.6689%</u>	<u>0.6875%</u>	<u>(0.0186)%</u>

At June 30, 2022, the employer recorded a liability for its proportionate share of the NPL of \$1,621,057 and \$7,055,923 for PERS and TRS, respectively. At June 30, 2022, the employer’s proportion was 0.089402 percent and 0.4259 percent for PERS and TRS, respectively.

The NPL was measured as of June 30, 2021, and the TPL used to calculate the net pension liability was determined by an actuarial valuation as of:

- **PERS** – June 30, 2020 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 of Practice issued by the Actuarial Standards Board.
- **TRS** – July 1, 2020. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer’s proportion of the net pension liability was based on the employer’s contributions received by TRS during the measurement period, July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of TRS’ participating employers.

	PERS	TRS
<u>Changes in actuarial assumptions, other inputs, and methods:</u>	<ul style="list-style-type: none"> • The discount rate was lowered from 7.34% to 7.06% • The investment rate of return was lowered from 7.34% to 7.06% 	<ul style="list-style-type: none"> • 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%.
<u>Changes in benefit terms:</u>	There have been no changes in benefit terms since the previous measurement date.	There have been no changes in benefit terms since the previous measurement date.
<u>Changes in proportionate share:</u>	There were no changes to the Plan between the measurement date of the collective NPL.	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.

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

15. e. PENSION EXPENSE

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
<u>PERS</u> (as of measurement date)		
School District's Proportionate Share	\$ (73,527)	\$ 210,934
Employer Grant Revenue – State of Montana Proportionate Share with the Employer	<u>121,212</u>	<u>142,660</u>
Total	<u>\$ 47,685</u>	<u>\$ 353,594</u>
<u>TRS</u>		
School District's Proportionate Share	\$ 557,890	\$ 1,195,074
State of Montana Proportionate Share associated with the Employer	<u>392,190</u>	<u>761,349</u>
Total	<u>\$ 950,080</u>	<u>\$ 1,956,423</u>

At June 30, 2022, the employer recognized a pension expense of \$47,685 and \$950,080 for its proportionate share of the PERS and TRS Pension Expense, respectively. The employer also recognized grant revenue of \$121,212 and \$392,190 for the support provided by Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS and TRS, respectively.

15. f. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2022, the employer reported its proportionate share of PERS and TRS deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

	<u>PERS</u>		<u>TRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected economic experience	\$ 17,300	\$ 11,735	\$ 110,816	\$ 0
Changes in actuarial assumptions	240,109	0	803,426	3,624
Difference between projected and actual investment earnings	0	656,707	0	2,229,572
Changes in proportion and differences between actual and expected contributions	0	0	0	145,566
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	114,506	0	0
Contributions paid subsequent to the measurement date – FY 2021 Contributions *	<u>161,342</u>	<u>0</u>	<u>589,367</u>	<u>0</u>
Total	<u>\$ 418,750</u>	<u>\$ 782,948</u>	<u>\$ 1,503,609</u>	<u>\$ 2,378,762</u>

* Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL 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:

Year Ended June 30	<u>PERS</u>		<u>TRS</u>	
	Amount of Deferred Outflows (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense			
2022	\$	(61,350)	\$	(153,552)
2023		(95,940)		(174,137)
2024		(158,612)		(429,335)
2025		(209,637)		(707,495)
Thereafter		0		0

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

15. g. EMPLOYER’S PROPORTION OF PENSION AMOUNTS

	<u>PERS</u>	<u>TRS</u>	
	<u>Employer’s Proportionate Share</u>	<u>Employer’s Proportionate Share</u>	<u>Employer’s Total Pension Amounts</u>
Total Pension Liability	\$ 8,068,975	\$ 28,850,869	\$ 36,919,844
Fiduciary Net Position	<u>6,447,918</u>	<u>21,794,945</u>	<u>28,242,863</u>
Net Pension Liability	1,621,057	7,055,923	8,676,980
Deferred Outflows of Resources	418,750	1,503,609	1,922,359
Deferred Inflows of Resources	782,948	2,378,762	3,161,710
Pension Expense	47,685	950,080	997,765

