

MANHATTAN SCHOOL DISTRICT NO. 3

**GALLATIN COUNTY
MANHATTAN, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal Year Ended June 30, 2025

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

MANHATTAN SCHOOL DISTRICT NO. 3

GALLATIN COUNTY
MANHATTAN, MONTANA 59741

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MANHATTAN SCHOOL DISTRICT NO. 3

GALLATIN COUNTY
MANHATTAN, MONTANA 59741

ORGANIZATION

BOARD OF TRUSTEES

Rob Brownell Chair
Mike Swan Vice Chair
Dr. Brand Robinson Trustee
Matt White Trustee
Ethan Severson Trustee
Bryan Peterson Trustee

OFFICIALS

Brian Ayers Superintendent
Ann Heisler School District Clerk
John Nielson County Superintendent
Kaleva Law Office School District Attorney

Management's Discussion and Analysis

This section of the Manhattan School District Financial Statements presents the management's discussion and analysis of the district's financial performance during the fiscal year (FY) ending June 30, 2025. This narrative overview and analysis of the financial activities of the Manhattan District includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

Financial Highlights

- The Manhattan School District's net position increased 10.49% or \$875,331 in FY (fiscal year) 2025 and was \$9,219,805.
- The overall revenues from all sources in the district for FY 2025 were \$11,415,269 which was a 1.98% or \$230,459 decrease from FY 2024. District levy revenue was 35.9% (was 36.5% in FY 2024) of the total district revenue in FY 2025 while state equalization and other state revenue was 40.6% (was 39% in FY 2024).
- State equalization sources of revenue increased 1.6% or \$42,065 while other state sources of revenue were up 2.67% or \$51,359 in FY 2025. Operating/capital grant revenue was down 27.7% or \$352,648 and district levy revenue was down 3.4% or \$145,496 in FY 2025.
- The net investment (less depreciation & debt) in capital assets of the district increased 2.47% largely due to principal payments on debt. The district made principal payments on capital asset debt of \$940,000 and paid interest and other charges of \$548,400.
- County revenue increased 14.1% or \$117,160 in FY 2025 and charges for services revenue increased 11.3% or \$62,824.
- The district expenses for FY 2025 were \$10,539,938 which represents a 4.05% or \$444,707 decrease from FY 2024. A large portion of the decrease was a decrease of \$186,853 in operation/maintenance and a decrease of \$249,181 in instructional support services.
- District revenues exceeded expenses for FY 2025 by \$875,331.
- Total district liabilities decreased 5.9% or \$1,362,485 in FY 2025 mostly due to payments on capital debt.
- The district had total governmental fund balances of \$4,710,505 at the end of FY 2025, which was an increase of 9.98% or \$427,300 from FY 2024.
- The overall financial position of the Manhattan School District is good and continued to improve with an increase in net position of 10.49% or \$875,331 during FY 2025.

Overview of the Manhattan School District Financial Statements

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Manhattan K-12 Schools. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements,

and 3) notes to the financial statements. It also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

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

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

Fund-based Financial Statements

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

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

Governmental funds

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

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

The Manhattan Elementary District and High School District are recognized by state law as separate entities, but for the purposes of this discussion are combined. Major governmental funds are reported separately and all other funds are combined for this report. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund (includes elementary and high school), elementary miscellaneous programs fund, elementary debt service fund, and high school debt service fund as they were considered to be the major funds in FY 2025. The other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The general fund includes the inter-local agreement fund and both the high school and elementary flexibility funds for reporting purposes.

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

Fiduciary funds

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

Notes to the Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2025

Other information

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

Net Position of the District

Governmental Activities				
	FY 2025	FY 2024	Change	Percent Change
Current and Other Assets	\$4,875,470	\$4,421,010	\$454,460	10.28%
Capital Assets - Net	\$25,919,098	\$26,699,295	(\$780,197)	-2.92%
Total Assets	\$30,794,568	\$31,120,305	(\$325,737)	-1.05%
Deferred Outflow Resources	\$620,260	\$785,314	(\$165,054)	-21.02%
Liabilities				
Current Liabilities	\$218,256	\$194,556	\$23,700	12.18%
Long-term Liabilities	\$21,500,119	\$22,886,304	(\$1,386,185)	-6.06%
Total Liabilities	\$21,718,375	\$23,080,860	(\$1,362,485)	-5.90%
Deferred Inflows Resources	\$476,648	\$480,285	(\$3,637)	-0.76%
Net Position				
Net Investment in Capital Assets	\$11,672,171	\$11,391,364	\$280,807	2.47%
Restricted	\$2,715,779	\$2,407,240	\$308,539	12.82%
Unrestricted	(\$5,168,145)	(\$5,454,130)	\$285,985	5.24%
Total Net Position	\$9,219,805	\$8,344,474	\$875,331	10.49%

A large portion of the net position of the Manhattan District at the close of FY 2025 reflects the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets of the Manhattan District have related debt. The district uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. The net investment (less depreciation & debt) in capital assets of the district increased 2.47% largely due to principal payments on debt. A portion of the net position of the district represents resources that are subject to external restrictions on how they may be used. These *restricted* funds increased \$308,539 or 12.82% during FY 2025. Another portion of the net position of the district represents *unrestricted funds* which may be used to meet the ongoing obligations of the school district to citizens and creditors. The district has a negative balance of unrestricted funds mostly due to the addition of debt from the sale of bonds and the addition of net pension liability in FY 2015 to the financial statements. The unrestricted funds

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2025

increased 5.24% or \$285,985 from FY 2024 to FY 2025. The district was able to report a positive balance of net position for both the government and governmental activities. The net position of the district increased 10.49% or \$875,331 during FY 2025.

District Wide - Statement of Activities

	FY 2025	FY 2024	Change	% Change
Program Revenues				
Charges for Services	\$616,996	\$554,172	\$62,824	11.34%
Operating/Capital Grants	\$919,076	\$1,271,724	(\$352,648)	-27.73%
General Revenues				
District Levy	\$4,103,603	\$4,249,099	(\$145,496)	-3.42%
State Equalization	\$2,660,807	\$2,618,742	\$42,065	1.61%
Other State Revenue	\$1,974,513	\$1,923,154	\$51,359	2.67%
County	\$944,076	\$826,916	\$117,160	14.17%
Investment Earnings	\$157,140	\$170,065	(\$12,925)	-7.60%
Other	\$25,945	\$31,806	(\$5,861)	-18.43%
Gain/(Loss) on Sale of Assets	\$13,113	\$50	\$13,063	26126%
Total Revenues	\$11,415,269	\$11,645,728	(\$230,459)	-1.98%
Program Expenses				
Instruction	\$4,745,056	\$4,748,926	(\$3,870)	-0.08%
Support Services - Students	\$464,869	\$454,908	\$9,961	2.19%
Support Services - Instructional	\$200,694	\$449,875	(\$249,181)	-55.39%
Administration:	\$1,382,886	\$1,256,496	\$126,390	10.06%
O & M	\$1,098,974	\$1,285,827	(\$186,853)	-14.53%
Transportation	\$508,918	\$511,091	(\$2,173)	-0.43%
Extracurricular	\$653,287	\$703,182	(\$49,895)	-7.10%
Community Services	\$1,000	\$40,206	(\$39,206)	-97.51%
School Food	\$303,681	\$326,936	(\$23,255)	-7.11%
Interest	\$427,396	\$454,996	(\$27,600)	-6.07%
Depreciation-unallocated	\$753,177	\$752,202	\$975	0.13%
Total Expenses	\$10,539,938	\$10,984,645	(\$444,707)	-4.05%
Change in Net Position	\$875,331	\$661,083	\$214,248	32.41%
Prior Period Adjustment	-	\$12,800	(\$12,800)	-100.00%
Net Position Beginning Year	\$8,344,474	\$7,670,591	\$673,883	8.79%
Net Position End of Year	\$9,219,805	\$8,344,474	\$875,331	10.49%

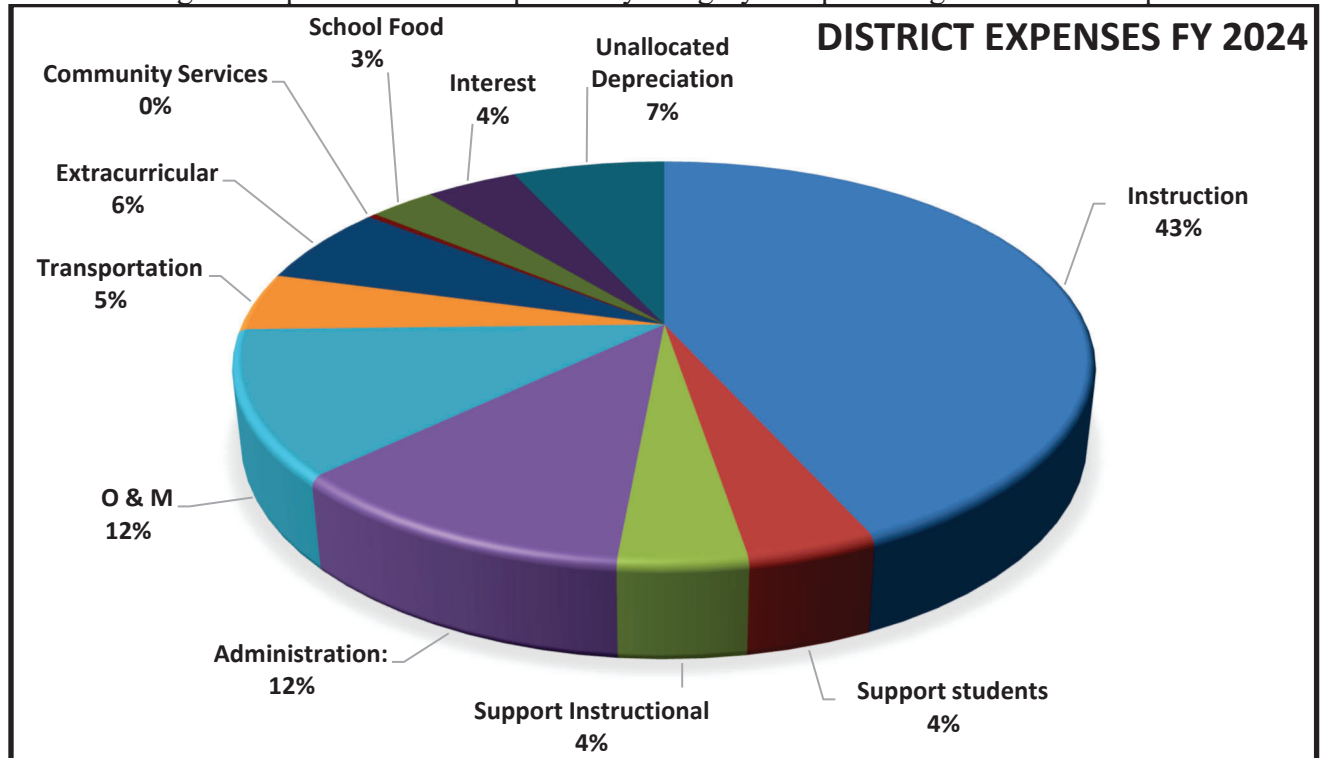
Major changes in district-wide governmental activities from FY 2024 to FY 2025 include:

