

HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA

**FINANCIAL AND
COMPLIANCE
REPORT**

FOR THE YEAR ENDED
JUNE 30, 2022

DONALD NOLAN DAVIES, P.C.
Certified Public Accountant

HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
TABLE OF CONTENTS
JUNE 30, 2022

ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
INDEPENDENT AUDITOR'S REPORT	8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	17
Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	18
Notes to Financial Statements	19
SUPPLEMENTAL SCHEDULES:	
Schedule of Revenues, Expenditures, and Encumbrances - Budget and Actual - General Fund	46
Notes to the Budget and Actual Schedule	47
Schedule of Changes in Other Post Employment Health Care Benefits and Related Ratios	48
Schedule of the School's Proportionate Share of the Net Pension Liability - Teachers' Retirement System	49
Schedule of the School's Pension Plan Contributions - Teachers' Retirement System	49
Notes to Teachers' Retirement System Schedules	50
Schedule of the School's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System	54
Schedule of the School's Pension Plan Contributions - Public Employees' Retirement System	54
Notes to Public Employees' Retirement System Schedules	55
Schedule of Expenditures of Federal Awards	56
Notes to the Schedule of Expenditures of Federal Awards	57
Schedule of School District Enrollment	58
Extracurricular Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance by Student Activity	59
OTHER SUPPLEMENTAL INFORMATION:	
Description of School District	60
School District Property Tax Valuations	60
School District Tax Levies	61
Other Tax Levies	61
Tax Collections	62
Major Taxpayers	62
Maximum Bonded Indebtedness	63
INDEPENDENT AUDITOR'S REPORTS:	
On Internal Control Over Financial Reporting and on Compliance and Other Matters	64
On Compliance for each Major Program and Internal Control Over Compliance Required by the Uniform Guidance	66
Schedule of Findings and Questioned Costs	69

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

ORGANIZATION

JUNE 30, 2022

BOARD OF TRUSTEES

Thomas McLaughlin
Kate Walker
Diane Beck
Lori Christensen
Tom Cook
Rod Sharkey
Rich Thornock

Chair
Vice-Chair
Trustee
Trustee
Trustee
Trustee
Trustee

OFFICIALS

Doug Riesig, Ed. D.
Shara Blair
Kirsten Pabst
Erin Lipkind

School District Superintendent
Clerk of the Board/Business Manager
County Attorney
County Superintendent of Schools



HELLGATE ELEMENTARY SCHOOL

DISTRICT NO. 4
2385 FLYNN LANE
MISSOULA, MONTANA 59808
(406)728-5626 FAX (406)728-5636

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

This management's discussion and analysis provides an overview of the School's financial activities for the fiscal year ended June 30, 2022. Please read it along with the School's financial statements which begin on page 12.

FINANCIAL HIGHLIGHTS

Revenues exceeded expense for the year for the School by approximately \$690,000. In an effort to alleviate the negative effects of the COVID-19 pandemic, the School continued to receive grant assistance from the Federal government through the Elementary and Secondary School Relief (ESSER) and American Rescue Plan (ARP) funding.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the School as a whole with more detailed information for certain School funds. The Statement of Net Position and the Statement of Activities (pages 12 and 13) provide information about the activities of the School as a whole and present a long-term view of the School's finances (they include capital assets and long-term liabilities).

Fund financial statements present a short-term view of the School's activities (they include only current assets expected to be collected in the very near future and liabilities expected to be paid in the very near future). They present detailed information about the School's general, miscellaneous projects, building, building reserve, and debt service funds. There is also financial information about the custodial funds for which the School acts as a trustee.

THE SCHOOL AS A WHOLE

One important question asked about the School's finances is, "Is the financial condition of the School better or worse off as a result the year's activities?" The information in the government-wide financial statements helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, changes in the School's tax base, etc.

Changes in the School's net position (rounded to the nearest \$1,000) were as follows:

Over One Century of Quality Education
(Established in 1869)

	2022	2021	Change	%
Current Assets	\$5,965,000	\$6,238,000	(\$273,000)	(4)%
Capital Assets - Net	32,582,000	33,331,000	(749,000)	(2)%
Other Assets	129,000	134,000	(5,000)	(4)%
Total Assets	<u>38,676,000</u>	<u>39,703,000</u>	<u>(1,027,000)</u>	<u>(3)%</u>
Deferred Outflows	<u>3,237,000</u>	<u>3,544,000</u>	<u>(307,000)</u>	<u>(9)%</u>
Current Liabilities	(2,134,000)	(2,191,000)	57,000	(3)%
Non-current Liabilities	<u>(35,304,000)</u>	<u>(41,033,000)</u>	<u>5,729,000</u>	<u>(14)%</u>
Total Liabilities	<u>(37,438,000)</u>	<u>(43,224,000)</u>	<u>5,786,000</u>	<u>(13)%</u>
Deferred Inflows	<u>(4,187,000)</u>	<u>(425,000)</u>	<u>(3,762,000)</u>	<u>885%</u>
Net Position	<u>\$288,000</u>	<u>(\$402,000)</u>	<u>\$690,000</u>	<u>(172)%</u>
Net position Consists of:				
Net Investment in Capital Assets	\$10,842,000	\$10,046,000	\$796,000	8%
Restricted	3,055,000	2,740,000	315,000	11%
Unrestricted	<u>(13,609,000)</u>	<u>(13,188,000)</u>	<u>(421,000)</u>	<u>3%</u>
Net Position	<u>\$288,000</u>	<u>(\$402,000)</u>	<u>\$690,000</u>	<u>(172)%</u>

The change in non-current liabilities is mainly from the reduction in actuarially determined TRS/PERS pension liability. There was an increase of deferred inflows related to the TRS/PERS pensions due to a change in projected vs. actual investment earnings.

Changes in the School's program revenues (rounded to the nearest \$1,000) were as follows:

	2022	2021	Change	%
Federal Grants:				
School Food Program	\$1,065,000	\$1,078,000	(\$13,000)	(1)%
Other Federal Programs	1,919,000	1,959,000	(40,000)	(2)%
State Grant Funding	1,480,000	2,005,000	(525,000)	(26)%
Charges for Services:				
School Food Program		2,000	(2,000)	(100)%
Extracurricular Activities	62,000	8,000	54,000	675%
Medicaid	579,000	332,000	247,000	74%
Donations and Other Program Revenue	<u>102,000</u>	<u>115,000</u>	<u>(13,000)</u>	<u>(11)%</u>
Total Program Revenues	<u>\$5,207,000</u>	<u>\$5,499,000</u>	<u>(\$292,000)</u>	<u>(5)%</u>

There was a minor overall decrease in program revenues. A majority of the decrease in state grants was due reduction of the on-behalf of payment to the TRS retirement system. There was a return to student activities including the Robotics Club's participation in state and national competitions. Medicaid receipts increased as there were more claims submitted.

Changes in the School's general revenues (rounded to the nearest \$1,000) were as follows:

	2022	2021	Change	%
School Property Taxes	\$7,243,000	\$7,939,000	(\$696,000)	(9)%
State Revenue	6,926,000	7,024,000	(98,000)	(1)%
County Property Taxes	1,781,000	1,604,000	177,000	11%
Investment Earnings and Other	64,000	43,000	21,000	49%
Total General Revenues	16,014,000	16,610,000	(596,000)	(4)%
Total Program Revenues	5,207,000	5,499,000	(292,000)	(5)%
Total Revenues	<u>\$21,221,000</u>	<u>\$22,109,000</u>	<u>(\$888,000)</u>	<u>(4)%</u>

General revenues decreased overall. The decrease in property taxes is due to an 18% reduction in the amounts levied. Detailed historical information about the mills levied for the past ten years is included on page 61. The increase in county property taxes is from additional collections based on the countywide retirement levy.

Changes in the School's expenses (rounded to the nearest \$1,000) were as follows:

	2022	2021	Change	%
Instruction - Regular Programs	\$7,150,000	\$8,419,000	(\$1,269,000)	(15)%
Instruction - Other Programs	3,106,000	2,879,000	227,000	8%
Support Services	2,259,000	1,744,000	515,000	30%
Administration	2,506,000	2,395,000	111,000	5%
Operation and Maintenance	1,363,000	1,641,000	(278,000)	(17)%
Student Transportation	1,059,000	1,086,000	(27,000)	(2)%
School Food	972,000	1,020,000	(48,000)	(5)%
Depreciation Expense	1,045,000	1,031,000	14,000	1%
Interest Expense	901,000	948,000	(47,000)	(5)%
Extracurricular Activities	170,000	92,000	78,000	85%
Total Expenses	20,531,000	21,255,000	(724,000)	(3)%
Less Program Revenues	5,207,000	5,499,000	(292,000)	(5)%
Net Expenses	15,324,000	15,756,000	(432,000)	(3)%
Less General Revenues	16,014,000	16,610,000	(596,000)	(4)%
Change in Net Position	690,000	854,000	(164,000)	(19)%
Net Position - Beginning	(402,000)	(1,256,000)	854,000	(68)%
Ending Balance	<u>\$288,000</u>	<u>(\$402,000)</u>	<u>\$690,000</u>	<u>(172)%</u>

Expenses decreased overall. Instructional - regular programs primarily decreased because of the reduction in actuarial determined TRS retirement costs. There was also a reduction in compensated absences with the departure of long-term employees, some of which were offered early retirement benefits. Support services increased with the hiring of additional Special Education staff (primarily speech therapists) and increased Medicaid services provided. Operation and maintenance costs were reduced as there were fewer COVID-related projects. Extracurricular activities increased due to more in-person activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant of the School's funds. The School is required to provide detailed information for its "major" funds. Major funds are defined as the general fund and other funds where the assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures exceed 10% of total government fund amounts. In the current fiscal year the miscellaneous project, building, building reserve, and debt service funds exceeded at least one of these thresholds. The miscellaneous project fund accounts for federal and state grants and other local revenues. The building fund accounts for the proceeds from the School's general obligation bond, which was issued to pay for the costs of designing, construction, furnishing and equipping improvements to the Hellgate Elementary School Campus, combined with other local sources. The building reserve fund accounts for the voted tax levy and other funds to pay for capital improvements. The debt service fund accounts for tax revenue collected and the subsequent payment of the School's general obligation bonds.

The government funds provide a short-term view of the School's operations. They are reported using an accounting method called modified accrual accounting which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

Total government fund balances decreased \$17,000 in 2022 as compared to the government-wide increase in net position of \$690,000. See page 17 for a detailed explanation of the differences between the changes in government fund balances and changes in net position.

All budgeted fund expenditures were within the budget authority and there were no significant variations between the budget and actual revenues and expenditures which are detailed on the supplemental schedule on page 46.

CAPITAL ASSET AND DEBT ADMINISTRATION

The School converted to LED lighting in two of its buildings. Flooring was replaced in Buildings 2 & 3 gymnasiums and also in Building 2's cafeteria. Three copiers were purchased, two of which replaced copiers disposed. The School continues to pay on the general obligation bonds. See Notes 4 and 5 on pages 24 and 25 for more information on the capital assets and long term debt.