NOTE 16. COOPERATIVE

16. a. SPECIAL EDUCATION

The School District is a member of the Central Montana Learning Resource Center Cooperative (the Cooperative), a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of the School District, and the financial statements of the Cooperative are not included in the School Districts’ financial statements. The Cooperative’s financial statements are audited separately from those of the School District. All revenue received, including federal, state, or other types of grant payments, and the financial support provided by each of the Cooperative’s members are deposited into the Cooperative’s funds, which are maintained in the custody of the Fergus County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the state and federal portion of any participating member School District’s budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative’s financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the fiscal management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

NOTE 17. SUBSEQUENT REPORTABLE EVENTS

LEWISTOWN School District No. 1 has evaluated subsequent events after June 30, 2022 through the date on which the financial statements were available to be issued.

The School District signed a contract with a construction company for \$3,223,000 in August 2022. This is for one of the projects to be completed with the elementary school bond issuance.

NOTE 18. JOINT VENTURE AGREEMENTS

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

18. a. MULTIDISTRICT COOPERATIVE

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2022

18. a. 1. TECHNICAL SUPPORT

The School District was a party to an agreement with Lewistown Elementary, Fergus High School, Grass Range Elementary, Grass Range High School, Harlowton K-12 School, Ayers Elementary, Roy K-12 Schools, Winifred K-12 Schools, Moore Elementary, Moore High School, Deerfield Elementary, Spring Creek Colony Elementary, King Colony Elementary, Hobson K-12 Schools, Judith Gap Elementary, Judith Gap High School, Stanford K-12 Schools, Central Montana Learning Resource Center Cooperative, and Central Montana Head Start to provide technology services to each participating school district and cooperative.

18. a. 2. INTERLOCAL AGREEMENT FUND

The School District was a party to an agreement with Lewistown Elementary and Lewistown High School, for the purpose of jointly purchasing/paying for salaries, technology, curriculum, utilities and supplies for the participating districts. Lewistown High School is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the Lewistown High School. During fiscal year ended June 30, 2022 Lewistown Elementary general fund and Lewistown High School general fund transferred \$314,324 and \$142,419, respectively into the high school's Interlocal agreement fund.

NOTE 19. FOUNDATION ENDOWMENT

The School District has an endowment from the Evelyn Eccles Foundation. The objective of the foundation was to assist ambitious youth attain worthwhile heights of accomplishment through higher education. At June 30, 2022, the endowment fund amounted to \$118,640 and there was one outstanding loan balance amounting to \$5. The School District administers the endowment in accordance with the endowment directives as follows:

- At the end of each school year, the School District's Board of Trustees may "select from the graduating class a student or students, male or female, who have best demonstrated his/her ability to conduct scientific research of any kind or character which looks to the advancement of the best interests of society" and provide a loan from the fund to aid in their securing higher education.
- If a student is selected, the Board of Trustees will determine an amount of the loan "sufficient to materially aid and enable students to attend an institution of higher learning." A no interest promissory note will be executed which shall become due and payable at such time as may be arranged, but not in excess of ten years after the loan agreement has been made.

NOTE 20. CITY OF LEWISTOWN

The School District and the City of Lewistown entered into an agreement whereby the School District would use the Lewistown Civic Center for activities such as basketball, volleyball, softball, soccer, floor hockey, superstars, badminton, snowshoeing, roller-skating, cross-country skiing, and table tennis. For the year ended June 30, 2022, School District payments to the City under the terms of this agreement amounted to \$5,517. The School District also paid the City \$50,311 for a resource officer in fiscal year 2022

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF FUNDING PROGRESS
 Other Postemployment Benefits Other Than Pensions
 For the year ended June 30, 2022