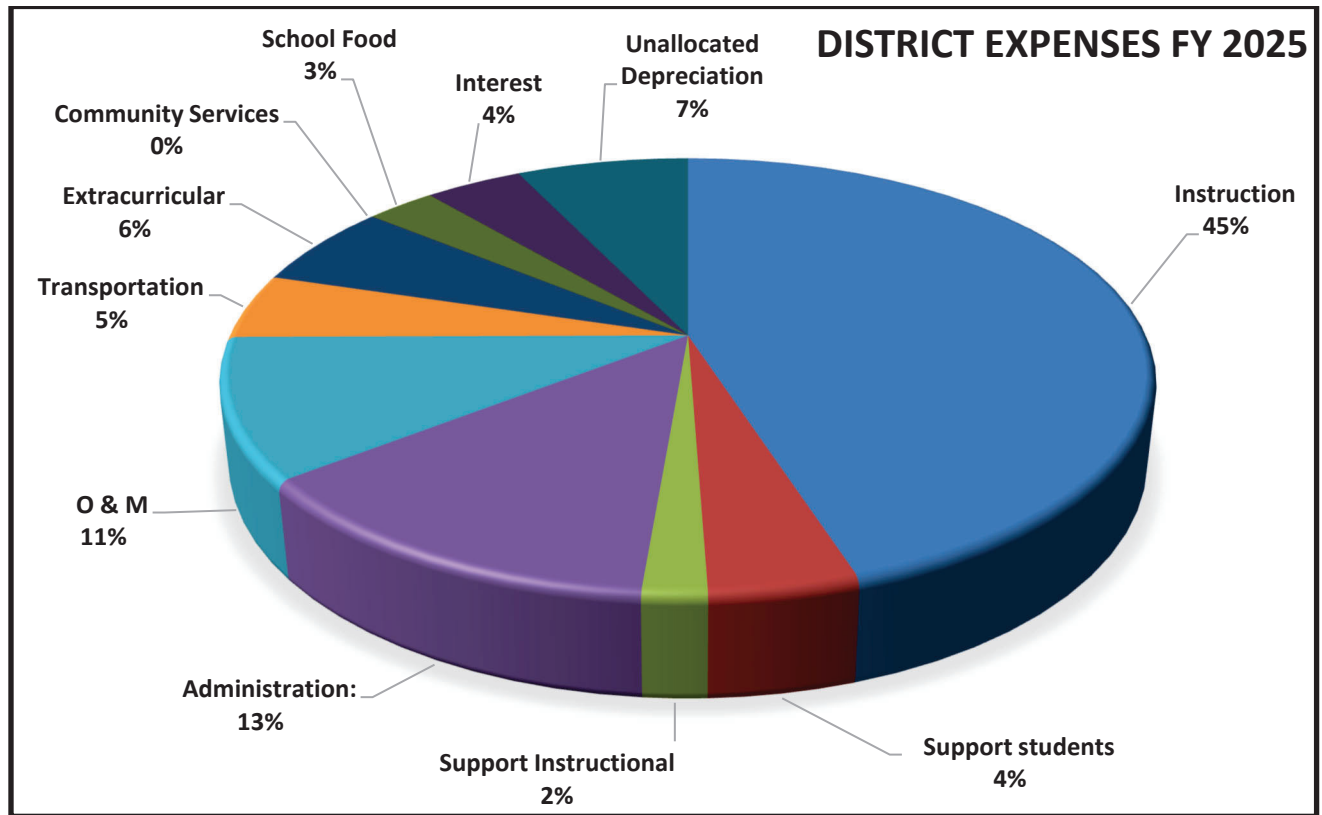
- Total revenues for the district were down 1.98% or \$230,459 mostly due to a 27.73% or \$352,648 decrease in operating/capital grants revenue, a \$145,496 or 3.42% decrease in district levy revenue, and a \$117,160 or 14.17% increase in county revenue.
- Total expenses for the district were down 4.05% or \$444,707 mostly due to decreases of \$249,181 or 55.4% in instructional support and \$186,853 or 14.5% in O & M.

- ✚ Charges for services revenue was up \$62,824 or 11.3%, other state revenue was up \$51,359 or 2.67%, and state equalization was up \$42,068 or 1.6% in FY 2025.
- ✚ Expenses for extracurriculars were down \$49,895 or 7.1%, community services down \$39,206 or 97.5%, and interest down \$27,600 or 6% while administration was up \$126,390 or 10%.
- ✚ Revenues exceeded expenses in FY 2025 by \$875,331.
- ✚ The net position of the district was up 10.49% or \$875,331 in FY 2025.

District Expenses

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

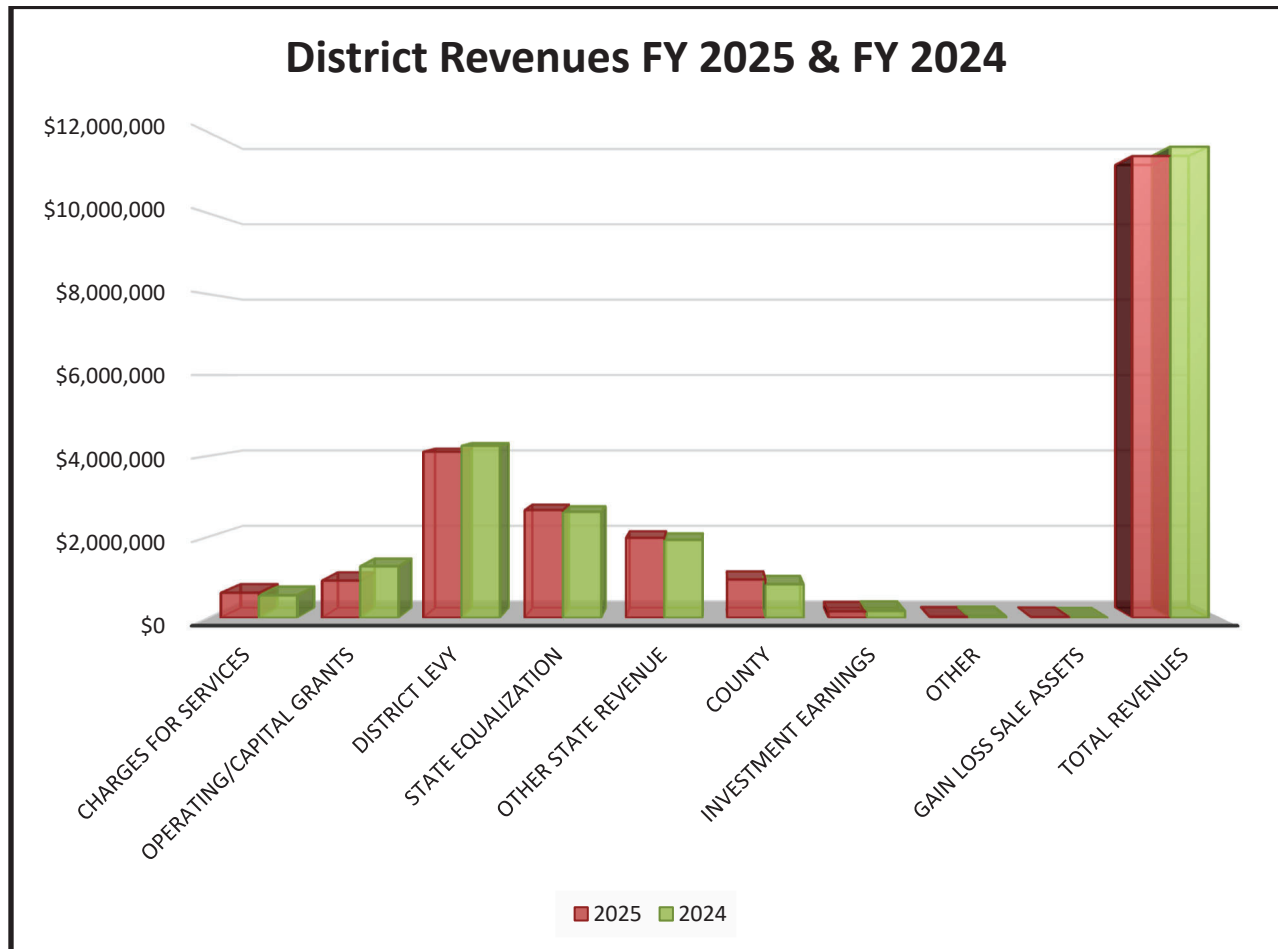




The pie graphs for district expenses listed above show the allocation of resources for specific purposes in the Manhattan Schools during FY 2024 and FY 2025. The graphs illustrate the major expenditure areas, with instruction costs accounting for 43% in FY 2024 and 45% of the district expenses in FY 2025, operation & maintenance costs accounted for 12% and 11%, extracurricular costs were 6% and 6%, unallocated depreciation costs were 7% and 7%, and administration was 12% and 13% of the total district expenses. Major changes were instruction costs up 2%, administration up 1%, O & M down 1%, and instruction support down 2% of total district expenses.