THE FUTURE OF THE SCHOOL

The impacts of COVID-19 remain very apparent throughout society and are especially apparent within our school system, as well as throughout countless educational institutions. Hellgate Elementary most certainly feels the residual effects of the global pandemic. The student enrollment for the 2022-2023 is lower than the student enrollment for the 2021/2022 school year by eleven students. These numbers do not represent a significant decrease, however it is common for enrollment to fluctuate throughout the academic year, thus our enrollment could increase or decrease prior to the end of the school year. Based on our longitudinal projections for student enrollment, these numbers do not reflect where our enrollment should be for the school district. COVID-19 has played a role in negatively impacted the rate of increased student enrollment. As we attempt to make projections on where some of these students have gone, we can only guess that some students remain enrolled in distant learning programs or are enrolled in home-school.

In order to create a safe and stable environment for students to return to school, the district continues to implement numerous health and safety protocols, to promote wellness enhancements

for students and staff personnel, mandate seating charts, and restrict the number of visitors allowed into school buildings. The school district has also hired additional teachers to reduce student class size. Moreover, the school district has initiated an outreach to home school parents and students, living within the boundaries of Hellgate Elementary, to encourage those individuals to re-enroll in the school district. Even as the COVID-19 variants continue to impact our community, Hellgate Elementary has maintained a five-day per school week schedule and we continually encourage students to be on campus, every day in order to actively engage in our in-person learning program. In addition, we are focusing on both nurturing and developing social skills with our students through peer-to-peer contact. The school district continues to experience significant fluctuations in student enrollment and just since the opening of school in August, we have seen numerous students move, as well as new students enroll. Thus, our student enrollment projections continue to be less reliable as compared to a school district with a more stable student population base. However, as single family homes and multiple family apartment units continue to be constructed within the boundaries of Hellgate Elementary School District and throughout the Mullan/Wye corridor, I anticipate that our overall student enrollment will rebound and likely increase for the 2023-2024 school year.

In September of 2016, the Hellgate Elementary School District voters supported a bond election specifically for the construction of a new 7th and 8th grade building to reduce crowding in the existing facilities and pave the way to accommodate increasing student enrollment numbers. However, even with the new facility that could conceivably allow the school district to absorb another 500 students, pushing the district's enrollment over the 2,000 student mark, there is concern among school trustees that the school district may need to embark on the purchase of additional land to position the district for yet, another bond issue to build another school building. The reason behind this concern among school trustees is the continual unknown surrounding the rapid residential development occurring within the boundaries of the school district. Though more students will come, no city/county agency or organization is able to provide an accurate estimate as to how many potential students will enroll in the school district as a result of the new housing construction expansion. Compounding this, no city/county agency or organization is able to provide an accurate assessment to the school district as to how many families with school-aged children, currently enrolled at Hellgate Elementary, will remain in their homes as opposed selling their homes, thus creating an aging population of school-aged children that the school district will need to replace in order to continue with its current instructional and operational pattern. Estimates done by the school district, which are just as reliable as any other estimates that may or may not be completed by outside organizations, suggest that by the year 2027/2028, student enrollment will stand at approximately 1,742 students as the school district's student enrollment has increased over 500 students from the 2000/2001 school year to the 2021/2022 school year (20 years). Hence, it is statistically reasonable to predict that given another eight years, the school district could increase its student enrollment numbers by another 250 students.

With the current state funding being particularly questionable, especially due to the long-term effects of COVID-19 and the partial shut-down of Montana's economic income from local businesses, the long-term financial picture for the school district continues to look sound. However, the school district continues to be in a guarded financial posture with concern about rising fixed costs for district operation and maintenance, potential future building needs and construction, and on-going program analysis to optimize district financial resources in order to provide quality and meaningful educational experiences for students, especially given Montana's current fiscal condition. Funding from the state, it appears, will only minimally grow as the state keeps pace with its statutory requirements; the bare minimum in terms of funding support for Montana's public K-12 school districts. If the funding model remains the same and if that is all the state will provide, with respect to increased funding, the lack of accelerated state funding support will only place increased

financial burden and strain upon Hellgate Elementary and its local taxpayers with, unfortunately, no end in sight. The school district, even more than in past years, is looking for ways to maximize its financial resources by examining its use of ESSER (Elementary and Secondary School Emergency Relief) funding; its academic program offerings; eliminating, where possible, non-essential certified, classified, and administrative staff positions; tightly controlling financial allowances to fund classroom and district supply, textbook, and equipment requests; and finding creative ways to replace any district retirees that might choose to retire at the end of the current school year. The school district simply has no choice but to strictly prioritize, for continuation, essential programs and services while at the same time, seek to eliminate those non-essential programs and services. This type of approach to school operations, which is challenging, has required district leadership to align resources, services, and structures while retaining the core mission of increasing the achievement of every student, with reduced fiscal resources to accomplish the mission.

The school district and school board must, now more than ever, undertake a review of the district's mission and vision with a focus on establishing long-term core beliefs and educational goals to guide the district's processes and procedures. The school board's mandate throughout this budget and mission/vision review process must remain two-fold: 1) Every student must receive a meaningful relevant education which culminates in graduation from the 8th grade and 2) Every student must have the skills to be successful in our rapidly changing global society and economy. In conclusion, the Hellgate Elementary Board of Trustees, more than ever, is maximizing the expenditure of taxpayer funds and providing quality educational opportunities for students. As a district, this is a non-negotiable task. The school trustees are trying to accomplish this, all while, by not having a voted levy ballot issue for, at least, one additional year to give local taxpayers some reprieve in light of the COVID-19 economic ramifications on the community. As such, school trustees have initiated a process that allows for review and analysis of school district functions and expenditures and it includes an examination of each district activity, its expected outcome, its impact on students, and ultimately, its cost. Thus, all decisions made by the Hellgate Elementary Board of Trustees must be made based upon the answer to three essential questions: (1) Is the decision educationally defensible? (2) Is the decision socially acceptable to the Hellgate Elementary community? (3) Is the decision fiscally responsible? Both the fiscal, as well as the academic future of the students enrolled at Hellgate Elementary School District will remain, as always, our top priorities.

DONALD NOLAN DAVIES, P.C.

CERTIFIED PUBLIC ACCOUNTANT

8281 PHILPOTT COURT
CLINTON, MONTANA 59825

TELEPHONE:
(406) 544-9410

E-Mail:
rpfdavies@yahoo.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hellgate Elementary School
District No. 4, Missoula County
Missoula, Montana

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hellgate Elementary School District No. 4, Missoula, Montana (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my 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 District, as of June 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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 (*Government Auditing Standards*). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of my reports. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit 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 present 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 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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 7, the schedule of revenues, expenditures, and encumbrances - budget and actual - general fund on page 46, the schedule of changes in other post-employment health care benefits and related ratios on page 48, the Montana Teachers' Retirement System Schedule of District's Proportionate Share of the Net Pension Liability on page 49, the Montana Teachers' Retirement System Schedule of District's Contributions on page 49, the Montana Public Employees' Retirement System Schedule of District's Proportionate Share of the Net Pension Liability on page 54, and the Montana Public Employees' Retirement System Schedule of District's Contributions on page 54, 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 Standard 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. I have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on page 56 as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The schedule of school district enrollment on page 58 and the schedule of revenues, expenditures, and changes in fund balance by student activity on page 59 are supplementary information required by the State of Montana. These schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In my opinion, the schedule of expenditures of federal awards, the schedule of school district enrollment and the schedule of revenues, expenditures and changes in fund balances by student activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of the supplemental information listed in the accompanying table of contents, and appearing on pages 60, 61, 62 and 63 but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 10, 2023 on my consideration of Hellgate Elementary School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts,

grant agreements and other matters. The purpose of that report is to describe the scope of my 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 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 Hellgate Elementary School District's internal control over financial reporting and compliance.

Donald Nolan Squires, P.C.

March 10, 2023

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	2022
ASSETS:	
Current Assets:	
Cash and Investments	\$5,134,723
Property Taxes Receivable	230,636
Due from Other Governments	599,253
Total Current Assets	<u>5,964,612</u>
Non-Current Assets:	
Capital Assets	44,113,373
Less Accumulated Depreciation	(11,531,138)
Capital Assets - Net	<u>32,582,235</u>
Due from Missoula City Water	129,379
Total Assets	<u>38,676,226</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows - Other Postemployment Benefits	257,938
Deferred Outflows - Pensions	2,979,340
Total Deferred Outflows of Resources	<u>3,237,278</u>
LIABILITIES:	
Current Liabilities	
Accounts Payable	141,377
Unearned Revenues	75,674
Current Portion of Long-term Debt	1,917,231
Total Current Liabilities	<u>2,134,282</u>
Non-current Liabilities:	
General Obligation Bonds	21,311,599
Other Post Employment Benefits	2,048,730
Net Pension Liability	11,085,163
Termination Benefits Liability	45,430
Compensated Absences	812,591
Total Non-current Liabilities	<u>35,303,513</u>
Total Liabilities	<u>37,437,795</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows - OPEB	508,489
Deferred Inflows - Pensions	3,678,969
Total Deferred Inflows of Resources	<u>4,187,458</u>
NET POSITION:	
Net investment in Capital Assets	10,842,235
Restricted	3,054,605
Unrestricted	(13,608,589)
Total Net Position	<u>\$288,251</u>

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

		--Program Revenue--		
	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue 2022
GOVERNMENT OPERATIONS				
Instruction:				
Regular Programs	\$7,149,995	\$12,758	\$548,332	(\$6,588,905)
Other Programs	3,105,779		2,587,063	(518,716)
Support Services	2,259,419	579,666	7,006	(1,672,747)
Administration	2,505,910		151,972	(2,353,938)
Operation and Maintenance	1,363,299		50,350	(1,312,949)
Student Transportation	1,058,647		142,196	(916,451)
School Food	971,596	187	1,065,593	94,184
Extracurricular	170,441	62,342		(108,099)
Interest Expense	900,973			(900,973)
Unallocated Depreciation	1,045,040			(1,045,040)
Total	<u>\$20,531,099</u>	<u>\$654,953</u>	<u>\$4,552,512</u>	<u>(15,323,634)</u>
GENERAL REVENUES:				
School Property Taxes				7,243,210
State Revenue				6,925,917
County Property Taxes				1,781,092
Investment Earnings				17,388
Other				<u>46,274</u>
Total General Revenues				<u>16,013,881</u>
CHANGE IN NET POSITION				690,247
NET POSITION				
Beginning of the Year				<u>(401,996)</u>
End of the Year				<u><u>\$288,251</u></u>