CHANGE IN LIABILITY

Fiscal Year End	Service Cost (a)	Interest (b)	Changes in Benefit Terms (c)	Changes in Assumptions or Other Inputs (d)	Benefit Payments (e)	Net Change in Total OPEB Liability Sum of (a) to (e)=(f)	Total OPEB Liability Beginning (g)	Total OPEB Liability Ending (f)+(g)=(h)
6/30/18	\$ 263,917	\$ 16,658	\$ 0	\$ 2,330,713	\$ (77,880)	\$ 2,677,408	\$ 1,392,046	\$ 4,069,454
6/30/19	271,452	147,140	0	325,669	(113,183)	631,078	4,069,454	4,700,532
6/30/20	311,070	175,965	(462,123)	925,660	(75,421)	875,151	4,700,532	5,575,683
6/30/21	401,496	151,223	0	348,515	(87,652)	813,582	5,575,683	6,389,265
6/30/22	391,950	152,719	(3,097,464)	(1,254,595)	(107,595)	(3,914,985)	6,389,265	2,474,280

PAYROLL RATIO

Fiscal Year End	Covered Employee Payroll (i)	Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)
6/30/18	\$ 5,903,289	68.94%
6/30/19	6,124,663	76.75%
6/30/20	5,669,468	98.35%
6/30/21	5,867,899	108.89%
6/30/22	4,510,124	54.86%

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

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 (Determined as of the measurement date)
 For the year ended June 30, 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30:	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)	State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Percent- age of the Total Pen- sion Liability
2014	0.139359%	\$ 1,736,425	\$ 81,172	\$ 1,817,597	\$ 1,632,445	111.22%	79.87%
2015	0.138464%	1,935,544	90,951	2,026,495	1,670,709	115.85%	78.40%
2016	0.141463%	2,409,599	112,614	2,522,214	1,751,664	137.56%	74.71%
2017	0.135932%	2,647,456	121,958	2,769,414	1,742,460	151.94%	73.75%
2018	0.101152%	2,111,191	777,302	2,888,492	1,718,275	122.87%	73.47%
2019	0.099006%	2,069,528	738,330	2,807,857	1,686,719	122.70%	73.85%
2020	0.095447%	2,518,106	872,315	3,390,421	1,656,550	152.01%	68.90%
2021	0.089402%	1,621,057	528,167	2,149,224	1,620,783	100.02%	79.91%

TEACHERS RETIREMENT SYSTEM

Year Ended June 30:	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)	State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Percent- age of the Total Pen- sion Liability
2014	0.4362%	\$ 6,712,796	\$ 4,599,979	\$ 11,312,755	\$ 5,501,106	122.03%	70.36%
2015	0.4441%	7,296,596	4,891,615	12,188,211	5,537,456	131.77%	69.30%
2016	0.4424%	8,081,164	5,267,725	13,348,889	5,651,304	143.00%	66.69%
2017	0.4434%	7,476,217	4,745,760	12,221,977	5,848,407	127.83%	70.09%
2018	0.4363%	8,099,052	8,099,052	13,133,712	5,828,407	138.96%	69.09%
2019	0.4311%	8,312,421	8,312,421	13,345,830	5,851,796	142.05%	68.64%
2020	0.4321%	9,718,822	9,718,822	15,465,022	5,946,911	163.43%	64.95%
2021	0.4259%	7,055,923	4,025,645	11,081,568	6,066,716	116.31%	75.54%

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

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
 (Determined as of the reporting date)
 For the year ended June 30, 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required Contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in Relation to Contractually Required Contributions (c)	Contribution Deficiency (Excess) (a)+(b)- (c)=(d)	Employer's Covered Payroll (e)	Contributions as a Percentage of Covered Payroll ((a)+(b))/(e)
2015	\$ 133,157	\$ 478	\$ 133,635	\$ 0	\$ 1,670,709	8.00%
2016	141,634	295	141,929	0	1,751,664	8.10%
2017	141,142	0	141,142	0	1,742,460	8.10%
2018	140,899	0	140,899	0	1,718,275	8.20%
2019	140,499	0	140,499	0	1,686,719	8.33%
2020	140,308	0	140,308	0	1,656,550	8.47%
2021	139,946	0	139,946	0	1,620,783	8.63%
2022	146,288	0	146,288	0	1,701,023	8.60%