Revenue by Source – Governmental Activities

The bar graph presented below shows that the district levy was the largest source of revenue for the Manhattan District followed by state equalization and other state revenue. Major changes during FY 2025 were decreases in revenue from operating/capital grants, district levy, investment revenue, and total revenue. Increases occurred in state equalization, other state revenue, county revenue, and charges for services. Generally, since state law requires levied fund budgets to be “balanced,” the changes in expenditures matched the changes in the revenues of these funds.



Financial Analysis of the Government's Funds

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

Governmental funds

The focus of the *governmental funds* of the Manhattan School District is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the financial requirements of the school district. *Unassigned fund balance* may serve as a useful measure of the net resources available for spending at the end of the year. At the beginning of FY 2025, the governmental funds of the school district reported a combined ending fund balance of \$4,283,205 and at the end of FY 2025 the fund balance was \$4,710,505, which was an increase of 9.98% or \$427,300. Approximately 43.7% or \$2,057,329 of this total amount in FY 2025 constitutes *unassigned fund balance*, which is available for spending at the discretion of the Board of Trustees. The general fund is the main operating fund of the district and includes the inter-local agreement fund along with both the high school and elementary flexibility funds for reporting purposes. At the beginning of FY 2025 the general fund had a balance of \$2,008,862 and at the close of FY 2025 the balance was \$2,159,556, which was an increase of \$150,694 or 7.5%. The general fund unassigned balance was \$2,057,329 for FY 2025. The total

fund balances in the district increased \$427,300 or 9.98% from the beginning to the end of the FY 2025 while the general fund balance increased \$150,694 or 7.5%.

Governmental Fund Financial Statements

Fund-based financial statements, consisting of a series of statements, provide information about the government's major and non-major funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental funds balance sheet for fiscal year 2025 is comprised of major funds and all other funds. The major funds in FY 2025 were the general fund (includes elementary and high school), elementary miscellaneous programs fund, elementary debt service fund, and high school debt service fund. The other funds category includes the remainder of the governmental district funds. The governmental balance sheet for FY 2025 demonstrates that the Manhattan School District is in good financial condition. The district has cash and investments in the general fund which makes up 45.8% (was 46.9% in FY 2024) of the total fund balances in FY 2025. The district has liability attached to these same funds. The district fund balances would seem to be strong enough to resolve any reasonable financial situation that might occur.

Statement of Revenues, Expenditures, and Changes in Fund Balances

The statement of revenues, expenditures, and changes in fund balances presents revenue and expenditures in each of the major fund categories. The major funds in FY 2025 were the general fund (includes elementary and high school), elementary miscellaneous programs fund, elementary debt service fund, and high school debt service fund. The other funds category includes all the remaining governmental funds that the district is utilizing. State aid is the major revenue source for the district general fund category at 68.7% (was 67.2% in FY 2024) of the total revenue for the general fund followed by district levies at 29.1% (was 30.4% in FY 2024) in FY 2025. The major expenditure in the general fund is instruction, which makes up 54.1% (was 55.4% in FY 2024) of the general fund total cost. General administrative service costs along with operation and maintenance rank 2 and 3 respectively for general fund expenditures in FY 2025.

General Fund Budgetary Highlights

During FY 2025 in the general fund, the district collected \$20,531 less actual revenue than the final budget for the elementary and \$8,879 less than budget for the high school. Overall, there was \$29,410 less revenue than budget, with most of the difference coming from district levies. District levies in the elementary collected \$11,023 less revenue than budgeted and the high school was \$7,022 less than budgeted. Actual expenditures in the elementary were \$87,288 less than the final budget while in the high school expenditures were \$107,156 less than the final budget. The overall difference from budgeted expenditures to actual expenditures was \$194,444 less than expected in the final budget. The difference in actual revenue minus actual expenditures in the elementary district was a positive \$17,137 and in the high school it was a positive \$85,809 which resulted in a positive overall difference of \$102,946. The district transferred \$55,088 out of the elementary general fund and \$72,833 out of the high school general fund. After the transfers and the difference of revenue minus expenditures along with changes in inventory, the high school general fund increased \$20,381 and the elementary general fund decreased

\$23,595 for a total decrease of \$3,214 in FY 2025. The final general fund balances were \$500,935 in the elementary and \$348,970 in the high school.

Capital Assets of the Manhattan School District

The net investment by the Manhattan School District in capital assets for governmental activities as of June 30, 2025, was \$25,919,098 after depreciation was subtracted. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The investment in capital assets (after depreciation was subtracted) for the district showed a \$780,197 or 2.92% decrease in FY 2025 mainly due to more depreciation than capital assets added. The district had \$813,219 of depreciation and \$33,022 of capital outlay added in FY 2025. In addition, the district made principal payments on capital asset debt of \$940,000 and paid interest and other charges of \$548,400. The value of the capital assets net of depreciation and debt increased 2.47% or \$280,807 from \$11,391,364 to \$11,672,171 in FY 2025.

Long-term Liabilities

At the end of FY 2025, the district had long-term liabilities of \$21,699,210 which included long-term capital obligations of \$13,041,004 along with \$1,205,923 premium on G.O. bonds. In addition, the district had long-term liabilities of \$325,586 for compensated absences of employees, \$5,915,112 for the TRS and PERS portion of pension liability, and Other Post-Employment Benefits (OPEB) of \$1,211,585.

Government-wide and Overall Financial Position of the District for FY 2025

As noted earlier, net position may serve over time as a useful indicator of the financial position of the district. In the case of the Manhattan School District, net position increased 10.49% or \$875,331 in FY (fiscal year) 2025 and was \$9,219,805. Total assets in the district were down 1.05% or \$325,737 while total liabilities were down 5.9 % or \$1,362,485. The reason for the decrease in liabilities was mainly a \$940,000 debt payment. The net investment (less depreciation & debt) in capital assets of the district increased 2.47% or \$280,807 largely due to the principal payments on debt. The district had long-term liabilities of \$21,699,210 which included long-term capital obligations of \$13,041,004 along with \$1,205,923 premium on G.O. bonds. In addition, the district had long-term liabilities of \$325,586 for compensated absences of employees, \$5,915,112 for the TRS and PERS portion of pension liability, and Other Post-Employment Benefits (OPEB) of \$1,211,585. The overall revenues from all sources in the district for FY 2025 were \$11,415,269 which was a 1.98% or \$230,459 decrease from FY 2024. District levy revenue was 35.9% (was 36.5% in FY 2024) of the total district revenue in FY 2025 while state equalization and other state revenue was 40.6% (was 39% in FY 2024). State equalization sources of revenue increased 1.6% or \$42,065 while other state sources of revenue were up 2.67% or \$51,359 in FY 2025. Operating/capital grant revenue was down 27.7% or \$352,648 and district levy revenue was down 3.4% or \$145,496 in FY 2025. County revenue increased 14.1% or \$117,160 in FY 2025 and charges for services revenue increased 11.3% or \$62,824. The district expenses for FY 2025 were \$10,539,938 which represents a 4.05% or \$444,707 decrease from FY 2024. A large portion of the decrease was a decrease of \$186,853 in operation/maintenance and a decrease of \$249,181 in instructional support services. District revenues exceeded expenses for FY 2025 by \$875,331. The district had total governmental fund balances of \$4,710,505 at the end of FY 2025, which was an increase of 9.98% or \$427,300 from FY

2024. The overall financial position of the Manhattan School District is good and continued to improve with an increase in net position of 10.49% or \$875,331 during FY 2025.

The District's Future

The future of the district is dependent on many factors and one of the most important is student enrollment. District enrollment for the 2024-25 school year was 689 students up from 686 students in the 2023-24 school year and down from 722 students in the 2022-23 school year. The district's highest enrollment in the last six years was 765 students in the 2021-22 school year and lowest enrollment was 686 students in the 2023-24 school year. Most of the decrease in enrollment the past three years has occurred in the elementary district. The elementary district enrollment has dropped from 483 to 448 while the high school has increased from 239 to 241. Population trends in Gallatin County could have an influence on future district enrollment. Gallatin County population has grown from 118,960 people in 2020 to 126,984 in 2024, which is a 6.75% increase. The percentage of children in the county under five years old is 3.9% compared to Montana at 4.7%. The percentage of people under 18 years of age is 18.1% in the county compared to Montana at 20.2% in 2024. The county population age 65 and older is 14.3% while the state is 21.2%. In addition, the county has a poverty level of 6.9% compared to Montana at 10.2%. The lower percentage of school age children in the county compared to the state may indicate a decrease in enrollment, however the continued increase in population may offset that component. The district does have ongoing contracts with each of the employee groups in the district. However, during FY 2025 the district did not enter into any new agreements or contracts outside of these groups that would affect the financial position of the district. The district does not have any new litigation or ongoing litigation that might impact future district finances. There are currently no other known facts, decisions, or conditions that would have a material effect on the financial position or operations of the district. Given that the district has good fund balances, more revenue than expenses, decreasing expenses, a recently completed building project for facilities, reasonable long-term capital debt, and the lack of other negative factors, the near-term future of the district finances would seem to be positive.