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

	----- MAJOR FUNDS -----					
	General Fund	Miscellaneous Programs Fund	Debt Service Fund	Building Fund	Building Reserve Fund	Other Governmental Funds
						Total
ASSETS:						
Cash and Investments	\$1,646,483	\$638,102	\$94,303	\$77,652	\$800,465	\$5,134,723
Property Taxes Receivable	107,515		64,675		3,145	230,636
Due from Other Governments		442,474		129,379		728,632
Total Assets	\$1,753,998	\$1,080,576	\$158,978	\$207,031	\$803,610	\$6,093,991
LIABILITIES:						
Accounts Payable	\$138,314	\$1,126				\$141,377
Unearned Revenues		75,674				75,674
Total Liabilities	\$138,314	\$76,800	\$0	\$0	\$0	\$217,051
DEFERRED INFLOWS OF RESOURCES:						
Property Taxes	\$107,515		\$64,675		\$3,145	\$230,636
Missoula City Water				\$129,379		129,379
Total Deferred Inflows	\$107,515	\$0	\$64,675	\$129,379	\$3,145	\$360,015
FUND BALANCE:						
Restricted		\$105,030	\$94,303		\$786,948	\$2,931,484
Assigned	\$168,975	898,746		\$77,652	13,517	1,246,247
Unassigned	1,339,194					1,339,194
Total Fund Balance	1,508,169	1,003,776	94,303	77,652	800,465	5,516,925
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$1,753,998	\$1,080,576	\$158,978	\$207,031	\$803,610	\$6,093,991

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2022

Total fund balance on the governmental funds statement	\$5,516,925
Add capital assets not reported on government funds statement . .	\$44,113,373
Less accumulated depreciation	(11,531,138)
	32,582,235
Less liabilities not reported on government funds statement:	
General obligation bonds (including unamortized bond premium of \$1,274,994)	(23,014,994)
Pension Liability	(11,085,163)
Other Post Employment Benefit Obligation	(2,048,730)
Termination Benefits	(104,802)
Compensated absences	(967,055)
	(37,220,744)
Deferred inflows for property taxes receivable recognized as revenue in the government-wide statement of net position	230,636
Deferred inflows for Missoula City Water receivable recognized as revenue in government-wide statement of net position	129,379
Deferred outflows of resources related to OPEB	257,938
Deferred inflows of resources related to OPEB	(508,489)
Deferred outflows of resources related to pensions	2,979,340
Deferred inflows of resources related to pensions	(3,678,969)
Net Position	<u>\$288,251</u>

See Notes to Financial Statements

HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	MAJOR FUNDS						Total
	General Fund	Miscellaneous Projects Fund	Debt Service Fund	Building Fund	Building Reserve Fund	Other Governmental Funds	
REVENUES:							
School Property Taxes	\$2,903,242		\$2,298,174		\$127,446	\$2,010,487	\$7,339,349
Intergovernmental:							
County							
State	8,218,537	\$579,666	57,227		50,350	1,852,190	1,852,190
Federal		1,919,210				79,623	8,985,403
School Food Sales						1,064,088	2,983,298
Student Activities						187	187
Interest and Other	14,617	35,744	3,042	\$42,017	1,891	62,342	62,342
Total Revenues	11,136,396	2,534,620	2,358,443	42,017	179,687	5,070,784	21,321,947
EXPENDITURES:							
Instruction:							
Regular Programs	6,166,209	63,871		936		904,767	7,135,783
Other Programs	736,618	1,672,183				696,978	3,105,779
Instructional Support	1,553,715	506,700				199,004	2,259,419
Administration	1,693,650	20,165				714,903	2,428,718
Operation and Maintenance	1,203,172	29,722		20,519		109,886	1,363,299
Transportation	249	30,608				1,027,790	1,058,647
Food Service	897	7,247				961,116	969,260
Extracurricular	100,427	1,963		4,749		63,302	170,441
Debt Service			2,549,013				2,549,013
Capital Outlay	298,461						298,461
Total Expenditures	11,753,398	2,332,459	2,549,013	26,204	0	4,677,746	21,338,820
Excess (deficiency) of Revenues over Expenditures	(617,002)	202,161	(190,570)	15,813	179,687	393,038	(16,873)
Other Sources (Uses):							
Transfers in (out)	4,367					(4,367)	0
Total Other Sources and Uses	4,367	0	0	0	0	(4,367)	0
CHANGE IN FUND BALANCE	(612,635)	202,161	(190,570)	15,813	179,687	388,671	(16,873)
FUND BALANCES:							
Beginning of the year	2,120,804	801,615	284,873	61,839	620,778	1,643,889	5,533,798
Ending	\$1,508,169	\$1,003,776	\$94,303	\$77,652	\$800,465	\$2,032,560	\$5,516,925

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2022

Change in fund balance on the governmental funds statement		(\$16,873)
Expenses on the government-wide statement of activity not included in the governmental funds statement:		
Depreciation expense	(\$1,047,376)	
Increase in retirement incentives	(98,037)	
Decrease in compensated absences	143,715	
Decrease in pension related liabilities, inflows and outflows . . .	21,333	
Decrease in deferred revenue from Missoula City Water for share of construction costs	(4,462)	
Bond premium on 2017 series bonds	103,040	
Decrease in property taxes receivables	(96,139)	
OPEB expense	<u>(158,415)</u>	(1,136,341)
Expenditures reported on the governmental funds statement not included on the government-wide statement of activity:		
Capital outlays	298,461	
Principal payments of general obligation bonds	<u>1,545,000</u>	<u>1,843,461</u>
Change in net position reported on the government-wide statement of activity		<u><u>\$690,247</u></u>

See Notes to Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

CUSTODIAL FUNDS

**STATEMENT OF FIDUCIARY NET POSITION
AND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

FIDUCIARY NET POSITION

ASSETS:

Cash - Interlocal Agreement Fund	\$1,812
Cash - COBRA Insurance Fund	16,264
Total Assets	<u>\$18,076</u>

LIABILITIES:

Due to Others	<u>\$16,264</u>
---------------------	-----------------

NET POSITION:

Interlocal Government Agreement	<u>\$1,812</u>
---------------------------------------	----------------

CHANGES IN FIDUCIARY NET POSITION

ADDITIONS:

Interest	\$5
----------------	-----

DEDUCTIONS:

CHANGES IN FIDUCIARY NET POSITION	5
---	---

NET POSITION, BEGINNING OF YEAR	<u>1,807</u>
---------------------------------------	--------------

NET POSITION, END OF YEAR	<u>\$1,812</u>
---------------------------------	----------------

See Notes to the Financial Statements

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

TABLE OF CONTENTS

	<u>Note</u>	<u>Page</u>
Summary of Significant Accounting Policies:		
Reporting Entity	1A	20
Basis of Presentation and Basis of Accounting	1B	20
Specific Accounting Policies:		
Cash and Investments	1C	21
Inventories	1D	22
Property Taxes	1E	22
Capital Assets	1F	22
Compensated Absences	1G	22
Retirement Incentives	1H	23
Deferred Inflows of Resources	1I	23
Pensions	1J	23
Cash and Investments	2	23
Due from Missoula City Water	3	24
Capital Assets	4	24
Long-term Debt	5	25
Interfund Balances/Transfers	6	26
Other Post-Employment Benefits	7	26
Governmental Fund Balance Reporting	8	29
Government-wide Restricted Net Position	9	30
Retirement Plans	10	31
Pension Liabilities - Teachers' Retirement System	11	32
Pension Liabilities - Public Employees' Retirement System	12	37
Risk Management	13	45
Subsequent Events	14	45

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hellgate School District (School) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

- A. Reporting Entity - Based on the criteria for determining a reporting entity (separate legal entity and fiscal or financial dependency on other governments), the School is considered to be an independent reporting entity and has no component units. All operations of the School are controlled by a Board of Trustees, elected in school-wide elections, and responsible for all of the School's activities. The financial statements include all of the School's operations controlled by the Board of Trustees.
- B. Basis of Presentation and Basis of Accounting

Government-wide Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the School with the exception of the custodial funds. With the adoption of GASB 84, the student activity fund, which accounts for the extracurricular activities of the School's students is now reported under governmental fund financial statements, and the interlocal agreement fund and COBRA fund are reported on the custodial fund financial statements section.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the School are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for the functions of the School's government activities. Direct expenses are those that are specifically associated with a program or function. The School does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily school lunch and Medicaid fees) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes and investment earnings, are presented as general revenues. Generally, the School applies restricted resources to expenses incurred before using unrestricted resources when both types are available.

Fund Financial Statements - These statements provide information about the School's funds, including a separate statement for the School's custodial funds. The emphasis of fund financial statements is on major government funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other government funds.

Hellgate Elementary School 2022 - Notes to Financial Statements

Generally accepted accounting principles require that the general fund be reported as a major fund and that all other government funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of each total amount for all government funds also be reported as major funds. Accordingly, the School reports the following major government funds:

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

Miscellaneous Projects Fund. This fund accounts for federal and state grants, Medicaid, and other miscellaneous revenues not accounted for in other funds.

Debt Service Fund. This fund accounts for the tax proceeds which are used to pay for the general obligations bonds.

Building Fund. This fund accounts for the proceeds from the School's general obligation bond which was issued to pay for the costs of designing, construction, furnishing and equipping improvements to the Hellgate Elementary School campus.

Building Reserve Fund. This fund accounts for the voted tax levy and other funds to pay for capital improvements.

These funds (except the custodial funds which use the total resources focus and accrual basis of accounting) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other government revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Property tax revenues are reported on the cash basis because most property taxes receivable are delinquent at June 30 and amounts collected soon after year-end are not significant. Deferred property tax revenues are recorded as deferred inflows of resources in the government funds for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. Capital asset acquisitions are reported as expenditures in government funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of the School's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the School applies cost reimbursement funds first to finance such programs with remaining costs paid by general revenues.

- C. Cash and Investments - State law permits investment of school funds in insured savings or time deposits, bank repurchase agreements, direct obligations of the U. S. Government, and the State's unified investment program. Except for the student activity fund, all cash and investments are held by the County Treasurer. Investments are stated at estimated fair value which approximates cost.

Hellgate Elementary School 2022 - Notes to Financial Statements

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statement No. 72 requires or permits in the statement of net position at the end of each reporting period. The School had no nonrecurring fair value measurement. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Clearing Funds - Warrants written but not redeemed are recorded in the School's payroll and claims clearing funds. A warrant is a written order approved by the School directing the County Treasurer to pay the warrant holder a particular amount of money from the School's funds. Cash in the accounting system is held for warrants which have been written but have not been paid by the County Treasurer. However, for financial reporting purposes, these are treated as cash reconciling items and are not presented in these financial statements.

- D. Inventories - Inventories are considered to be immaterial and are not recorded.
- E. Property Taxes - Property taxes receivable at June 30 consist primarily of delinquent property taxes from the current and prior year levies. Property taxes receivable are offset by deferred inflows of resources in the fund financial statements. The School does not record an allowance for uncollectible taxes because it is considered to be immaterial.