TEACHERS RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required Contributions (a)	Contributions in Relation to Contractually Required Contributions (b)	Contribution Deficiency (Excess) (a)-(b)=(c)	Employer's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (a)/(d)
2015	\$ 520,550	\$ 520,550	\$ 0	\$ 5,537,456	9.40%
2016	601,312	601,312	0	5,651,304	10.64%
2017	592,541	592,541	0	5,848,407	10.13%
2018	553,234	553,234	0	5,828,310	9.49%
2019	553,772	553,772	0	5,851,796	9.46%
2020	604,525	604,525	0	5,946,911	10.17%
2021	594,700	594,700	0	6,066,716	9.80%
2022	589,367	589,367	0	6,118,452	9.63%

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(As of Measurement Date)
For the year ended June 30, 2022

NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM

1. a. CHANGES OF BENEFIT TERMS

The following changes to the Public Employee Retirement System (PERS) plan provision were made as identified:

2017:

Working Retiree Limitations – for PERS

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 2019 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
 SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
 (As of Measurement Date)
 For the year ended June 30, 2022

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 actual administrative expenses.

The actuarial assumptions and methods utilized in the June 30, 2020 valuation, were developed in the six year experience study for the period ending 2016.

NOTE 2. TEACHERS' RETIREMENT SYSTEM

2. a. CHANGES OF BENEFIT TERMS

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

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

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

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

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

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)

(As of Measurement Date)

For the year ended June 30, 2022

-
- 1% supplemental employer contribution. This will increase the current employer rates:
 - School Districts contributions will increase from 7.47% to 8.47%
 - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
 - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
 - Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
 - Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs:

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

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

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).

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
 SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
 (As of Measurement Date)
 For the year ended June 30, 2022

- 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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Budget and Actual
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2022

	General (Elem)			Flexibility (Elem)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,861,875	\$ 1,861,875	\$ 1,864,488	\$ -	\$ -	\$ -
Interest	4,981	4,981	3,003	500	500	431
Other	-	-	-	-	-	3,143
State	4,879,932	4,879,932	4,879,932	6,962	6,962	6,962
Total Revenues	<u>6,746,788</u>	<u>6,746,788</u>	<u>6,747,423</u>	<u>7,462</u>	<u>7,462</u>	<u>10,536</u>
EXPENDITURES:						
Current:						
Instructional Services			3,938,256			492
Support Services - Students			157,113			-
Support Services - Instructional			169,880			-
General Administrative Services			1,148,095			-
Operation and Maintenance Services			738,277			-
Transportation Services			4,769			-
School Food Services			128,656			-
Extracurricular			69,797			-
Capital Outlay			9,448			-
Intergovernmental			68,173			-
Total Expenditures	<u>6,746,788</u>	<u>6,746,788</u>	<u>6,432,464</u>	<u>110,247</u>	<u>110,247</u>	<u>492</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>314,959</u>	<u>(102,785)</u>	<u>(102,785)</u>	<u>10,044</u>
OTHER FINANCING SOURCES (USES):						
Fund Transfers (Out)			(314,324)			-
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>(314,324)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	635	(102,785)	(102,785)	10,044
FUND BALANCE:						
Beginning of the Year			634,025			102,784
End of the Year			<u>\$ 634,660</u>			<u>\$ 112,828</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Budget and Actual
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS (continued)
 For the Year Ended June 30, 2022