Requests for Information

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



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan School District No. 3 (School District) as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis (pages 3-13), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 48), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 49-53), and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 54-60) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Funds (page 61) and Schedule of Reported Enrollment (page 62) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Funds and Schedule of Reported Enrollment are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Revenues, Expenses, and Balances - Student Activity Funds and Schedule of Reported Enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2026 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
February 4, 2026

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

STATEMENT OF NET POSITION
June 30, 2025

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 4,451,947
Taxes Receivable	145,800
Due from Other Governments	98,683
Inventories	93,613
Prepaid Expenses	85,427
Total Current Assets	<u>4,875,470</u>
Noncurrent Assets:	
Capital Assets:	
Land	1,175,943
Net Depreciable Assets	24,743,155
Total Noncurrent Assets	<u>25,919,098</u>
Total Assets	<u>30,794,568</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Employer Pension Plan Related	620,260
Total Deferred Outflows of Resources	<u>620,260</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 31,414,828</u>
 LIABILITIES:	
Current Liabilities:	
Unearned Revenue	\$ 13,013
Accrued Payroll	6,095
Due to Other Governments	57
Current Portion of Compensated Absences	78,087
Current Portion of Long-term Capital Obligations	121,004
Total Current Liabilities	<u>218,256</u>
Noncurrent Liabilities:	
Compensated Absences	247,499
Net Pension Accrual	5,915,112
Other Postemployment Benefits	1,211,585
Capital Debt Obligations	12,920,000
Premium on General Obligation Bonds	1,205,923
Total Noncurrent Liabilities	<u>21,500,119</u>
Total Liabilities	<u>21,718,375</u>
 DEFERRED INFLOWS OF RESOURCES:	
Employer Pension Plan Related	476,648
Total Deferred Inflows of Resources	<u>476,648</u>
 NET POSITION:	
Net Investment in Capital Assets	11,672,171
Restricted	2,715,779
Unrestricted (Deficit)	(5,168,145)
Total Net Position	<u>9,219,805</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 31,414,828</u>

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
				Primary Government
	Expenses	Charge for Services	Operating Grants and Contributions	Governmental Activities
<u>PRIMARY GOVERNMENT:</u>				
GOVERNMENT OPERATIONS:				
Instructional Services	\$ 4,745,056	\$ 98,196	\$ 381,734	\$ (4,265,126)
Support Services - Students	464,869	-	154,661	(310,208)
Support Services - Instructional	200,694	-	21,168	(179,526)
General Administrative Services	1,382,886	-	33,444	(1,349,442)
Operation and Maintenance Services	1,098,974	14,190	67,323	(1,017,461)
Transportation Services	508,918	12,512	64,824	(431,582)
School Food Services	303,681	143,765	90,274	(69,642)
Extracurricular	653,287	348,333	5,148	(299,806)
Community Services	1,000	-	500	(500)
Debt Service:				
Interest and Other Charges	427,396	-	-	(427,396)
Unallocated Depreciation Expense *	753,177	-	-	(753,177)
Total Governmental Operations	<u>10,539,938</u>	<u>616,996</u>	<u>819,076</u>	<u>(9,103,866)</u>
GENERAL REVENUES:				
District Levies				\$ 4,103,603
State Equalization				2,660,807
Other State Revenues				1,974,513
County				944,076
Interest				157,140
Other				25,945
Gain (loss) on Sale of Assets				13,113
Unusual or Infrequent items				100,000
Total General Revenues				<u>9,979,197</u>
Change in Net Position				875,331
NET POSITION:				
Beginning of the Year				<u>8,344,474</u>
End of the Year				<u>\$ 9,219,805</u>

* Excludes depreciation included in direct expenses of the various functions

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	MAJOR					
	General	Miscellaneous Programs (Elem)	Debt Service (Elem)	Debt Service (HS)	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 2,070,225	\$ 477,322	\$ 69,977	\$ 29,824	\$ 1,804,599	\$ 4,451,947
Taxes Receivable	68,424	-	17,807	30,397	29,172	145,800
Due from Other Governments	7,199	56,520	1,188	1,610	32,166	98,683
Inventories	87,454	-	-	-	6,159	93,613
Prepaid Expenses	-	-	-	-	85,427	85,427
Total Assets	<u>2,233,302</u>	<u>533,842</u>	<u>88,972</u>	<u>61,831</u>	<u>1,957,523</u>	<u>4,875,470</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 2,233,302</u>	<u>\$ 533,842</u>	<u>\$ 88,972</u>	<u>\$ 61,831</u>	<u>\$ 1,957,523</u>	<u>\$ 4,875,470</u>
LIABILITIES:						
Current Liabilities:						
Unearned Revenue	-	-	-	-	13,013	13,013
Accrued Payroll	5,322	-	-	-	773	6,095
Due to Other Governments	-	-	-	-	57	57
Total Liabilities	<u>5,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,843</u>	<u>19,165</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Property Taxes Receivable	<u>68,424</u>	<u>-</u>	<u>17,807</u>	<u>30,397</u>	<u>29,172</u>	<u>145,800</u>
Total Deferred Inflows of Resources	<u>68,424</u>	<u>-</u>	<u>17,807</u>	<u>30,397</u>	<u>29,172</u>	<u>145,800</u>
FUND BALANCE (DEFICITS):						
Nonspendable	87,454	-	-	-	91,586	179,040
Restricted	-	533,842	71,165	31,434	1,822,922	2,459,363
Assigned	14,773	-	-	-	-	14,773
Unassigned	<u>2,057,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,057,329</u>
Total Fund Balance	<u>2,159,556</u>	<u>533,842</u>	<u>71,165</u>	<u>31,434</u>	<u>1,914,508</u>	<u>4,710,505</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficits)	<u>\$ 2,233,302</u>	<u>\$ 533,842</u>	<u>\$ 88,972</u>	<u>\$ 61,831</u>	<u>\$ 1,957,523</u>	<u>\$ 4,875,470</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balance Reported Above	\$ 4,710,505
Assets and Deferred Outflows of Resources:	
Unavailable Property Taxes Receivable	145,800
Governmental Capital Assets	25,919,098
Employer Pension Plan Related Deferred Outflows of Resources	620,260
Liabilities and Deferred Inflows of Resources:	
Compensated Absences	(325,586)
Net Pension Accrual	(5,915,112)
Other Postemployment Benefits	(1,211,585)
Capital Debt Obligations	(13,041,004)
Premium on General Obligation Bonds	(1,205,923)
Employer Pension Plan Related Deferred Inflows of Resources	(476,648)
Net Position of Governmental Activities	<u>\$ 9,219,805</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	MAJOR					
	General	Miscellaneous Programs (Elem)	Debt Service (Elem)	Debt Service (HS)	Other Governmental Funds	Total Governmental Funds
REVENUES:						
District Levies	\$ 1,919,449	\$ -	\$ 493,630	\$ 850,340	\$ 820,631	\$ 4,084,050
Interest	98,073	-	7,999	9,627	41,441	157,140
Charges for Services	46,872	-	-	-	530,550	577,422
Other	846	47,864	-	-	17,310	66,020
County	-	-	-	-	976,488	976,488
State	4,529,146	27,471	66,783	28,956	111,407	4,763,763
Federal	-	347,290	-	-	150,788	498,078
Total Revenues	<u>6,594,386</u>	<u>422,625</u>	<u>568,412</u>	<u>888,923</u>	<u>2,648,615</u>	<u>11,122,961</u>
EXPENDITURES:						
Current:						
Instructional Services	3,479,394	375,235	-	-	834,168	4,688,797
Support Services - Students	287,265	128,587	-	-	52,955	468,807
Support Services - Instructional	156,576	14,475	-	-	27,193	198,244
General Administrative Services	1,149,960	18,074	-	-	219,278	1,387,312
Operation and Maintenance Services	949,245	20,001	-	-	133,523	1,102,769
Transportation Services	72,873	2,830	-	-	411,165	486,868
School Food Services	65,600	-	-	-	244,541	310,141
Extracurricular	274,858	-	-	-	368,556	643,414
Community Services	-	-	-	-	1,000	1,000
Debt Service:						
Principal	-	-	375,000	565,000	-	940,000
Interest and Other Charges	-	-	211,500	336,900	-	548,400
Capital Outlay	-	-	-	-	33,022	33,022
Total Expenditures	<u>6,435,771</u>	<u>559,202</u>	<u>586,500</u>	<u>901,900</u>	<u>2,325,401</u>	<u>10,808,774</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>158,615</u>	<u>(136,577)</u>	<u>(18,088)</u>	<u>(12,977)</u>	<u>323,214</u>	<u>314,187</u>
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets	-	-	-	-	13,113	13,113
Fund Transfers In	-	-	-	-	7,921	7,921
Fund Transfers (Out)	(7,921)	-	-	-	-	(7,921)
Total Other Financial Sources (Uses)	<u>(7,921)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,034</u>	<u>13,113</u>
UNUSUAL OR INFREQUENT ITEM:						
Coach bus donation	-	-	-	-	100,000	100,000
Total Unusual or Infrequent Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balance	150,694	(136,577)	(18,088)	(12,977)	444,248	427,300
FUND BALANCE:						
Beginning of the Year	<u>2,008,862</u>	<u>670,419</u>	<u>89,253</u>	<u>44,411</u>	<u>1,470,260</u>	<u>4,283,205</u>
End of the Year	<u>\$ 2,159,556</u>	<u>\$ 533,842</u>	<u>\$ 71,165</u>	<u>\$ 31,434</u>	<u>\$ 1,914,508</u>	<u>\$ 4,710,505</u>

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

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Net Changes in Fund Balance		\$ 427,300
Revenues on the Statement of Activities not Included in Governmental Funds Statement:		
Increase (Decrease) in Taxes Receivable	19,553	
State Pension Aid	<u>159,642</u>	179,195
Revenues Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Sale of Capital Assets	<u>13,113</u>	(13,113)
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:		
Depreciation Expense	(813,219)	
Actuarial Pension Expense	37,997	
Premium on Bonds	121,004	
(Increase) Decrease in Compensated Absence Liability	<u>(49,968)</u>	(704,186)
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Capital Outlays	33,022	
Gain (Loss) on Sale of Assets	13,113	
Principal Payments on Debt	<u>940,000</u>	<u>986,135</u>
Change in net Position Reported on the Statement of Activities		<u>\$ 875,331</u>