Property taxes are levied in August of each fiscal year, based on assessments as of the prior January 1. Real property taxes are usually billed in October and are payable 50% on November 30 and 50% on May 31. Property taxes are maintained and collected by the County Treasurer.

- F. Capital Assets - Capital assets are carried at actual cost or at estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to fixed assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Land improvements	20 - 50 years
Buildings and improvements	10 - 50 years
Equipment	5 - 30 years

- G. Compensated Absences - Sick leave for certified personnel (teaching employees) is awarded at 11 days per year up to a maximum of 130 days. Upon termination and, depending on longevity, certified personnel are eligible for sick leave compensation at 40% of the teacher's salary to a maximum of the number of days allowed.

Sick leave is accumulated for classified employees at the rate of 12 working days for each year of service. Vacation leave for administrative and classified (non teaching) employees is earned at 15 to 24 days a year depending on the number of years employed. Part-time classified employees are entitled to prorated benefits upon fulfillment of the qualifying period of time.

Hellgate Elementary School 2022 - Notes to Financial Statements

Classified employees are eligible for compensation at one fourth of the accumulated sick leave amount upon resignation or retirement. Vacation leave, within certain limitations, may be payable to administrative and classified (non teaching) employees on termination. The School, in its sole discretion and/or subject to the terms of the collective bargaining agreement, may provide cash compensation for unused vacation leave in lieu of the accumulation of vacation leave.

- H. Retirement Incentives - These incentives consist of payments for retirees health insurance costs for a specific period of time as approved annually by the Board.
- I. Deferred Inflows of Resources - Deferred revenue in the government fund financial statements consists of property taxes receivable as discussed above, and the Missoula City Water receivable (see Note 3).
- J. Pensions - The Montana Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS) prepare its financial statement using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by TRS and PERS.

For this purpose, TRS plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

For this purpose, PERS member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

Investments are reported at fair value. MPERA adhered to all U.S. generally accepted accounting principles. MTRS and MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

2. CASH AND INVESTMENTS

The School participates in the Missoula County Treasurer's investment program. Funds deposited with the County Treasurer are pooled and invested in accordance with State law. Funds are withdrawn from the investment program as needed to pay warrants. Earnings are allocated to the School based on average month-end cash balances and are distributed monthly. The investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC). Student activity funds are deposited in FDIC insured accounts.

It is not practical to determine the investment risk, collateral, or insurance coverage for the School's share of these pooled investments. Information about the pooled investments is included in the County's annual financial statements.

Hellgate Elementary School 2022 - Notes to Financial Statements

The School does not have a detailed written investment policy, but limits its exposure to credit risk (the risk that an issuer or other counter party to an investment will not fulfill its obligation) by following state law and participating in the County's investment pool.

3. DUE FROM MISSOULA CITY WATER

The School performed work on the water lines during construction and the previous owner, Mountain Water, agreed to reimburse the School for these costs. Mountain Water is now owned by the City of Missoula. The annual payments will be \$4,462 beginning in fiscal year 2009-10 and are payable over 40 years.

4. CAPITAL ASSETS

Capital asset activity during 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Other Changes	Balance June 30, 2022
Cost of assets:					
Non-Depreciable:					
Land	\$1,060,143				\$1,060,143
Construction in Progress...		\$4,771			4,771
Depreciable:					
Land Improvements	3,950,150	86,480			4,036,630
Buildings and Improvements	35,699,401	188,938			35,888,339
Equipment	3,118,706	18,272	(\$13,488)		3,123,490
Total	43,828,400	298,461	(13,488)	0	44,113,373
Accumulated depreciation:					
Land Improvements	(1,241,562)	(168,837)			(1,410,399)
Buildings and Improvements	(8,016,149)	(723,939)			(8,740,088)
Equipment	(1,239,539)	(154,600)	13,488		(1,380,651)
Total	(10,497,250)	(1,047,376)	13,488	0	(11,531,138)
Net capital assets	\$33,331,150	(\$748,915)	\$0	\$0	\$32,582,235

Depreciation expense of \$1,047,376 is primarily on general purpose buildings and special improvements, was not allocated to various functions, except for \$2,336 which is allocated to the School Food program.

Hellgate Elementary School 2022 - Notes to Financial Statements

5. LONG-TERM DEBT

Changes in general long-term debt during 2022 are as follows:

	Balance June 30, 2021	Additions	Payments and other reductions	Balance June 30, 2022	Due Within One Year
General Obligation Bonds:					
2016 Series - Refunding	\$5,835,000		(\$770,000)	\$5,065,000	\$790,000
2017 Series	17,450,000		(775,000)	16,675,000	805,000
Unamortized Bond Premium	1,378,034		(103,040)	1,274,994	108,395
Pension Liabilities - TRS (See Note 11)	12,865,593		(3,330,047)	9,535,546	
Pension Liabilities - PERS (See Note 12)	2,127,707		(578,090)	1,549,617	
Retirement Incentives	6,765	\$104,802	(6,765)	104,802	59,372
Other Post Employment Benefits - (See Note 7)	2,072,287		(23,557)	2,048,730	
Compensated Absences	1,110,770		(143,715)	967,055	154,464
Total	<u>\$42,846,156</u>	<u>\$104,802</u>	<u>(\$5,730,214)</u>	<u>\$37,220,744</u>	<u>\$1,917,231</u>

2016 Refunding General Obligation Bonds - On March 31, 2016, the School issued \$8,215,000 in general obligation bonds with an average interest rate of 2.909% to advance refund \$8,035,000 of the callable portion of outstanding 2008 general obligation bonds with an average interest rate of 4.187%. The net proceeds of \$8,113,010 (after payment of underwriter fees, insurance, and other issuance costs totaling \$101,990) and \$584,731 of bond premiums, were used to purchase U.S. government securities.

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the general obligation bonds. As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt.

The School advance refunded the bonds to reduce its total debt service payments over the next 13 years by approximately \$775,314 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$697,889.

2017 General Obligation Bonds - In January 4, 2017, the District issued \$19,800,000 of general obligation bonds. These serial bonds are payable over 20 years with variable principal payments due annually on June 15 and interest payments due semiannually on June 15 and December 15. Interest rates range from 3.5% to 5.25% with an average coupon rate of 4.948%. Bonds maturing on or after June 15, 2028 are subject to early redemption on June 15, 2027 or thereafter at a price equal to the unpaid principal plus accrued interest.

Hellgate Elementary School 2022 - Notes to Financial Statements

Future debt service requirements, including interest, are as follows:

Year Ended June 30,General Obligation Bonds.....				
	2016 Series Refunding		2017 Series		Total
	Principal	Interest	Principal	Interest	
2023.....	\$790,000	\$153,900	\$805,000	\$807,238	\$2,556,138
2024.....	805,000	138,100	830,000	779,062	2,552,162
2025.....	825,000	119,988	860,000	750,012	2,555,000
2026.....	850,000	97,300	890,000	719,912	2,557,212
2027.....	880,000	71,800	935,000	675,413	2,562,213
2028-2032.....	915,000	36,600	5,420,000	2,628,063	8,999,663
2033-2037.....			6,935,000	1,118,775	8,053,775
Total.....	<u>\$5,065,000</u>	<u>\$617,688</u>	<u>\$16,675,000</u>	<u>\$7,478,475</u>	<u>\$29,836,163</u>
Unamortized Bond Premium ..			<u>\$1,274,994</u>		<u>\$1,274,994</u>
Total.....			<u>\$17,949,994</u>		<u>\$31,111,157</u>

Compensated absence payments can be made by the compensated absences fund or by the affected fund, usually the general fund. Post employment benefits can be paid by the affected fund, usually the general fund. Vacation pay is classified as compensated absences due within one year. Accrued sick leave is classified as non-current.

6. INTERFUND BALANCES/TRANSFERS

The School transferred \$4,367 from the compensated absences fund to the general fund as permitted by state law.

7. OTHER POST-EMPLOYMENT BENEFITS - OPEB

Plan Description: As required by State law (MCA 2-18-704) the District allows 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 participation in the District's group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit other post-employment benefits plan (OPEB) since retirees are typically older than the average age of active plan participants and therefore receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The District covers OPEB costs when they come due, on a pay-as-you-go basis.

Benefit provided: The OPEB plan provides healthcare insurance benefits for retirees, eligible spouses and dependents as MCA 2-18-704. The retiree benefits are the same as those provided for active employees. Per the District's union contracts, the District paid \$565 for single and family units and \$615 for two party and parent/child units per full time employee for health insurance in 2022; valued to Medicare eligibility.

Employees covered by benefit terms: As of June 30, 2022, the following employees were covered by the benefit terms:

Hellgate Elementary School 2022 - Notes to Financial Statements

Inactive employees or beneficiaries currently receiving benefit payments. . .	10
Active employees	<u>105</u>
Total	<u>115</u>

Total OPEB Liability: The District's total OPEB liability of \$2,048,730 as of June 30, 2022 and was determined by an actuarial valuation as of that date.

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

Inflation	3.00%
Salary increases	2.00%
Discount rate	4.09%
Healthcare cost trend rates	6.02% grading to 4.67% over 6 years

Discount rate: Based on S & P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2022

Mortality rates: Both from 6/30/2021 PERS and TRS Pension Actuarial Valuation

PERS: RP-2000 Combined Mortality Table Projection AA to 2020, Males 1-year setback.

TRS: RP-2000 Combined Mortality Table Projection BB to 2022, 2-year setback

Census Date: Provided by District to Actuary in July 2022

Cost Method: Entry age normal, determined as a level percent of projected pay

Funding Policy: Pay as you go

Participation Rate: 50% of active employees are assumed to elect the District's healthcare coverage in retirement.

Spousal Coverage: 70% of those assumed to elect coverage in retirement are assumed to elect coverage for their spouse in retirement. Husbands are assumed to be 3 years older than wives. Actual spouse information was used where available.

Changes in Benefit terms - none.

Changes in assumptions and other inputs - Discount Rate increased from 2.18% to 4.09%. Participation rates for retirees increased from 45% to 50% and covering spouse decreased

Hellgate Elementary School 2022 - Notes to Financial Statements

from 75% to 70%. Medical trend rates were updated based on recent industry study. Payroll trend decreased from 2.5% to 2.0%.

OPEB Expense: During fiscal year 2022, the District recognized OPEB expense of \$158,415.

Changes in Total OPEB liability:

	Fiscal Year Ending June 30, 2022
Beginning OPEB Liability	\$2,072,287
Service costs	120,950
Interest	84,757
Differences between expected and actual experience	23,290
Changes in assumptions	(247,809)
Employer Contributions	(4,745)
Net change in Total OPEB Liability	(23,557)
Balance at June 30, 2022	<u>\$2,048,730</u>

OPEB Expense and Deferred Inflows and Outflows: Changes in the total liability due to: (1) changes in actuarial assumptions or (2) differences between expected actuarial and actual experience, are deferred and recognized in the OPEB expense over a closed period equal to the average expected remaining service lives of employees and retirees, starting with the current period the average remaining service lives as of 6/30/2022 is 8.44 years.