	General (HS)			Flexibility (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,075,934	\$ 1,075,934	\$ 1,076,300	\$ -	\$ -	\$ -
Interest	2,473	2,473	1,234	500	500	573
Other	-	-	-	-	-	1,000
State	2,214,739	2,214,739	2,214,739	20,297	20,297	20,297
Total Revenues	<u>3,293,146</u>	<u>3,293,146</u>	<u>3,292,273</u>	<u>20,797</u>	<u>20,797</u>	<u>21,870</u>
EXPENDITURES:						
Current:						
Instructional Services			1,538,833			7,918
Support Services - Students			106,195			-
Support Services - Instructional			94,184			-
General Administrative Services			686,938			-
Operation and Maintenance Services			482,454			-
Transportation Services			34,404			-
School Food Services			-			-
Extracurricular			187,854			-
Capital Outlay			5,109			-
Intergovernmental			14,757			-
Total Expenditures	<u>3,293,146</u>	<u>3,293,146</u>	<u>3,150,728</u>	<u>183,812</u>	<u>183,812</u>	<u>7,918</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>141,545</u>	<u>(163,015)</u>	<u>(163,015)</u>	<u>13,952</u>
OTHER FINANCING SOURCES (USES):						
Fund Transfers (Out)			(142,419)			-
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>(142,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	(874)	(163,015)	(163,015)	13,952
FUND BALANCE:						
Beginning of the Year			303,291			163,015
End of the Year			<u>\$ 302,417</u>			<u>\$ 176,967</u>

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended June 30, 2022

NOTE 1. BUDGETS

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

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

All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. GENERAL BUDGET POLICIES

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

- The elementary miscellaneous fund is a major funds but is not included because it is a *non-budgeted special revenue fund*.
- The elementary building fund is a major fund but is not included because it is a *non-budgeted fund and is not a special revenue fund*.

1. b. BUDGET OPERATIONS

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

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

NOTE 2. FUND BALANCE RECONCILIATION

The fund balances of the HS general fund reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances in accordance with accounting principles generally accepted in the United States of America (GAAP Basis) is different from that on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual due to the reserve for encumbrances. The differences are as follows:

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (continued)
 For the year ended June 30, 2022

	General (HS)
End of the Year (GAAP)	\$ 307,526
Current-year Encumbrances	<u>(5,109)</u>
End of the Year (Budget)	<u>\$ 302,417</u>