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

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2025

	Custodial Funds Aggregate Other Custodial Funds
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ -
Total Assets	\$ -
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ -
Total Liabilities	-
NET POSITION:	
Restricted For:	
Restricted	-
Total Net Position	\$ -

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2025

	Custodial Funds Aggregate Other Custodial Funds
ADDITIONS:	
Contributions from Individuals and Organizations	\$ 49,938
Total Additions	49,938
DEDUCTIONS:	
Distributions to Individuals and Organizations	49,938
Total Deductions	49,938
Change in Net Position	-
NET POSITION:	
Beginning of the Year	-
End of the Year	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

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

In fiscal year 2025, the School District adopted the following GASB Statements:

- Governmental Accounting Standards Board (GASB Statement) GASB Statement No. 102 – *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- GASB Statement No. 103 – *Financial Reporting Model Improvements*. This Statement:
 - Continues the requirement that the basic financial statements be preceded by management’s discussion and analysis, which is presented as required supplementary information (RSI);
 - Describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence;
 - Requires governments to present each major component unit separately in the reporting entity’s *Statement of Net Position* and *Statement of Activities* if it does not reduce the readability of the statements; and
 - Requires budgetary comparison information to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts.

The provisions of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

- GASB Statement No. 104 – Disclosure of Certain Capital Assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The provisions of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

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

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

1. b. 2. FUND ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

- Revenues are recorded when they are both measurable and available. Available means collectible within the current period – collections that occur after June 30 are generally not material. Unavailable income is recorded in governmental funds for delinquent taxes

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

- Expenditures are recorded when the related fund liability is incurred or when the flows of current financial resources related to long-term debt items occur. For example, principal and interest on general long-term debt and compensated absence payments. In addition, capital assets are functional expenditures in governmental funds.

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

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

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

The School District reported the following major governmental funds:

- General Fund – The General fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements, the General fund also includes the activities of the following funds since the restrictions on those funds are similar to the General fund:
 - Elementary and high school Flexibility funds, and
 - high school Interlocal Agreement fund.
- Elementary Miscellaneous Programs Fund – This fund is a special revenue fund established to account for local, state, and federal grants and reimbursements. Also, donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- Elementary and high school Debt Service Funds – These funds are debt service funds established to account for the financing needs of the School District to pay interest and principal on outstanding bonds.

1. b. 3. OTHER FUND TYPES

- Custodial Funds report resources, not in a trust, which are held by the School District for other parties outside of School District's reporting entity. The following custodial funds are maintained by the School District.
 - Aggregate Other Custodial Funds – These funds account for the assets held, revenues received, and expenses of other governments, individuals, or organizations.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

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

1. c. 1 CASH AND INVESTMENTS

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

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

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

Clearing Funds – Warrants written but not redeemed are reported in the School District's payroll and claims clearing funds. A warrant is an order by which the drawer (the person with authority to make the order) directs the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

- For financial reporting purposes clearing fund cash balances are reclassified. The *unregistered* warrants are liability payments paid to applicable vendors and the government has no further obligation (like a check) since the cash resulted in financial resources spent by the government. The cash balance relating to unredeemed warrant is just a method for the government to keep track of outstanding warrants that have not cleared the government's financial institution. Other liabilities in the payroll clearing fund and *registered* warrants are reclassified as accruals since those amounts are liabilities of the School District.

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

1. c. 2. TAXES

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

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

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

1. c. 3. RECEIVABLES

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

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended June 30, 2025

1. c. 4. INVENTORIES

Materials, food inventory, and supplies inventory are reported as expenditures when acquired in governmental funds (using the purchases method) since the focus of governmental funds is on the use of current financial resources. At year-end, inventories were not material.

1. c. 5. CAPITAL ASSETS

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

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

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

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

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

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

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

1. c. 7. LEASE RELATED ACTIVITIES

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

- School District as Lessor – The School District recognizes a lease receivable and a deferred inflow of resources on its government-wide financial statements and fund statements. The School District initially measures these elements at the present value of the payments expected to be made during the lease term. The receivable is amortized and the deferred inflow is recognized as the lease payments are made over the lease term.
 - The lessor retains ownership of the underlying asset and continues to report it as a capital asset net of accumulated depreciation in the School District's financial statement during the lease term.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

- School District as Lessee – The School District recognizes an intangible right-to-use lease asset and a lease liability on its government-wide financial statements and a capital outlay and other revenue on its governmental funds financial statements. The School District measures these items at the commencement of the lease at the present value of the payments expected to be made during the lease term. The lease liability is amortized over the lease term and the right-to-use lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

1. c. 8. VACATION AND SICK LEAVE

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

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

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

Reporting – Liabilities incurred because of unused vacation and sick leave are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds. Expenses are accrued when earned on the *Statement of Activities*. At June 30, 2025, the amount expected to be paid within one year related to governmental activities amounted to \$78,087.

1. c. 9. NET POSITION AND FUND BALANCE

The *Statement of Net Position* includes the following:

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

The governmental fund *Balance Sheet* includes the following fund balances:

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

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

At June 30, 2025, fund balance components other than unassigned fund balance were as follows:

Purpose	Nonspendable	Restricted	Assigned
Instructional and Support Services	\$ 87,454	\$ 107,002	\$ 14,773
Student Transportation	0	139,407	0
Extracurricular	1,420	238,637	0
School Food	6,159	15,408	0
Third Party Grantor Restrictions	0	566,011	0
Employer Retirement Benefits	0	587,643	0
Future Technology	0	123,068	0
Future Capital Costs	84,007	579,588	0
Debt Service	0	102,599	0
Totals	<u>\$ 179,040</u>	<u>\$ 2,459,363</u>	<u>\$ 14,773</u>

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

The School District may adjust the beginning fund balances that were reported in the prior year. These adjustments may result from:

- A change in a fund status as major or nonmajor
- A correction of an error that affected a prior period balance
- The adoption of a change in accounting principle
- Other items as may be required by the circumstances.

The School District discloses these adjustments on face of the financial statements or in the notes to the financial statements.

1. d. OTHER

1. d. 1. USE OF ESTIMATES

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

1. d. 2. COUNTY PROVIDED SERVICES

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

1. d. 3. UNUSUAL IN NATURE OR INFREQUENT IN OCCURRENCE

The School District reported events or transactions as either unusual in nature or infrequent in occurrence when they met the following criteria:

- Unusual in nature - the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the government, taking into account the environment in which the government operates. The event is highly abnormal and not closely related to the government's typical operations in its specific environment.
- Infrequency of occurrence - the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the government operates. The event is not reasonably expected to recur in the foreseeable future given the government's operating environment.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

During the fiscal year, the School District received a donation from a local organization in the amount of \$100,000 for the purpose of acquiring a coach bus. It is unlikely that the School District will ever receive another donation like this in the future.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2025, cash, cash equivalents, and investments for governmental activities were as follows:

	Governmental Activities
Cash and Cash Equivalents	\$ 4,451,947

The carrying amounts of cash on hand, deposits, and investments at June 30, 2025 were as follows:

Account Type	Amount
Cash on Hand	\$ 5,450
Demand Accounts	233,437
County Investment Pool	<u>4,213,060</u>
Total	<u>\$ 4,451,947</u>

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

Custodial Credit Risk – Deposits – The cash of the extracurricular and Cafeteria/FLEX funds was held separately by the School District and, consequently, the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At June 30, 2025, the deposits in the extracurricular funds were fully covered by FDIC insurance.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

NOTE 3. TAXES RECEIVABLE

The School District is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2024, upon which the levy for the 2025 fiscal year was based, amounted to \$17,231,404 for the Elementary School District and \$25,818,609 for the High School District. The tax rates assessed for the year ended June 30, 2025 to finance School District operations and applicable taxes receivable for the elementary and high schools were as follows:

Fund	Mill Levies	Taxes Receivable
<u>Governmental Funds</u>		
<u>Elementary</u>		
General *	63.98	\$ 39,168
Transportation	13.89	8,480
Tuition	9.19	5,560
Technology	6.38	3,808
Debt Service *	28.86	17,807
Building Reserve	1.93	1,178
<u>High School</u>		
General *	32.34	29,256
Transportation	6.58	5,973
Bus Depreciation	0.77	703
Tuition	0.60	556
Adult Education	0.23	198
Technology	2.13	1,900
Debt Service *	33.21	30,397
Building Reserve	0.90	816
Total Governmental Funds	<u>200.99</u>	<u>\$ 145,800</u>

Property taxes assessed may be paid under protest and held by the County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax. Money paid under protest is accounted for by the County in a protested tax fiduciary fund until the final determination. The amount reported above includes \$58 of taxes paid under protest.