Future recognition of deferred flows in OPEB Expense: Amounts reported as deferred Inflows and outflows of resources related to OPEB as of 6/30/2022 will be recognized in OPEB Expense as follows:

Year	Actual to Expected Experience (Outflow)	Changes in Assumptions (Inflow)	Total
2022	\$2,759	(\$29,361)	(\$26,602)
2023	\$2,759	(\$29,361)	(\$26,602)
2024	\$2,759	(\$29,361)	(\$26,602)
2025	\$2,759	(\$29,361)	(\$26,602)
2026	\$2,759	(\$29,361)	(\$26,602)
2027	\$2,759	(\$29,361)	(\$26,602)
2028	\$2,759	(\$29,361)	(\$26,602)
2029	\$2,759	(\$29,361)	(\$26,602)
2030	\$1,218	(\$12,921)	(\$11,703)
Total	<u>\$23,290</u>	<u>(\$247,809)</u>	<u>(\$224,519)</u>

Deferrals from prior years are combined with the current year deferrals for calculation of the OPEB expense for the current year. The combined deferrals for this valuation are shown in the following table.

Hellgate Elementary School 2022 - Notes to Financial Statements

Deferral Date	Actual to Expected Experience		Changes in Assumptions	
	Inflows	Outflows	Inflows	Outflows
2018	(\$9,905)		(\$4,388)	
2019	(16,153)			\$1,362
2020		\$1,111		25,072
2021	(22,989)			9,945
2022		2,759	(29,361)	
Total	<u>(\$49,047)</u>	<u>\$3,870</u>	<u>(\$33,749)</u>	<u>\$36,379</u>

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability reported by the District as well as how that liability would change if the discount rate used to calculate the OPEB liability were decreased or increased by 1 percent.

	<u>1% Decrease</u> <u>(3.09%)</u>	<u>Discount Rate</u> <u>(4.09%)</u>	<u>1% Increase</u> <u>(5.09%)</u>
Total OPEB liability	<u>\$2,251,293</u>	<u>\$2,048,730</u>	<u>\$1,868,948</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability reported by the District as well as how that liability would change if the healthcare trend rate used to calculate the OPEB liability were decreased or increased by 1 percent.

	<u>1% Decrease</u> <u>(5.02% graded)</u>	<u>Healthcare Cost Trend Rate*</u> <u>(6.02% graded)</u>	<u>1% Increase</u> <u>(7.02% graded)</u>
Total OPEB liability	<u>\$1,816,955</u>	<u>\$2,048,730</u>	<u>\$2,328,105</u>

* see the actuarial assumptions and other inputs disclosure above to determine the healthcare cost trends used to calculate the OPEB liability.

8. GOVERNMENTAL FUND BALANCE REPORTING

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires classifying fund balances into specifically defined classifications. Committed and assigned funds must be so designated by the School Board and/or assigned by the Superintendent. There were no committed funds at June 30, 2022.

Restricted fund balances are reported in aggregate on the face of the balance sheet. Of the total, the amount restricted due to external requirements is \$105,030.

The School spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the School spends first committed, then assigned, and lastly unassigned funds.

Helgate Elementary School 2022 - Notes to Financial Statements

Restricted fund balances consist of the following:

Restricted for expenditures related to:

Retirement	\$566,309
Technology Acquisition	170,055
Transportation	387,242
Bus Depreciation Reserve	10,751
Building and Equipment Repairs and Maintenance	786,948
School Food	421,708
Tuition	77,754
Compensated Absences	77,237
Adult Education	234,147
Debt Service	94,303
Miscellaneous Programs	105,030

Total Restricted Fund Balance \$2,931,484

Assigned fund balances consist of the following:

Assigned for Encumbrances:

General Fund	\$168,975
Miscellaneous Projects Fund	3,922
Building Reserve Fund	13,517
Assigned for Student Activities	30,543
Assigned for Operation and Maintenance	1,029,290
Total Assigned Fund Balances	<u><u>\$1,246,247</u></u>

Unassigned fund balances consist of the following:

General Funds	<u><u>\$1,339,194</u></u>
---------------------	---------------------------

Total fund balance as shown on the Balance Sheet - Government

Funds	<u><u>\$5,516,925</u></u>
--------------------	---------------------------

9. GOVERNMENT-WIDE RESTRICTED NET POSITION

State law authorizes certain funds and establishes the criteria for property tax levies for specific purposes. The School classifies the net position of these funds in the government-wide statements as a restricted component of net position.

Hellgate Elementary School 2022 - Notes to Financial Statements

Restricted Net Position consists of the following:

Retirement	\$566,309
Debt Service	158,978
Transportation	425,854
Bus Depreciation Reserve	10,939
School Food	421,708
Compensated Absences	77,237
Building Reserve	790,093
Tuition	89,805
Instruction - Special Programs	105,030
Technology Acquisition	173,732
Adult Education	234,920
Total Restricted Net Position	<u>\$3,054,605</u>

10. RETIREMENT PLANS

The School participates in two statewide, mandatory, cost-sharing, multiple employer, defined benefit retirement plans which cover all employees, except certain substitute teachers and part-time, non-teaching employees. The Montana Teachers' Retirement System (TRS) covers teaching employees, including principals and superintendents. The Montana Public Employees' Retirement System (PERS) covers other non-teaching employees. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

A summary of the School's proportionate share of pension liabilities and related activity at June 30, 2022, is presented below:

	The School's proportionate share associated with TRS	The School's proportionate share associated with PERS	The School's total pension amounts
Total pension liability	\$38,989,764	\$7,711,456	\$46,701,220
Fiduciary net position	29,454,218	6,161,839	35,616,057
Net pension liability	<u>\$9,535,546</u>	<u>\$1,549,617</u>	<u>\$11,085,163</u>
Deferred outflows of resources ..	\$2,457,512	\$521,828	\$2,979,340
Deferred inflows of resources ...	\$3,039,986	\$638,983	\$3,678,969
Pension expense	\$1,537,468	\$359,287	\$1,896,755

11. PENSION LIABILITIES - TEACHERS' RETIREMENT SYSTEM

Plan Description - 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 of the Montana Code Annotated, and administrative rules set forth in Title 2, Chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefits structure, and prior years' actuarial valuation, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

Net Pension Liability

In accordance with GASB statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability (NPL).

In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2022 and June 30, 2021 (reporting dates).

	Net Pension Liability as of 6/30/22	Net Pension Liability as of 6/30/21	Percent of Collective NPL as of 6/30/22	Percent of Collective NPL as of 6/30/21	Change in Percent of Collective NPL
District's Proportionate Share	\$9,535,546	\$12,865,593	0.5756%	0.5719%	0.0037%
State of Montana Proportionate Share associated with District.	5,440,574	7,607,239	0.3284%	0.3382%	-0.0098%
Total	<u>\$14,976,120</u>	<u>\$20,472,832</u>	<u>0.9040%</u>	<u>0.9101%</u>	<u>-0.0061%</u>

At June 30, 2022, the District recorded a liability of \$9,535,546 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2021. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the Net Pension Liability was based on the District's contributions received by TRS during the measurement period July 1, 2020 through June 30, 2021, relative to the total District

Hellgate Elementary School 2022 - Notes to Financial Statements

contributions received from all of TRS' participating employers. At June 30, 2022, the District's proportion was 0.5756 percent.

Change in actuarial assumptions and other inputs: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%.

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

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

Pension Expense

At June 30, 2022, the School recognized a Pension Expense of \$1,537,468 for its proportionate share of the TRS' Pension Expense. The School also recognized grant revenue of \$530,036 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the School.

	Pension Expense as of June 30, 2022
School District's Proportionate Share	\$1,007,432
State of Montana Proportionate Share associated with the School	530,036
Total	<u>\$1,537,468</u>

Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$149,760	
Changes in actuarial assumptions	1,085,770	\$4,897
Difference between projected and actual investment earnings .		3,013,097
Changes in proportion and differences between actual and expected contributions	116,026	21,992
*Contributions paid to TRS subsequent to the measurement date - Fiscal Year 2022 Contributions	1,105,956	
Total	<u>\$2,457,512</u>	<u>\$3,039,986</u>

Hellgate Elementary School 2022 - Notes to Financial Statements

*Amounts reported as deferred outflows of resources related to pensions resulting from the School's contribution subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability in the year ended June 30, 2023.

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

Year ended June 30:	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2023.	(\$33,756)
2024.	(\$143,076)
2025.	(\$553,471)
2026.	(\$956,126)
2027.	\$0
Thereafter	\$0

Summary of Benefits

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

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

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior

Hellgate Elementary School 2022 - Notes to Financial Statements

to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement systems's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

TRS Stand-alone Statements

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

Overview of Contributions

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

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

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

Actuarial Assumptions

The Total Pension Liability as of June 30, 2021, is based on the results of an actuarial valuation date of July 1, 2021. There were several significant assumptions and other inputs

Hellgate Elementary School 2022 - Notes to Financial Statements

used to measure the total pension liability. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total Wage Increase for Non-University Members* 3.25% - 7.76%
- Total Wage Increase for University Members 4.25%
- Investment Return 7.06%
- Price Inflation 2.40%

- Post-retirement Benefit Increases
 - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries 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.
- Mortality among disabled members was updated to the following
 - For Males: RP 2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.

*Total Wage Increases includes 3.25% general wage increase assumption.

Target Allocations

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

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%.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

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 above table presents the Net Pension Liability calculated using the discount rate of 7.06% as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

	1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
School District proportion of Net Pension Liability	\$14,167,964	\$9,535,546	\$5,669,868

12. PENSION LIABILITIES - PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The PERS-Defined Benefit Retirement Plan (PERS-DBRP), and Defined Contribution Retirement Plan (PERS-DCRP) are both administered by the Montana Public Employee Retirement Administration (MPERA), are multiple-employer, cost-sharing plans established July 1, 1945, and governed by Title 19, Chapters 2 & 3, Montana Code Annotated (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 PERS-DBRP, and have a 12-month window during which they may choose to remain in the PERS-DBRP, or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Member rates and benefits are established by state law and can only be amended by the Legislature. Benefits depend on eligibility and individual account balances.

Hellgate Elementary School 2022 - Notes to Financial Statements

Participants are immediately vested in their own contribution and attributable income. Benefits are based on eligibility, years of service, and highest average compensation.

Participants are vested after 5 years of membership services for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5) MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68, *Accounting and Financial Reporting for Pensions* allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL, as of June 30, 2021, was determined by taking the results of the June 30, 2020 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The proportionate shares of the District's and the state of Montana's NPL for June 30, 2021 and 2020, are displayed below. The District's proportionate share equals the ratio of the District'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 a particular employer to the total state contributions paid. The District recorded a liability of \$1,549,617 and the District proportionate share was 0.085462 percent.