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

NOTE 3. BUDGET AMENDMENTS

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

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

	Sub-funds									Total General Fund
	General (Elem)	Metal Mines Tax Reserve (Elem)	Flexibility (Elem)	General (HS)	Metal Mines Tax Reserve (HS)	Flexibility (HS)	Interlocal Agreement (HS)	Internal Balances Adjustments		
REVENUES:										
District Levies	\$ 1,864,488	\$ -	\$ -	\$ 1,076,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,940,788
Interest	3,003	385	431	1,234	580	573	3,115	-	-	9,321
Charges for Services	-	-	-	-	-	-	187,781	-	-	187,781
Other	-	-	3,143	-	-	1,000	67,671	-	-	71,814
State	<u>4,879,932</u>	<u>-</u>	<u>6,962</u>	<u>2,214,739</u>	<u>-</u>	<u>20,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,121,930</u>
Total Revenues	6,747,423	385	10,536	3,292,273	580	21,870	258,567	-	-	10,331,634
EXPENDITURES:										
Current:										
Instructional Services	3,938,256	-	492	1,538,833	-	7,918	17,364	-	-	5,502,863
Support Services - Students	157,113	-	-	106,195	-	-	-	-	-	263,308
Support Services - Instructional	169,880	-	-	94,184	-	-	1,245	-	-	265,309
General Administrative Services	1,148,095	-	-	686,938	-	-	206,491	-	-	2,041,524
Operation and Maintenance Services	738,277	-	-	482,454	-	-	4,537	-	-	1,225,268
Transportation Services	4,769	-	-	34,404	-	-	-	-	-	39,173
School Food Services	128,656	-	-	-	-	-	-	-	-	128,656
Extracurricular	69,797	-	-	187,854	-	-	-	-	-	257,651
Community Services	-	-	-	-	-	-	158	-	-	158
Capital Outlay	9,448	-	-	-	-	-	126,541	-	-	135,989
Intergovernmental	<u>68,173</u>	<u>-</u>	<u>-</u>	<u>14,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,930</u>
Total Expenditures	6,432,464	-	492	3,145,619	-	7,918	356,336	-	-	9,942,829
Excess (Deficiency) of Revenues										
Over Expenditures	314,959	385	10,044	146,654	580	13,952	(97,769)	-	-	388,805
OTHER FINANCING SOURCES (USES):										
Sale of Capital Assets	-	-	-	-	-	-	28,950	-	-	28,950
Fund Transfers In	-	-	-	-	-	-	456,743	(456,743)	-	-
Fund Transfers (Out)	<u>(314,324)</u>	<u>-</u>	<u>-</u>	<u>(142,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456,743</u>	<u>-</u>	<u>-</u>
Total Other Financial Sources (Uses)	<u>(314,324)</u>	<u>-</u>	<u>-</u>	<u>(142,419)</u>	<u>-</u>	<u>-</u>	<u>485,693</u>	<u>-</u>	<u>-</u>	<u>28,950</u>
Net Change in Fund Balance	635	385	10,044	4,235	580	13,952	387,924	-	-	417,755
FUND BALANCE:										
Beginning of the Year	634,025	97,116	102,784	303,291	179,721	163,015	-	-	-	1,479,952
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008,630</u>	<u>-</u>	<u>-</u>	<u>1,008,630</u>
End of the Year - GAAP Basis	634,660	97,501	112,828	307,526	180,301	176,967	1,396,554	-	-	<u>\$ 2,906,337</u>
Less Current Year Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,109)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of the Year - Budget Basis	<u>\$ 634,660</u>	<u>\$ 97,501</u>	<u>\$ 112,828</u>	<u>\$ 302,417</u>	<u>\$ 180,301</u>	<u>\$ 176,967</u>	<u>\$ 1,396,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (continued)
For the year ended June 30, 2022

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

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

- Elementary and high school Metal Mines Tax Reserve fund which are non-budgeted special revenue funds
- Interlocal Agreement fund which is a non-budgeted fund.

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENSES, AND BALANCES
 STUDENT ACTIVITY FUNDS
 For the year ended June 30, 2022

Activity	Beginning Balance 7/1/2021	Revenues	Expenses	Transfers	Ending Balance 6/30/2022
ANNUAL	\$ 2,804	\$ 6,571	\$ 5,838	\$ -	\$ 3,537
AP TESTING	5,123	4,757	270	-	9,610
BAND	15	2,344	1,905	-	454
BPA	3,106	6,506	7,731	-	1,881
CT MT MENTORS	221	-	-	-	221
CHEERLEADERS	5,435	6,335	8,471	-	3,299
NHS/CLAWS	-	528	528	-	-
CONCESSIONS	5,368	15,188	14,865	-	5,691
EAGLE RENAISSANCE	2,945	1	617	-	2,329
FCLUB	1,707	748	-	-	2,455
FFA	13,385	36,093	45,794	-	3,684
FCCLA	4,076	8,729	8,778	-	4,027
OUTDOOR CLUB	1,038	-	-	-	1,038
SPANISH CLUB	1,990	6,731	4,309	-	4,412
HOW CLUB	143	-	-	-	143
VICA/SKILLS USA	436	-	-	-	436
KEY CLUB	2,859	909	1,926	-	1,842
ART CLUB	2,225	1	200	-	2,026
SCIENCE CLUB	1,643	1,501	1,418	-	1,726
SKI CLUB	3,348	2,736	3,949	-	2,135
STUDENT COUNCIL	3,447	15,786	9,298	-	9,935
DRAMA CLUB	1,081	-	-	-	1,081
TROPHY	2,238	1	-	-	2,239
VOCAL MUSIC	161	-	-	-	161
DIST. 8 MUSIC FESTIVAL	3,325	3,495	3,106	-	3,714
WEIGHT CLUB	205	-	-	-	205
AP GOVT	746	-	-	-	746
CAREER FAIR	2,002	-	-	-	2,002
EAGLE WEAR	2,526	-	-	-	2,526
MODEL UN	35	-	-	-	35
LEADERSHIP	258	-	-	-	258
ASTRONOMY CLUB	236	-	-	-	236
GAY-STRAIGHT ALLIANCE	97	233	21	-	309
CLASS OF 2021	1,639	-	1,639	-	-
CLASS OF 2022	1,258	-	1,226	-	32
CLASS OF 2023	122	19,489	13,784	-	5,827
CLASS OF 2024	115	50	-	-	165
CLASS OF 2025	353	203	532	-	24
SCHOOL SPONSORED EXTRACURRICUI	-	217,063	216,344	-	719
GIRLS SOFTBALL/BOYS CROSS COUNTI	23,551	36,676	35,627	-	24,600
Sub-total	\$ 101,262	\$ 392,674	\$ 388,176	\$ -	\$ 105,760