NOTE 4. OTHER ASSETS

4. a. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the School District for costs incurred but not reimbursed by third party governments. The amounts due from other governments as of June 30, 2025 were as follows:

Fund	Amount	Due From	Reason
<u>Elementary</u>			
Miscellaneous Programs *	\$ 1,643	Montana	Reimbursement of grant expenditures
Miscellaneous Programs *	2,234	Federal Government	Reimbursement of grant expenditures
Miscellaneous Programs *	52,643	Federal Government	Reimbursement of grant expenditures
<u>High School</u>			
School Food Services	11,994	Federal Government	Reimbursement of grant expenditures
Miscellaneous Programs	6,417	Federal Government	Reimbursement of grant expenditures
Miscellaneous Programs	4,940	Federal Government	Reimbursement of grant expenditures
Miscellaneous Programs	625	Montana	Reimbursement of grant expenditures
Traffic Education	4,800	Montana	Reimbursement of grant expenditures
Multiple funds	13,387	County	STIP earned interest allocation
Total	<u>\$ 98,683</u>		
* Denotes Major Fund			

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

4. b. INVENTORIES

The School District reported inventories at June 30, 2025 as follows:

Fund	Amount	Description
<u>Elementary</u>		
General *	\$ 59,331	Materials and supplies
<u>High School</u>		
General *	28,123	Materials and supplies
School Food Services	<u>6,159</u>	Food stuffs
Total	<u>\$ 93,613</u>	
* Denotes Major Fund		

4. c. PREPAID EXPENSES

The School District reported inventories at June 30, 2025 as follows:

Fund	Amount	Description
<u>High School</u>		
Miscellaneous Programs	\$ 84,007	Advance payment on capital asset
Student Activities	<u>1,420</u>	Cash on deposit with athletic administration organization
Total	<u>\$ 85,427</u>	

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

The schedule of changes in general capital assets for the fiscal year ended June 30, 2025 follows:

Governmental Activities	Primary Government				Balance June 30, 2025
	Balance July 1, 2024	Additions	Deletions	Adjustments/ Transfers	
<u>Non-depreciable Capital Assets:</u>					
Land	\$ 1,175,943	\$ 0	\$ 0	\$ 0	\$ 1,175,943
<u>Depreciable Capital Assets:</u>					
Buildings	33,052,306	25,522	0	0	33,077,828
Improvements Other than Buildings	764,486	0	0	0	764,486
Machinery and Equipment	<u>1,044,071</u>	<u>7,500</u>	<u>0</u>	<u>0</u>	<u>1,051,571</u>
Total Depreciable Capital Assets	34,860,863	33,022	0	0	34,893,885
Less Accumulated Depreciation For:					
Buildings	(8,281,057)	(728,475)	0	0	(9,009,532)
Improvements Other than Buildings	(388,736)	(24,726)	0	0	(413,462)
Machinery and Equipment	<u>(667,718)</u>	<u>(60,018)</u>	<u>0</u>	<u>0</u>	<u>(727,736)</u>
Total Accumulated Depreciation	<u>(9,337,511)</u>	<u>(813,219)</u>	<u>0</u>	<u>0</u>	<u>(10,150,730)</u>
Net Depreciable Capital Assets	<u>25,523,352</u>	<u>(780,197)</u>	<u>0</u>	<u>0</u>	<u>24,743,155</u>
Net Governmental Activities Capital Assets	<u>\$ 26,699,295</u>	<u>\$ (780,197)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,919,098</u>

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

Depreciation expense charged to governmental functions was as follows:

Function	Amount
Instructional Services	\$ 13,317
General Administration Services	1,332
Operation and Maintenance Services	18,366
Transportation Services	22,050
School Food Services	1,500
Extracurricular	3,477
Unallocated	753,177
Total Depreciation Expense	<u>\$ 813,219</u>

NOTE 6. CURRENT LIABILITIES

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

6. a. UNEARNED REVENUES

Unearned revenue, sometimes referred to as deferred revenue, is payment received by the School District from an exchange transaction which has not actually happened at that time of the collections has been received. Once the transaction has been performed by the School District, the revenues will be recognized.

Fund	Amount	Purpose
<u>High School</u>		
School Food Services	\$ 13,013	Prepaid student meal accounts

NOTE 7. LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2025 follows:

Governmental Activities	Balance July 1, 2024	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2025	Due within One Year
<u>Bonds and Notes Payables:</u>					
General Obligation (GO) Bonds	\$ 13,860,000	\$ 0	\$ (940,000)	\$ 12,920,000	\$ 0
Premium on GO Bonds	<u>1,447,931</u>	<u>0</u>	<u>(121,004)</u>	<u>1,326,927</u>	<u>121,004</u>
Total Bonds and Notes Payables	15,307,931	0	(1,061,004)	14,246,927	121,004
<u>Other Liabilities:</u>					
Compensated Absences *	275,618	49,968	0	325,586	78,087
Accrued Pension	6,274,168	0	(359,056)	5,915,112	0
Other Postemployment Benefits	<u>1,211,585</u>	<u>0</u>	<u>0</u>	<u>1,211,585</u>	<u>0</u>
Total Other Liabilities	<u>7,761,371</u>	<u>49,968</u>	<u>(359,056)</u>	<u>7,452,283</u>	<u>78,087</u>
Governmental Activities - Long-term Debt	<u>\$ 23,069,302</u>	<u>\$ 49,968</u>	<u>\$ (1,420,060)</u>	<u>\$ 21,699,210</u>	<u>\$ 199,091</u>

* Increases and decreases of compensated absences are presented as a net change.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

7. a. GENERAL OBLIGATION BONDS

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

Description	Issue Date	Interest Rate	Term	Maturity Date	Amount Issued	Outstanding June 30, 2025
<u>Elementary</u>						
Series 2012	4/26/2012	2-3%	20 years	7/1/2032	\$ 975,000	\$ 400,000
Series 2016	9/22/2016	2-4%	20 years	7/1/2036	7,300,000	4,600,000
<u>High School</u>						
Series 2016	9/22/2016	2-4%	20 years	7/1/2036	8,825,000	5,540,000
Series 2017	1/4/2017	3-4%	20 years	7/1/2036	<u>3,575,000</u>	<u>2,380,000</u>
					<u>\$20,675,000</u>	<u>\$ 12,920,000</u>

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

For the year ended June 30:	Elementary		High School		Premium *
	Principal	Interest	Principal	Interest	Amortization
2026	\$ 0	\$ 98,000	\$ 0	\$ 157,500	\$ 121,004
2027	390,000	188,450	590,000	304,100	121,004
2028	410,000	172,975	615,000	280,900	121,004
2029	425,000	156,825	635,000	255,900	121,004
2030	440,000	140,075	660,000	230,000	121,004
2031-2035	2,345,000	429,075	3,715,000	723,900	601,726
2036-2037	<u>990,000</u>	<u>40,000</u>	<u>1,705,000</u>	<u>68,900</u>	<u>120,181</u>
Totals	<u>\$ 5,000,000</u>	<u>\$1,225,400</u>	<u>\$7,920,000</u>	<u>\$2,021,200</u>	<u>\$ 1,326,927</u>

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

NOTE 8. DEFERRED INFLOWS OF RESOURCES

The School District reported deferred property taxes at June 30, 2025 as follows:

Fund	Amount	Reason
<u>Elementary</u>		
General *	\$ 39,168	Taxes Receivable
Transportation	8,480	Taxes Receivable
Tuition	5,560	Taxes Receivable
Technology	3,808	Taxes Receivable
Debt Service *	17,807	Taxes Receivable
Building Reserve	1,178	Taxes Receivable
<u>High School</u>		
General *	29,256	Taxes Receivable
Transportation	5,973	Taxes Receivable
Bus Depreciation	703	Taxes Receivable
Tuition	556	Taxes Receivable
Adult Education	198	Taxes Receivable
Technology	1,900	Taxes Receivable
Debt Service *	30,397	Taxes Receivable
Building Reserve	<u>816</u>	Taxes Receivable
Total	<u>\$ 145,800</u>	

* Denotes Major Fund

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

NOTE 9. INTERFUND OPERATING TRANSFERS

The School District recorded interfund transfers during the year ended June 30, 2025 as follows:

Operating Fund In	Amount	Operating Fund Out	Purpose
<u>Elementary</u>			
Compensated Absences	\$ 5,088	General * (HS)	To fund compensated absences
<u>High School</u>			
Interlocal Agreement *	70,000	General * (HS)	To fund interlocal agreement
Interlocal Agreement *	50,000	General * (Elem)	To fund interlocal agreement
Compensated Absences	<u>2,833</u>	General * (HS)	To fund compensated absences
Total	127,921		
Less Internal Transactions **	<u>(120,000)</u>		
Total	<u>\$ 7,921</u>		

* Denotes Major Fund

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

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

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

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

As of June 30, 2025, the measurement date, the plan's participants were comprised of:

Active employees	75
Inactive employees (may include spouses)	5

The School District's total OPEB liability amounted to \$1,211,585 at June 30, 2025. The liability was measured as of June 30, 2024 and was determined by an Alternative Measurement Method valuation as of that date.

ASSUMPTIONS AND OTHER INPUTS

The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an Actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 10% of plan participants would elect to continue coverage after retirement.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

The total OPEB liability at June 30, 2025 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average salary increases	2.00%
Discount rate	3.40%
Retiree's share of benefit related costs	100.00%
Healthcare cost trend rate	5.00%

CHANGES IN THE TOTAL OPEB LIABILITY

Balance July 1, 2024	\$ 1,211,585
Changes for the Year *	<u>0</u>
Balance June 30, 2025	<u>\$ 1,211,585</u>

* GASB No. 75 requires an actuarial valuation or calculation using the specified Alternative Measurement Method valuation of the total OPEB liability to be performed at least once every two years and roll forward procedures on the off years. The OPEB liability was measured as of June 30, 2024. No update procedures were used to roll forward the total pension liability to the measurement date. Therefore, normal costs and benefits payments net to zero which results in no change in the OPEB liability.

SENSITIVITY ANALYSIS

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

	Discount Rate		
	1.0% Decrease	Current	1.0% Increase
Total OPEB Liability	\$1,375,082	\$1,211,585	\$ 956,502

	Healthcare Cost Trend Rate		
	1.0% Decrease	Current	1.0% Increase
Total OPEB Liability	\$ 940,363	\$1,211,585	\$ 1,397,413

OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2025, the School District reported \$0 in expense related to OPEB.

On June 30, 2025, the School District did not report deferred outflows or inflows of resources associated with the OPEB liability as no differences between expected and actual experience are determined using the Alternative Measurement Method valuation.