As of measurement date:	Net Pension Liability as of 6/30/21	Net Pension Liability as of 6/30/20	Percent of Collective NPL as of 6/30/21	Percent of Collective NPL as of 6/30/20	Change in Percent of Collective NPL
District's Proportionate Share	\$1,549,617	\$2,127,707	0.0855%	0.0807%	0.0048%
State of Montana Proportionate Share associated with District. .	\$499,958	\$732,962	0.0276%	0.0278%	-0.0002%
Total.	<u>\$2,049,575</u>	<u>\$2,860,669</u>	<u>0.1130%</u>	<u>0.1084%</u>	<u>0.0046%</u>

Change in actuarial assumptions and methods: The discount rate and investment rate of return were lowered from 7.34% to 7.06%.

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

Hellgate Elementary School 2022 - Notes to Financial Statements

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

Pension Expense

At June 30, 2021 measurement date, the District recognized a Pension Expense of \$207,315 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$151,972 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the employer.

As of measurement date:	Pension Expense as of 6/30/2021	Pension Expense as of 6/30/2020
District's Proportionate Share.	\$207,315	\$381,102
District's Grant Revenue - State of Montana Proportionate Share.	151,972	119,870
Total.	<u>\$359,287</u>	<u>\$500,972</u>

Recognition of Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience.	\$16,537	\$11,218
Projected Investment Earnings vs. Actual Investment Earnings		627,765
Changes in Assumptions.	229,527	
Changes in proportion and differences between District contributions and proportionate share of contributions.	147,028	
District contributions subsequent to the measurement date (Fiscal Year 2022 Contributions)	128,736	
Total.	<u>\$521,828</u>	<u>\$638,983</u>

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

Hellgate Elementary School 2022 - Notes to Financial Statements

For the Measurement Year ended June 30:	Amount recognized in Pension Expense as an Increase or (decrease) to Pension Expense
2022.....	\$118,055
2023.....	(\$11,926)
2024.....	(\$151,622)
2025.....	(\$200,398)
Thereafter	\$0

SUMMARY OF BENEFITS

Eligibility for benefit - Service retirement:

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

Early retirement, actuarially reduced;

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

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

- Varies depending on when retiring and number of years of service.

Vesting - 5 years of membership service

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July1, 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;

Hellgate Elementary School 2022 - Notes to Financial Statements

- 30 years or more of membership service: 2% of HAC per year of service credit.

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

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

Overview of Contributions

Member and employer contribution rates are established 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.

Special Funding: The State of Montana as a non-employer contributing entity, paid to the plan, additional contribution that qualify as special funding. Those entities who receive special funding are participating entities.

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

The Montana Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State & Employer	Local Government		School Districts	
	Hired			Employer	State	Employer	State
	<07/01/11	>07/01/11					
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%

Helgate Elementary School 2022 - Notes to Financial Statements

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

Stand-Alone Statements

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

Actuarial Assumptions

The Total Pension Liability (TPL) on June 30, 2021 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense)	7.06%
- Admin Expense as % of Payroll	0.28%
- General Wage Growth*	3.50%
* includes Inflation at	2.40%
- Merit Increases	0% to 4.80%
- Post-retirement Benefit Increases	
Guaranteed Annual Benefit Adjustment (GABA)	
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of all other adjustments	

Hellgate Elementary School 2022 - Notes to Financial Statements

to the member's benefit. The adjustment varies depending on the date the member was hired.

- Mortality assumptions among contribution members, terminated vested members, service retired members, and beneficiaries are 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 Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projection.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a statutory appropriation from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 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 Total Pension Liability. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The sensitivity of the Net Pension Liability (NPL) to the discount rate is shown in the table above. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.06% as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
Entity's Net Pension Liability . .	\$2,459,775	\$1,549,617	\$786,205

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 rate of return of 4.66%.

The assumed inflation based on the intermediate inflation of 2.40% in the *2021 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic

Helgate Elementary School 2022 - Notes to Financial Statements

real rates of return for each major asset class included in the target asset allocation, as of June 30, 2021, are summarized below.

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

Defined Contribution Plan

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

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

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

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

At the plan level for the measurement period ended June 30, 2021, the District 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.

13. RISK MANAGEMENT

The School faces a number of risks including (1) loss or damage to property, (2) general liability, (3) workers' compensation, and (4) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property and general liability. There were no changes in how the School managed its risk during the last three years.

The School participates in the Montana Unified School Trust (MUST), a self-insured trust providing group health benefits and plan administration for Montana school districts and the Montana Schools Group Workers Compensation Risk Retention Program (WCRRP) for workers compensation coverage. All school district participants are jointly and severally liable for the liabilities of these public risk pools.

The pools issue audited financial statements. Information about the amount of claim liabilities, changes in claims liabilities, amount of claims paid, operating results, and other information is available from WCRRP and MUST.

14. SUBSEQUENT EVENTS

Beginning in March 2020, the United States economy began suffering adverse effects from the Covid 19 virus crisis ("CV19 Crisis"). The District, in compliance with the various State, County and District resolutions, temporarily closed the District's schools and provided off-campus instruction through a variety of internet and other methods. The future impact of the CV19 Crisis on the District cannot be reasonably estimated at this time.

The District has approximately \$1,500,000 of ESSER II and ESSER III funds that will be spent on building projects and salary/benefits for regular and summer school sessions.

The District has contracted to install air conditioning units in the Building #3. The cost of the project is approximately \$525,000 which will be paid for by a combination of ESSER funding and the Safety Transfer funds in the building reserve fund.

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND ENCUMBRANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES:			
Property Taxes	\$2,871,235	\$2,871,235	\$2,903,242
Intergovernmental:			
State	7,536,528	7,536,528	7,536,529
Interest	10,828	10,828	8,637
Transfers In			4,367
Other	7,266	7,266	5,980
Total Revenues	10,425,857	10,425,857	10,458,755
EXPENDITURES AND ENCUMBRANCES:			
Current Operations:			
Instruction - Regular Programs			5,603,314
Instruction - Other Programs			728,894
Instructional Support			1,468,806
Administration			1,543,030
Operation and Maintenance			1,281,233
Student Transportation			249
School Food			897
Extracurricular			96,452
Capital Outlay			5,583
Transfers Out			
Total Expenditures, Transfer Out, and Encumbrances	10,737,909	10,737,909	10,728,458
Excess (Deficiency) of Revenue Over Expenditures, Encumbrances	(312,052)	(312,052)	(269,703)
Change in Encumbrances			(342,932)
Excess (Deficiency) of Revenues Over Expenditures	(\$312,052)	(\$312,052)	(\$612,635)

See Notes to Budget and Actual Schedule

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

NOTES TO BUDGET AND ACTUAL SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2022

State law requires the School to prepare budgets for certain funds - generally funds supported by property tax revenues. Budgets are prepared on the modified accrual basis. Budgeted fund expenditures are limited by State law to the total budgeted amount which may be amended as defined by State law. The budget amounts presented for the general fund are the original and final budgets. The building and building reserve (capital projects) and miscellaneous programs funds are not required to be budgeted.

The general fund budget is based on the State of Montana's foundation program which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. The Board must approve the final budget by the fourth Monday in August.

State law permits the inclusion of obligations (encumbrances) for construction-in-progress and the purchase of personal property as expenditures for budget purposes. The School's general fund had \$511,906 of obligations outstanding at June 30, 2021 and \$168,974 at June 30, 2022.

State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

As required by GASB Statement No.85, the School recorded the State's \$530,036 on-behalf-of payments and related TRS pension expense and \$151,972 on-behalf of payments and related PERS pension expense in the general fund for the governmental funds statements.

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
JUNE 30, 2022**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB AND RELATED RATIOS
Last 10 Fiscal Years***

	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Beginning OPEB Liability, Restated	\$1,545,813	\$1,549,154	\$1,510,228	\$1,957,385	\$2,072,287
Service Costs	106,238	105,450	164,478	174,558	120,950
Interest	56,068	52,052	50,744	65,768	84,757
Differences between expected and actual experience	(84,590)	(141,982)	10,157	(208,049)	23,290
Changes in assumptions or other inputs	(37,475)	11,974	229,158	90,005	(247,809)
Employer contributions	(36,900)	(66,420)	(7,380)	(7,380)	(4,745)
Net Change in Total OPEB Liability . .	3,341	(38,926)	447,157	114,902	(23,557)
Balance at June 30	<u>\$1,549,154</u>	<u>\$1,510,228</u>	<u>\$1,957,385</u>	<u>\$2,072,287</u>	<u>\$2,048,730</u>
Plan Fiduciary Net Position	\$0	\$0	\$0	\$0	\$0
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0%	0%	0%	0%	0%
Covered Employee Payroll	\$7,566,044	\$7,793,025	\$9,056,179	\$9,282,584	\$8,879,417
OPEB Liability to Covered Employee Payroll	20.5%	19.4%	21.6%	22.3%	23.1%

Notes to Schedule:

Change in Assumptions:

Discount Rate	3.45%	3.36%	2.66%	2.18%	4.09%
Medical Trend	6.20%	6.00%	6.10%	6.10%	6.02%

No assets accumulated in a trust to pay for the related benefits.

** The amounts presented for each fiscal year were determined as of June 30th. The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The schedule is intended to show information for 10 years, additional years will be displayed as they become available.*

HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA

FOR THE YEAR ENDED JUNE 30, 2022

MONTANA TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

As of the measurement date:	2022	2021	2020	2019	2018	2017	2016	2015
School's proportion of the net pension liability	0.5756%	0.5719%	0.5529%	0.5417%	0.5412%	0.5117%	0.5060%	0.4823%
School's proportionate share of the net pension liability associated with the School	\$9,535,546	\$12,865,593	\$10,660,780	\$10,055,047	\$9,124,638	\$9,347,493	\$8,313,648	\$7,421,298
State of Montana's proportionate share of the net pension liability associated with the School	5,440,574	7,607,239	6,455,058	6,249,306	5,792,112	6,092,665	5,572,398	5,085,198
Total	\$14,976,120	\$20,472,832	\$17,115,838	\$16,304,353	\$14,916,750	\$15,440,158	\$13,886,046	\$12,506,496
School's covered payroll	\$8,198,719	\$7,872,416	\$7,504,938	\$7,235,867	\$7,137,919	\$6,641,500	\$6,458,344	\$6,081,719
School's proportionate share of the net pension liability as a percentage of its covered payroll	116.31%	163.43%	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS

As of the reporting date:	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$1,105,956	\$760,695	\$747,049	\$680,393	\$708,925	\$711,004	\$581,867	\$598,962
Contributions in relation to the contractually required contributions	\$1,105,956	\$760,695	\$747,049	\$680,393	\$708,925	\$711,004	\$581,867	\$598,962
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School's covered payroll	\$8,815,552	\$8,198,719	\$7,872,416	\$7,504,938	\$7,235,867	\$7,137,919	\$6,641,500	\$6,458,344
Contributions as a percentage of covered payroll	12.55%	9.28%	9.49%	9.07%	9.80%	9.96%	8.76%	9.27%

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

See notes to TRS Schedules

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
FOR THE YEAR ENDED JUNE 30, 2022**

MONTANA TEACHERS' RETIREMENT SYSTEM

**NOTES TO THE
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
and
SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS**

CHANGES OF BENEFIT TERMS:

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

The 2013 Montana Legislature passed House Bill 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 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 0.50% 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): - if the most recent actuarial valuation show 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 0.50% floor up to 1.5%, as set by the Board.