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENSES, AND BALANCES
 STUDENT ACTIVITY FUNDS (continued)
 For the year-ended June 30, 2022

Activity	Beginning Balance 7/1/2021	Revenues	Expenses	Transfers	Ending Balance 6/30/2022
GENERAL ACTIVITIES	\$ 65,232	\$ 20,443	\$ 22,366	\$ -	\$ 63,309
LC SERVICE COUNCIL	1,295	-	-	-	1,295
BUILDERS CLUB	99	97	28	-	168
CHEERLEADERS	-	2,683	1,626	-	1,057
CONSUMER TECH	673	1,074	1,027	-	720
FACS	836	1,214	1,181	-	869
BC, SC STORE	252	5,009	4,077	-	1,184
MUSIC	310	-	-	-	310
PHOTO CLUB	3,602	2,959	2,630	-	3,931
SERVICE LEARNING	386	-	116	-	270
SKI CLUB	2,770	5,958	5,311	-	3,417
STUDENT COUNCIL	513	407	101	-	819
NEWS	170	-	-	-	170
GIS CLUB	1,430	315	734	-	1,011
COMPUTER SERV LEARNING	129	-	-	-	129
FIELD TRIP/SKI DAY	858	-	-	-	858
ROBOTICS CLUB	439	-	-	-	439
SCIENCE OLYMPIAD	157	-	156	-	1
EXPEDITION YELLOWSTONE	4,312	2,025	6,337	-	-
FISHERIES	-	350	-	-	350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 184,725</u>	<u>\$ 435,208</u>	<u>\$ 433,866</u>	<u>\$ -</u>	<u>\$ 186,067</u>

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF REPORTED ENROLLMENT
For the year ended June 30, 2022

Fall Enrollment – October 2021									
	Full-time Students			Part-time Students					
	Reported	Audited	Variance	Less Than				Audited	Variance
				181 hours	359 hours	539 hours	719 hours		
<u>Elementary</u>									
Kindergarten Full	104	104	0	0	0	0	0	0	0
Grade 1 - 6	572	572	0	0	0	0	1	1	0
Grade 7 - 8	<u>177</u>	<u>177</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>853</u>	<u>853</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>High School</u>									
Grade 9 - 12	<u>338</u>	<u>338</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
19-year old	0	0	0						
Youth Challenge	3	3	0						
Job Corps	0	0	0						
Early Graduates	0	0	0						
Spring Enrollment – February 2022									
	Full-time Students			Part-time Students					
	Reported	Audited	Variance	Less Than				Audited	Variance
				181 hours	359 hours	539 hours	719 hours		
<u>Elementary</u>									
Kindergarten Full	106	106	0	0	0	0	0	0	0
Grade 1 - 6	586	586	0	0	0	0	1	1	0
Grade 7 - 8	<u>183</u>	<u>183</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>875</u>	<u>875</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>High School</u>									
Grade 9 - 12	<u>329</u>	<u>329</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
19-year old	0	0	0						
Youth Challenge	0	0	0						
Job Corps	0	0	0						
Early Graduates	0	0	0						