NOTE 11. ENCUMBRANCES

An encumbrance is a portion of a budget appropriation set aside for spending the current year budget. Like the budget itself, an encumbrance is a projection and not yet an account payable or other liability of the School District. When it comes time to pay necessary encumbered funds, the encumbrance disappears in that amount and becomes an actual expenditure of the School District. All encumbrances are classified as assigned or restricted in the funds noted below:

Fund	Amount
<u>Elementary</u>	
General *	\$ 4,649
<u>High School</u>	
General *	<u>10,124</u>
Total	<u>\$ 14,773</u>

* Denotes Major Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

NOTE 12. RISK MANAGEMENT

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

- Compliance with laws, regulations, contracts, grant agreements, and federal award requirements. The School District monitors compliance with laws, regulations, contracts, grant agreements, and federal award requirements by reviewing award documents and guidance, maintaining supporting documentation, and communicating with granting agencies. The School District addresses these risks through board-approved policies, segregation of duties where practical, supervisory review and approval of expenditures and payroll, documented procurement practices, budget-to-actual monitoring, and additional review of grant expenditures and drawdowns.
- Decreased public funding from County, State, and federal sources. Such funding is used in the provision of such services as instructional programing, food, transportation, and capital maintenance and improvements. In the event of such a decrease, the School District would likely need to seek funding from other sources such as increased parental fees, private donations, or increased borrowing. Alternately, the School District could curtail services such as extracurricular or sports programs or increasing class sizes.
- Fraud in purchasing/procurement, payroll, cash receipting, and administration of state and federal programs (e.g., misclassification of costs, unallowable charges, or weak documentation).

Risks related to decreased in public funding relate to possible future decreases in County, State and federal funding. Such funding is used in the provision of such services as instructional programing, food, transportation, and capital maintenance and improvements. In the event of such a decrease, the School District would likely need to seek funding from other sources such as increased parental fees, private donations, or increased borrowing. Alternately, the School District could curtail services such as extracurricular or sports programs or increasing class sizes.

Risks related to losses include:

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

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

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

NOTE 13. EMPLOYEE RETIREMENT SYSTEM

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

Teachers' Retirement System

P.O. Box 200139
1500 Sixth Avenue
Helena, MT 59620-0139
Phone: 406-444-3134
www.trs.mt.gov

Montana Public Employee Retirement Administration

P.O. Box 200131
100 N. Park Avenue Suite 200
Helena, MT 59620-0131
Phone: 406-444-3154
www.mpera.mt.gov

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

The Montana Public Employee Retirement Administration (MPERA) and TRS prepare their financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA and TRS for the purposes of determining the net pension liability (NPL), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, the fiduciary net position, and additions to and deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value.

MPERA and TRS comply with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) statements.

13. b. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

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

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

SUMMARY OF BENEFITS

Service Retirement:

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

Early Retirement:
(actuarially reduced)

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

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

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

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

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

Vesting:
Member's Highest Average Compensation (HAC):

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

Compensation Cap:

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

Monthly Benefit Formula:

- Hired prior to July 1, 2011:
 - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
 - 25 years of membership service or more - 2% of HAC per year of service credit.
- Hired on or after July 1, 2011:
 - Less than 10 years of membership service - 1.5% of HAC per year of service credit;
 - 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit; or
 - 30 years or more of membership service - 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA):

- After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of other adjustments to the member's benefit:
- 3% for members hired **prior** to July 1, 2007
 - 1.5% for members hired **between** July 1, 2007 and June 30, 2013
 - Members hired on or **after** July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

OVERVIEW OF CONTRIBUTIONS

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

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

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

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

Fiscal Year	Member		State & Universities Employer	Local Government		School Districts	
	Hired<07/01/11	Hired>07/01/11		Employer	State	Employer	State
2025	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	.0370%
2024	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	0.370%
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. For fiscal years beginning after June 30, 2024, the additional contribution amount stays at 2.27%. The additional employer contributions, including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions:
 - a. Special Funding
 - i. The State contributed 0.1% of the members' compensation on behalf of local government entities.
 - ii. The State contributed 0.37% of the members' compensation on behalf of school district entities.
 - iii. The State contributed a Statutory Appropriation from the General Fund amounting to \$35,329,705.

ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) as of June 30, 2024, was determined on the results of an actuarial valuation date of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

- Investment Return (net of pension plan investment expense, including inflation) 7.30%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0.00% to 4.80%
- Postretirement Benefit Increases:
 - GABA each January. After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit:
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90% (the 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%)
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality
 - *Active Participants* - PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
 - *Disabled Retirees* - PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
 - *Contingent Survivors* - PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

- *Healthy Retirees* - PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2024 valuation, were developed in the five-year experience study for the period ending 2021. However, the current long-term rate of return is based on analysis in the experience study, without consideration for the administrative expenses analysis shown in the experience study.

DISCOUNT RATE

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under MCA. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2128. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

TARGET ALLOCATIONS

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2024, is based on analysis in the experience study report dated May 2, 2022 without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	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>	

13. c. TEACHERS' RETIREMENT SYSTEM

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

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

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

SUMMARY OF BENEFITS

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

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

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

OVERVIEW OF CONTRIBUTIONS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

ACTUARIAL ASSUMPTIONS

The TPL as of June 30, 2023 is based on the results of an actuarial valuation date of July 1, 2023. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the July 1, 2023 valuation were based on the results of the last actuarial experience study, dated May 3, 2022. Among those assumptions were the following:

- Total Wage Increases:
 - 3.50% to 9.00% for Non-University members
 - 4.25% for University members
(includes 3.50% general wage increase assumption)
- Investment Return:
 - 7.30%
- Price Inflation:
 - 2.75%
- Postretirement Benefit Increases:
 - Tier One. If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two. The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.

Mortality:

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

DISCOUNT RATE

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under MCA. In addition to the contributions, the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2132. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. No municipal bond rate was incorporated in the discount rate.

TARGET ALLOCATIONS

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

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

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

13. d. SENSITIVITY ANALYSIS

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

As of measurement date	1.0% Decrease (6.30%)	Current Discount Rate (7.30%)	1.0% Increase (8.30%)
<u>PERS</u>			
Net Pension Liability	\$ 3,114,210,038	\$ 2,440,353,916	\$ 1,566,800,567
School District's Net Pension Liability	1,010,355	693,076	427,023
<u>TRS</u>			
Net Pension Liability	2,693,051,612	1,873,757,133	1,189,228,680
School District's Net Pension Liability	7,505,354	5,222,036	3,314,301

13. e. NET PENSION LIABILITY

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end. The basis for the TPL as of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024.

The TPL minus the Fiduciary Net Position equals the NPL. The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2024, and 2023, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

At June 30, 2025, the employer recorded a liability for its proportionate share of the NPL as noted below:

As of measurement date	NPL		Percent of Collective NPL		Change in Percent of Collective NPL
	as of 6/30/24	as of 6/30/23	as of 6/30/24	as of 6/30/23	
PERS					
School District Proportionate Share	\$ 693,076	\$ 833,843	0.028338%	0.034169%	(0.005831)%
State of Montana Proportionate Share associated with Employer	198,717	252,950	0.008125%	0.010365%	(0.002240)%
Totals	<u>\$ 891,793</u>	<u>\$ 1,086,793</u>	<u>0.036463%</u>	<u>0.044534%</u>	<u>(0.008071)%</u>
TRS					
School District Proportionate Share	\$ 5,222,036	\$ 5,440,324	0.2787%	0.2808%	(0.0021)%
State of Montana Proportionate Share associated with Employer	2,769,922	2,940,049	0.1478%	0.1517%	(0.0039)%
Totals	<u>\$ 7,991,958</u>	<u>\$ 8,380,373</u>	<u>0.4265%</u>	<u>0.4325%</u>	<u>(0.0060)%</u>

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

The NPL was measured as of June 30, 2024, and the TPL used to calculate the net pension liability was determined by an actuarial valuation as of:

- PERS – June 30, 2024
- TRS – July 1, 2024

	PERS	TRS
<u>Changes in actuarial assumptions, other inputs, and methods:</u>	There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.	There have been no changes in actuarial assumptions since the previous measurement date.
<u>Changes in benefit terms:</u>	There have been no changes in benefit terms since the previous measurement date.	There have been no changes in benefit terms since the previous measurement date.
<u>Changes in proportionate share:</u>	There were no changes to the Plan between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.	There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known..

13. f. PENSION EXPENSE

At June 30, 2025, the employer recognized a pension expense and grant revenue as noted below:

<u>As of measurement date</u>	Pension Expense as of 6/30/24	Pension Expense as of 6/30/23
<u>PERS</u>		
School District's Proportionate Share	\$ (15,073)	\$ 78,597
Employer Grant Revenue – Montana Proportionate Share with the Employer	10,649	23,730
Totals	<u>\$ (4,424)</u>	<u>\$ 102,327</u>
<u>TRS</u>		
School District's Proportionate Share	\$ 270,815	\$ 564,975
State of Montana Proportionate Share associated with the Employer	148,993	273,078
Totals	<u>\$ 419,808</u>	<u>\$ 838,053</u>

13. g. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2025, the employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

	PERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 35,024	\$ 0	\$ 132,115	\$ 0
Changes in actuarial assumptions	0	0	0	173,576
Difference between projected and actual investment earnings	0	15,412	0	100,773
Changes in proportion and differences between actual and expected contributions	0	0	0	102,995
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	83,931	0	0
Contributions paid subsequent to the measurement date –FY 2024 Contributions *	57,030	0	396,091	0
Totals	<u>\$ 92,054</u>	<u>\$ 99,343</u>	<u>\$ 528,206</u>	<u>\$ 377,305</u>

* Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2026.