House Bill 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 Fiscal Year 2014.
- 1% Supplemental employer contribution. This will increase the current employer rates:
 - School district 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 0.10% each fiscal year for fiscal year 2014 through fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under House Bill 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 actuarial assumptions were adopted in 2021:

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

The following changes to 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 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 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 actuarial assumptions were adopted in 2018:

- Assumed rate of inflation was reduced from 3.25% to 2.5%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.5%
- 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.
 - Morality among disabled members was updated to the following:
 - For Males: RP2000 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 and termination rates as well as 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 member “to account for larger than average annual compensation increase observed in the years immediately preceding retirement” if not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to “retain membership in the System” are covered by the \$500 death benefit after termination.

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

- Assumed rate of inflation was reduced from 3.5% to 3.25%.
- Payroll Growth Assumption was reduced from 4.5% 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: RP2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018

For Females: RP2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP2000 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: RP2000 Healthy Annuitant Mortality Table set forward one year, with mortality improvements projected by Scale BB to 2018

For Females: RP2000 Healthy Annuitant Mortality Table for set forward five years, with mortality improvements projected by Scale BB to 2018

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

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA
FOR THE YEAR ENDED JUNE 30, 2022**

**MONTANA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

As of measurement date:	2021	2020	2019	2018	2017	2016	2015	2014
School's proportion of the net pension liability as a percentage	0.0855%	0.0807%	0.0693%	0.0662%	0.0825%	0.0806%	0.0789%	0.0817%
School's net pension liability	\$1,549,617	\$2,127,707	\$1,449,282	\$1,381,178	\$1,606,069	\$1,373,652	\$1,103,279	\$1,017,689
State of Montana's net pension liability associated with the School	499,958	732,962	515,830	508,182	75,619	64,198	51,843	47,574
Total	\$2,049,575	\$2,860,669	\$1,965,112	\$1,889,360	\$1,681,688	\$1,437,850	\$1,155,122	\$1,065,263
School's covered payroll	\$1,557,538	\$1,396,662	\$1,181,205	\$1,138,204	\$1,058,957	\$998,579	\$952,320	\$958,351
School's proportionate share of the net pension liability as a percentage of its covered payroll	99.49%	152.34%	122.70%	121.35%	151.67%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS

As of most recent Fiscal year end (reporting date):	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required defined benefit contribution	\$128,736	\$133,778	\$118,555	\$98,391	\$92,178	\$85,623	\$80,742	\$75,901
Plan Choice Rate Required Contributions.	\$0	\$0	\$0	\$0	\$0	\$0	\$723	\$1,353
Contributions in relation to the contractually required contributions	\$128,736	\$133,778	\$118,555	\$98,391	\$92,178	\$85,623	\$81,464	\$77,253
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$1,496,928	\$1,557,538	\$1,396,662	\$1,181,205	\$1,138,024	\$1,058,957	\$998,579	\$952,320
Contributions as a percentage of covered payroll	8.60%	8.59%	8.49%	8.33%	8.10%	8.09%	8.16%	8.11%

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

See Notes to PERS Schedules

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**MONTANA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTES TO THE
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**and
SCHEDULE OF THE SCHOOL'S PENSION PLAN CONTRIBUTIONS**

CHANGE IN BENEFIT TERMS

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

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 limitation.

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 organization 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, 2017, lump-sum payouts in all systems are limited to the member's accumulated contribution rate that the present value of the members's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS member 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 disable members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS - Method and assumptions used in calculations of actuarially determined contributions

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

General Wage Growth*	3.50%
Investment rate of return	7.65%,
*includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4 - year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Mortality (Healthy members)	For males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year.
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of payroll	0.28%

Administrative expense 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.

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Project Title	Assistance Listing Number	Project Number	Grant Award	Expendi- tures
U.S. DEPARTMENT OF AGRICULTURE:				
Passed through Montana Office of Public Instruction:				
National School Breakfast Program - Seamless Summer Option	10.553	N/A	\$315,402	\$315,402
National School Lunch Program:				
Seamless Summer Option	10.555	N/A	\$595,991	444,005
Supply Chain Assistance (COVID-19)	10.555	N/A	\$26,283	26,283
School Food Commodities	10.555	N/A	N/A	47,377
Summer Food Service Program for Children	10.559	N/A	\$79,035	79,035
Total Department of Agriculture - Child Nutrition Cluster				912,102
U.S. FEDERAL COMMUNICATIONS COMMISSION:				
Emergency Connectivity Program (COVID-19)	32.009	N/A	\$12,000	12,000
Total Federal Communications Commission				12,000
U.S. DEPARTMENT OF EDUCATION:				
State Administered - Office of Public Instruction:				
Title I, Part A, Improving Basic Programs	84.010A	32-0586-31-2022	\$327,341	304,986
Title I, Part C, Migrant Education	84.011A	32-0586-36-2022	\$148,845	25,000
Title I, Part C, Migrant Education	84.011A	32-0586-36-2021	\$143,296	121,481
Total Title I, Part C, Migrant Education				146,481
Special Education Cluster (IDEA):				
IDEA, Part B, Children with Disabilities	84.027A	32-0586-77-2022	\$303,300	303,300
IDEA, Part B, Children with Disabilities - American Rescue Plan (COVID-19)	84.027X	32-0586-70-2022	\$103,827	103,827
IDEA, Preschool Section 619	84.173A	32-0586-79-2022	\$12,780	12,780
IDEA, Preschool Section 619 - American Rescue Plan (COVID-19) ..	84.173X	32-0586-71-2022	\$7,908	7,908
Total Special Education Cluster (IDEA)				427,815
Elementary and Secondary School Emergency Relief (ESSER II) Fund (COVID-19)	84.425D	32-0586-92-2021	\$1,011,283	755,283
Elementary and Secondary School Emergency Relief (ESSER II) Fund (COVID-19) - Supplemental	84.425D	32-0586-92-2021	\$39,480	39,480
Elementary and Secondary School Emergency Relief (ESSER II) Fund (COVID-19) - Special Needs	84.425D	32-0586-92-2021	\$35,577	35,577
Total ESSER II Fund				830,340
Title II, Part A, Supporting Effective Instruction	84.367A	32-0586-14-2022	\$60,211	60,211
Title III, Part A English Language Acquisition and Language Enhancement - MCPS Consortium	84.365A	32-0583-41-2022	\$3,389	3,389
Total Department of Education				1,773,222
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
State Administered - Montana Department of Health & Human Services				
Epidemiology Laboratory Capacity - Reopening Schools (COVID-19) .	93.323	N/A	\$45,000	45,000
Epidemiology Laboratory Capacity - Reopening Schools (COVID-19) .	93.323	N/A	\$64,521	64,521
School Health Workforce Development Program (COVID-19)	93.323	N/A	\$93,037	24,427
Total Department of Health & Human Services				133,948
Total Federal Funds				\$2,831,272

See Notes to the Schedule of Expenditures of Federal Awards

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DISTRICT NO.4, MISSOULA COUNTY
MISSOULA, MONTANA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

1. Basis of Presentation - Accounting Policies

The accounting policies used in preparing the schedule of expenditures of federal awards are the same as those used in the preparation of the fund financial statements as described in Note 1. B to the financial statements (Fund Financial Statements) except that school lunch and breakfast federal reimbursement revenues and food commodities received are also reported as expenditures.

2. Program Clusters

The Child Nutrition Cluster consists of CFDA 10.553, 10.555, 10.556, 10.582 and 10.559 and the Special Education Cluster includes CFDA 84.027A, 84.027X, 84.173A, and 84.173X. Each program cluster is treated as one program for major program determination and testing.

3. Indirect Cost Rate

The School did not elect to use the 10% de minimis indirect cost rate.

N/A = Not Applicable or Not Available

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

SCHEDULE OF SCHOOL DISTRICT ENROLLMENT

FOR THE YEAR ENDED JUNE 30, 2022

	<u>MAEFAIRS Records</u>	<u>District Reports</u>	<u>Difference</u>
FALL ENROLLMENT, OCTOBER 2021			
Kindergarten - Full Day	154	154	0
Grades 1 - 6	979	979	0
Grades 7 - 8	345	345	0
Total	<u>1,478</u>	<u>1,478</u>	0
SPRING ENROLLMENT, FEBRUARY 2022			
Kindergarten - Full Day	158	158	0
Grades 1 - 6	993	993	0
Grades 7 - 8	348	348	0
Total	<u>1,499</u>	<u>1,499</u>	0
PART-TIME ENROLLMENT:			
None			

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

EXTRACURRICULAR FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BY STUDENT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2022**

Student activity		Balance June 30, 2021	Revenues	Expend- itures	Transfers In (Out)	Balance June 30, 2022
101	Referees/District	\$0	\$4,374	\$4,374		\$0
102	Copper League	5,639	7,982	6,598		7,023
318	Class of 2023.				\$146	146
317	Class of 2022.	564	630	1,955	146	(615)
316	Class of 2021.	292			(292)	0
310	Wings Store (B. Hall)	1,452		6		1,446
105	Special Ed Student Fundraisers ..	4,154	10,062	253		13,963
304	7-8 Middle School - Misc	892	20			912
212	PK-1 Library	175				175
412	3-5 Library	901	1,065	1,138		828
410	7-8 Library	1,071	12,919	12,386		1,604
309	PE Donations (Building #3)	1,258	8	1,639		(373)
896	PK-1 Cola Fund	972	20			992
10	2-3 Cola Fund	50	33			83
895	4-6 Cola Fund	361	42			403
894	7-8 Cola Fund	300	139			439
103	Robotics Club	71	24,841	24,274		638
211	PK-1 Building #2	2,672	207			2,879
Total		<u>\$20,824</u>	<u>\$62,342</u>	<u>\$52,623</u>	<u>\$0</u>	<u>\$30,543</u>

**HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA**

SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

DESCRIPTION OF THE SCHOOL DISTRICT

School District Number 4 is an elementary school for grades kindergarten through 8th grade. The School District is located just west of the City of Missoula. The School District encompasses 33 square miles within and adjacent to the City of Missoula. The estimated population of the School District as of 2014 was 13,202.