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
National School Lunch Program (Donated Food) (fn2)	10.555	N/A	\$ -	\$ 37,525
National School Lunch Program (fn1)	10.555	N/A	-	379,202
Summer Food Service Program for Children	10.559	N/A	-	297,206
Total Child Nutrition Cluster			-	713,933
School Nutrition Discretionary Grant	10.579	N/A	-	5,000
Total U.S. Department of Agriculture			\$ -	\$ 718,933
U.S. DEPARTMENT OF EDUCATION DIRECT:				
Rural Education	84.358	S358A202289	-	\$ 8,657
PASSED THROUGH MONTANA DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	19-01-175-0034	\$ -	35,169
PASSED THROUGH CENTRAL MONTANA LEARNING RESOURCE CENTER COOPERATIVE:				
Special Education Grants to States	84.027	N/A	-	40,000
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Title I Grants to Local Educational Agencies	84.010	014-0258-32-2022	-	455,373
Special Education - State Personnel Development	84.323	N/A	-	2,507
Career and Technical Education -- Basic Grants to States (Carl Perkins)	84.048	014-0259-81-2022	-	25,653
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	014-025-89-22021	-	811,411
American Rescue Plan -- Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	014-0258-93-2021	-	451,677
Total U.S. Department of Education			\$ -	\$ 1,830,447
Total Federal Financial Assistance			<u>\$ -</u>	<u>\$ 2,549,380</u>

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

LEWISTOWN SCHOOL DISTRICT NO. 1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Lewistown School District No. 1 (School District) under programs of the federal government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The School District elected to use the 4.05-percent indirect cost rate certified for this district under the Uniform Guidance.

NOTE 4. FOOTNOTES

Fn1 – No separate funds or accounts maintained; the School District assumes first in first out for program money.

Fn2 – The value of commodities (revenues, expenses or inventory) are not displayed in the basic financial statements.

N/A – Not applicable/available.



STROM & ASSOCIATES, P.C.
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewistown School District No. 1 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lewistown School District No. 1's basic financial statements and have issued our report thereon dated December 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lewistown School District No. 1'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lewistown School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Lewistown School District No. 1's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewistown School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
December 20, 2022

STROM & ASSOCIATES, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lewistown School District No. 1
Fergus County
Lewistown, Montana 59457

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lewistown School District No. 1'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 School District's major federal programs for the year ended June 30, 2021. School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



STROM & ASSOCIATES, PC
Billings, Montana
December 20, 2022

LEWISTOWN SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

A. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on Lewistown School District No. 1 (School District)’s financial statements as of and for the year ended June 30, 2022.
2. Our audit did not identify any material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit did not identify any significant deficiencies relating to internal controls over financial reporting and its operation.
4. Our audit did not identify any noncompliance which was material to the financial statements.

Federal Awards

5. Our audit did not identify any material weaknesses relating to internal controls over federal programs.
6. Our audit did not identify any significant deficiencies in internal controls over federal programs.
7. The auditor, Strom & Associates, PC, has issued an unmodified opinion on the School District’s compliance with major federal awards programs as of and for the year ended June 30, 2022.
8. The audit disclosed no audit findings which are required to be reported under section 200.516 of Uniform Guidance.
9. The major program for the School District for the year ended June 30, 2022, was:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	ESSER – School Emergency Relief

10. The threshold used to distinguish between Type A and Type B programs was \$750,000. The ESSER – State School Emergency Relief is a Type A program.
11. The School District does qualify as a low risk audit client.

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

Prior year findings/status

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2022.

2021-001 – Obtaining Bids for Major Expenditures	Not repeated
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Current year findings

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

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Prior year findings/status

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

Current year findings

The audit disclosed no findings or questioned costs relating to federal awards as defined in section 200.516 of *Uniform Guidance* for the fiscal year ended June 30, 2022.