The average fall enrollment of students (excluding pre-kindergarten students) attending the District's schools is as follows:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Kindergarten - 6th Grade	1,065	1,121	1,160	1,216	1,164	1,139	1,160	1,183	1,129	1,133
Grades 7 - 8.....	277	287	295	294	301	312	356	357	344	345
School District Total. . .	<u>1,342</u>	<u>1,408</u>	<u>1,455</u>	<u>1,510</u>	<u>1,465</u>	<u>1,451</u>	<u>1,516</u>	<u>1,540</u>	<u>1,473</u>	<u>1,478</u>
Increase (decrease). . . .		66	47	55	(45)	(14)	65	24	(67)	5
Percentage Change from Prior Year		5%	3%	4%	(3)%	(1)%	4%	2%	(4)%	0%

SCHOOL DISTRICT PROPERTY TAX VALUATIONS

As of January 1,	Assessed (Market) Valuation	Taxable Valuation	Taxable Value as a % of Assessed Value
2013	\$1,209,199,910	\$30,981,614	2.562%
2014	\$1,232,565,097	\$30,454,841	2.471%
*2015	\$1,971,998,235	\$32,117,454	1.629%
2016	\$2,016,456,002	\$32,979,424	1.636%
2017	\$2,275,844,361	\$36,652,276	1.610%
2018	\$2,315,746,483	\$38,152,434	1.648%
2019	\$2,315,746,483	\$38,152,434	1.648%
2020	\$2,598,490,280	\$41,056,623	1.580%
2021	\$2,637,857,875	\$41,656,253	1.579%
2022	\$3,057,366,762	\$47,682,187	1.560%

* The State of Montana Legislature passed House Bill 157 which resulted in the increase in the market value from 2014 to 2015.

SCHOOL DISTRICT TAX LEVIES (in mills)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General	92.01	91.63	92.63	90.59	88.40	85.64	81.39	74.98	73.05	60.21
Transportation	22.52	24.66	25.33	21.56	23.12	19.52	22.64	25.44	28.36	29.12
Bus Depreciation										0.23
Debt Service	26.82	26.43	27.79	14.08	25.38	70.57	72.64	58.95	65.95	47.49
Technology	3.30	3.23	3.28	3.11	3.03	2.73	2.71	2.44	2.40	2.10
Adult Education	0.21	1.01	1.00	1.01	1.00	0.90	1.99	2.19		
Tuition			4.28	3.11	3.79	6.82	6.78	12.18	12.00	10.49
Building Reserve						4.67	4.56	2.91	2.99	2.65
Total School Levies	<u>144.86</u>	<u>146.96</u>	<u>154.31</u>	<u>133.46</u>	<u>144.72</u>	<u>190.85</u>	<u>192.71</u>	<u>179.09</u>	<u>184.75</u>	<u>152.29</u>

OTHER TAX LEVIES (in mills)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
University Millage	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
County-wide School Levy	100.17	104.60	105.64	104.35	103.73	101.91	102.40	101.37	103.40	103.13
Missoula County	145.04	150.32	160.09	167.96	172.32	174.44	179.26	183.63	188.89	189.32
Fort Missoula Park Open Space					13.43	12.09	12.27	11.08	10.94	10.06
Missoula County Open Space	3.33	3.45	2.74	2.74	3.22	3.10	3.15	1.84	1.82	2.27
Hellgate Elementary	144.86	146.96	154.31	133.46	144.72	190.85	192.71	179.09	184.75	152.29
Missoula Co. High School	71.92	72.19	72.77	75.11	85.01	103.10	100.03	92.25	87.29	74.37
Urban Transportation	19.51	21.05	34.26	40.47	40.47	36.78	37.29	37.99	38.56	56.80
Rural Levies:										
Missoula Rural Fire District	100.33	102.39	112.59	112.61	114.33	110.38	113.69	141.94	143.35	134.94
Road	23.38	23.38	23.38	23.35	25.38	24.30	25.38	24.31	24.12	24.12
Animal Control	1.61	1.61	1.61	1.61	1.61	1.54	1.42	1.44	1.56	2.39
Medical Levy	2.19	2.18	2.18	3.51	3.38	3.23	3.12	2.99	2.97	2.96
Health	9.20	9.20	9.20	9.20	9.20	8.81	8.05	8.59	9.62	10.96
Fairgrounds								3.00	3.00	5.18
Total	<u>667.54</u>	<u>683.33</u>	<u>724.77</u>	<u>720.37</u>	<u>762.80</u>	<u>816.53</u>	<u>824.77</u>	<u>835.52</u>	<u>846.27</u>	<u>814.79</u>
City of Missoula	<u>240.90</u>	<u>243.52</u>	<u>245.62</u>	<u>252.81</u>	<u>260.08</u>	<u>252.27</u>	<u>242.17</u>	<u>237.24</u>	<u>236.59</u>	<u>234.24</u>

TAX COLLECTIONS

The following table demonstrates the tax collection history for real estate taxes levied by the School's general fund for the fiscal years ending June 30, 2013 through 2022. Total tax collections include delinquencies from prior tax years and motor vehicle tax, but excludes penalty and interest.

Year Ended June 30,	Current Total Tax Levy	Real Estate Tax Collections	Current Collections as a Percent of Levy	Total Tax Collections	Total Collections as a Percent of Levy
2013	\$2,790,880	\$2,439,815	87.42%	\$2,828,884	101.36%
2014	\$2,838,858	\$2,627,439	92.55%	\$2,808,410	98.93%
2015	\$2,824,303	\$2,663,947	94.32%	\$2,800,980	99.17%
2016	\$2,885,780	\$2,818,530	97.67%	\$2,991,936	103.68%
2017	\$2,915,695	\$2,739,668	93.96%	\$2,866,815	98.32%
2018	\$3,138,704	\$2,960,239	94.31%	\$3,116,378	99.29%
2019	\$3,001,470	\$2,825,875	94.15%	\$2,989,008	99.58%
2020	\$2,955,838	\$2,896,646	98.00%	\$2,954,972	99.97%
2021	\$3,054,080	\$2,994,136	98.04%	\$3,048,510	99.82%
2022	\$2,776,819	\$2,776,389	99.98%	\$2,735,468	98.51%

MAJOR TAXPAYERS

The following table lists the major taxpayers within the School District for the year ended June 30, 2022 listed in declining order of taxable value.

Taxpayer	Business	Taxable Value	% of Total Taxable Value (\$47,682,187)	Market Value
1. Northwest Energy	Transmission/Distribution	\$980,476	2.06%	\$8,170,633
2. Gateway Limited Partnership	Commercial Rentals	902,225	1.89%	47,736,895
3. Roseburg Forest Products Co.	Wood Products	698,230	1.46%	33,761,496
4. Tollefson Properties LLC	Commercial Rentals	631,020	1.32%	46,671,031
5. Verizon Wireless	Wireless Communications	629,342	1.32%	10,489,017
6. Montana Rail Link Inc	Railroad	570,233	1.20%	20,884,730
7. Yellowstone Pipeline Co.	Transmission/Distribution	510,501	1.07%	4,254,162
8. TKG Grant Creek Development LLC	Commercial Properties	429,776	0.90%	22,739,500
9. Rocky Mountain Beverage of MT	Beverage Distribution	425,597	0.89%	22,518,388
10. Mountain States Leasing	Commercial Properties	399,537	0.84%	25,147,741
Total.		\$6,176,937	12.95%	\$242,373,593

MAXIMUM BONDED INDEBTEDNESS - State statutes limit the maximum bonded indebtedness to 100% of the School District's facility guaranteed mill valuation or \$47,681,229.

Maximum bonded indebtedness under this exception is as follows:

	District Taxable Value Per Student	Average Number Belonging for Fiscal Year June 30, 2022	Percent Allowed	Maximum Bonded Indebtedness
School District	\$47,681	1,568	100%	\$74,763,808
Less Bonds Outstanding				
2016 Refunding Issue				(5,065,000)
2017 Issue				(16,675,000)
Remaining Bonding Capacity				<u>\$53,023,808</u>

DONALD NOLAN DAVIES, P.C.

CERTIFIED PUBLIC ACCOUNTANT

8281 PHILPOTT COURT

CLINTON, MONTANA 59825

TELEPHONE:
(406) 544-9410

E-MAIL:
rpfDavies@yahoo.com

**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
Hellgate Elementary School
District Number 4, Missoula County
Missoula, Montana

I have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hellgate Elementary School, District No. 4, Missoula County, Missoula, Montana, (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued my report thereon dated March 10, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not

identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

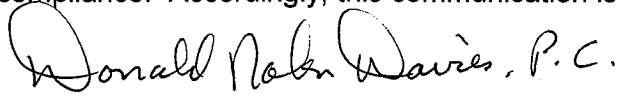
As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Prior Year Findings

None

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

Donald Nelson Davies, P.C.

March 10, 2023

DONALD NOLAN DAVIES, P.C.
CERTIFIED PUBLIC ACCOUNTANT
8281 PHILPOTT COURT
CLINTON, MONTANA 59825

TELEPHONE:
(406) 544-9410

E=MAIL:
rpfdavies@yahoo.com

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hellgate Elementary School
District Number 4, Missoula County
Missoula, Montana

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS

Opinion of Each Major Federal Program

I have audited Hellgate Elementary School, District No. 4, Missoula County, Missoula, Montana, (District) 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 District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the 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

I conducted my 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 (*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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditors's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of 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 with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to District's federal programs.

Auditor's Responsibility for the Audit of Compliance

My 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 District's compliance based on my 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 for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about District's compliance with the requirements of each major federal program as a whole.

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

- 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 District's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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 combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses may exist that were not identified.

My 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 my 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.

Donald Nelson Davies, P.C.

March 10, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR HELLGATE ELEMENTARY SCHOOL
DISTRICT NO. 4, MISSOULA COUNTY
MISSOULA, MONTANA

FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued: Unmodified opinion
2. Internal control over financial reporting:
Material weaknesses identified? ☐ yes ☒ no
Significant deficiencies identified not
considered to be material weaknesses? ☐ yes ☒ none reported
3. Noncompliance material to the
financial statements noted? ☐ yes ☒ no

Federal Awards

4. Internal control over major programs:
Material weaknesses identified? ☐ yes ☒ no
Significant deficiencies identified not
considered to be material weaknesses? ☐ yes ☒ none reported
5. Type of auditor's report issued on
compliance for major programs: Unmodified opinion
6. Any audit findings disclosed that are required
to be reported under Section 200.516.? ☐ yes ☒ no
7. Identification of major programs:
U.S. Department of Education
Assistance Listing Number 84.425D Elementary and Secondary School Emergency
Relief (ESSER) Fund - COVID-19
U.S. Department of Treasury
Assistance Listing Number 10.553, 10.555, Child Nutrition Cluster
10.556, 10.582,
10.559
8. Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000
9. Auditee qualified as low-risk auditee? ☒ yes ☐ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Summary Schedule of Prior Audit Findings - None