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

	PERS	TRS
Year Ended June 30	Amount of Deferred Outflows (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense	
2025	\$ (45,343)	\$ (384,637)
2026	(1,503)	240,349
2027	(10,835)	(62,710)
2028	(6,637)	(38,191)
Thereafter	0	0

13. h. EMPLOYER'S PROPORTION OF PENSION AMOUNTS

	PERS	TRS	Employer's Total Pension Amounts
	Employer's Proportionate Share	Employer's Proportionate Share	
Total Pension Liability	\$ 2,747,031	\$ 19,579,946	\$ 22,326,977
Fiduciary Net Position	<u>2,053,955</u>	<u>14,357,910</u>	<u>16,411,865</u>
Net Pension Liability	693,076	5,222,036	5,915,112
Deferred Outflows of Resources	92,054	528,206	620,260
Deferred Inflows of Resources	99,343	377,305	476,648
Pension Expense	(4,424)	419,808	415,384

NOTE 14. CONTINGENCIES

14. a. FEDERAL AWARDS

The School District participated in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the School District's compliance with applicable grant requirements will be established at a future date. The portion of expenditures that may be disallowed, if any, by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, will be immaterial.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2025

NOTE 15. JOINT VENTURE AGREEMENTS

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

15. a. MULTIDISTRICT COOPERATIVE

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

15. a. 1. TECHNICAL SUPPORT

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

15. a. 2. INTERLOCAL AGREEMENT FUND

The School District was a party to an agreement with the elementary and high school districts for the purpose of jointly purchasing/paying for salaries, technology, curriculum, utilities and supplies for the participating districts. The high school is the designated prime agency and is responsible for the financial administration of the multidistrict cooperative. The activity of the multidistrict cooperative is accounted for in fund 82 of the high school. During the fiscal year ended June 30, 2025, the elementary and high school General funds transferred \$50,000 and \$70,000, respectively, into the high school Interlocal Agreement fund.

NOTE 16. TRANSPORTATION

The School District entered into an operating lease with Harlow's School Bus service for its student transportation needs. Harlow's provides buses, drivers, and maintenance of the buses for all student transportation needs of the School District. The contract is renewed annually with adjustments for fuel and mileage. Transportation fees paid in the fiscal year ended June 30, 2025 amounted to \$469,234.

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF FUNDING PROGRESS
Other Postemployment Benefits Other Than Pensions
For the year ended June 30, 2025

CHANGE IN LIABILITY

Fiscal Year End	Service Cost (a)	Interest (b)	Changes in Benefit Terms (c)	Changes in Assumptions or Other Inputs (d)	Benefit Payments (e)	Net Change in Total OPEB Liability Sum of (a) to (e)=(f)	Total OPEB Liability Beginning (g)	Total OPEB Liability Ending (f)+(g)=(h)
6/30/18	\$ 148,893	\$ 750	\$ 0	\$ 1,709	\$ (149,643)	\$ 1,709	\$ 918,433	\$ 920,142
6/30/19	0	0	0	0	0	0	920,142	920,142
6/30/20	282,876	13,342	(130,684)	472,048	(296,218)	341,364	920,142	1,261,506
6/30/21	0	0	0	0	0	0	1,261,509	1,261,506
6/30/22	1,465,687	41,630	(333,446)	212,422	(1,507,317)	(121,024)	1,261,506	1,140,482
6/30/23	0	0	0	0	0	0	1,140,482	1,140,482
6/30/24	198,840	38,776	143,210	(72,106)	(237,617)	71,103	1,140,482	1,211,585
6/30/25	0	0	0	0	0	0	1,211,585	1,211,585

PAYROLL RATIO

Fiscal Year End	Covered Employee Payroll (i)	Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)
6/30/18	\$ 3,790,879	24.27%
6/30/19	4,135,225	22.25%
6/30/20	3,825,424	32.98%
6/30/21	4,725,005	26.70%
6/30/22	4,161,773	27.40%
6/30/23	4,875,325	23.39%
6/30/24	3,878,934	31.24%
6/30/25	3,878,934	31.24%

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

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
(Determined as of the measurement date)
For the year ended June 30, 2025

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

As of Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Net Pension Liability (a)	State's Net Pension Liability (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share as a Percentage of Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.032712%	\$ 457,270	\$ 21,487	\$ 478,757	\$ 394,703	115.85%	78.40%
2016	0.031719%	540,289	25,251	565,539	392,764	137.56%	74.71%
2017	0.034365%	669,297	30,572	699,869	440,515	151.94%	73.75%
2018	0.028673%	598,448	219,464	817,912	487,073	122.87%	73.47%
2019	0.033600%	702,338	249,038	951,376	572,411	122.70%	73.85%
2020	0.034169%	901,451	309,659	1,211,110	591,728	152.34%	68.90%
2021	0.034895%	632,724	204,100	836,824	633,861	99.82%	79.91%
2022	0.032862%	781,432	254,814	1,036,246	593,158	131.74%	73.66%
2023	0.034169%	833,843	252,950	1,086,793	654,359	127.43%	73.93%
2024	0.028338%	693,076	198,717	891,793	571,959	121.18%	74.77%

TEACHERS' RETIREMENT SYSTEM

Year Ended June 30:	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)	State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.2198%	\$ 3,611,114	\$ 2,424,643	\$ 6,035,757	\$ 2,805,244	128.73%	69.30%
2016	0.2223%	4,060,500	2,648,529	6,709,029	2,885,117	140.74%	66.69%
2017	0.2369%	3,993,556	2,535,135	6,528,691	3,124,028	127.83%	70.09%
2018	0.2472%	4,588,967	2,854,933	7,443,900	3,302,331	138.96%	69.09%
2019	0.2625%	5,060,948	3,065,035	8,125,983	3,562,814	142.05%	68.64%
2020	0.2705%	6,085,413	3,597,373	9,682,786	3,723,649	163.43%	64.95%
2021	0.2872%	4,758,267	2,714,542	7,472,809	4,091,194	116.31%	75.54%
2022	0.2840%	5,584,900	3,083,583	8,668,483	4,167,813	134.00%	70.61%
2023	0.2808%	5,440,325	2,940,049	8,380,374	4,176,074	130.27%	71.75%
2024	0.2787%	5,222,036	2,769,922	7,991,958	3,996,720	130.66%	73.33%

These schedules are intended to show information for the most recent 10 years.

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(Determined as of the reporting date)
For the year ended June 30, 2025

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required De- fined Benefit Contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in Relation to the Contractu- ally Required Contributions (c)	Contribution Deficiency (Excess) (a)+(b)- (c)=(d)	Employer's Covered Payroll (e)	Contributions as a Percentage of Covered Payroll ((a)+(b))/(e)
2016	\$ 31,758	\$ 0	\$ 31,758	\$ 0	\$ 392,764	8.09%
2017	35,682	0	35,682	0	440,515	8.10%
2018	39,940	0	39,940	0	487,073	8.20%
2019	47,681	0	47,681	0	572,411	8.33%
2020	50,229	0	50,229	0	591,728	8.49%
2021	54,623	0	54,623	0	633,861	8.62%
2022	51,011	0	51,011	0	593,158	8.60%
2023	57,458	0	57,458	0	654,359	8.78%
2024	50,591	0	50,591	0	571,959	8.85%
2025	57,030	0	57,030	0	648,069	8.80%

TEACHERS' RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required Contributions (a)	Contributions in Relation to Contractually Required Contributions (b)	Contribution Deficiency (Excess) (a)-(b)=(c)	Employer's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (a)/(d)
2016	\$ 312,211	\$ 312,211	\$ 0	\$ 2,885,117	10.82%
2017	282,321	282,321	0	3,124,028	9.04%
2018	300,400	300,400	0	3,302,331	9.10%
2019	360,399	360,399	0	3,562,814	10.12%
2020	398,352	398,352	0	3,723,649	10.70%
2021	382,799	382,799	0	4,091,194	9.36%
2022	416,159	416,159	0	4,167,813	9.99%
2023	437,521	437,521	0	4,176,074	10.48%
2024	461,748	461,748	0	3,996,720	11.55%
2025	396,091	396,091	0	4,017,006	9.86%

These schedules are intended to show information for the most recent 10 years.

MANHATTAN SCHOOL DISTRICT NO. 3

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

(As of Measurement Date)
For the year ended June 30, 2025

NOTE 1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Changes of Benefit Terms

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

2017:

Working Retiree Limitations – for PERS

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

Refunds

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

General Wage Growth*	3.50%
Investment Rate of Return*	7.30%, net of pension plan investment and administrative expenses
*Includes inflation at	2.75%
Merit salary increase	0.00% to 4.80%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Active Participants)	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
Mortality (Disabled Retirees)	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.
Mortality (Contingent Survivors)	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
Mortality (Health Retirees)	PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2023 valuation, were developed in the five-year experience study for the period ending 2021.

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
(As of Measurement Date)
For the year ended June 30, 2025

NOTE 2. TEACHERS' RETIREMENT SYSTEM

Changes of Benefit Terms

There have been no material changes of benefit terms in the past ten years.

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2022:

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

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

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

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

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

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

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

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

- Assumed rate of inflation was reduced from 3.25% to 2.50%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%.

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

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

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

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

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

- Assumed rate of inflation was reduced from 3.50% to 3.25%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- Assumed real wage growth was reduced from 1.00% to 0.75%.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
(As of Measurement Date)
For the year ended June 30, 2025

-
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.

Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

- For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
- For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
- For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
- For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	25 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	3.25 to 9.00 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent, net of pension plan investment expense, and including inflation

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	General (Elem)				
	Original Budget	Final Budget	Budget Variance with Original vs Final Budget - Over (Under)	Actual	Actual Variance with Final Budget - Over (Under)
REVENUES:					
District Levies	\$ 1,102,584	\$ 1,102,584	\$ -	\$ 1,091,561	\$ (11,023)
Interest	52,630	52,630	-	42,516	(10,114)
Charges for Services	46,872	46,872	-	46,872	-
Other	-	-	-	606	606
State	2,732,696	2,732,696	-	2,732,696	-
Total Revenues	<u>3,934,782</u>	<u>3,934,782</u>	<u>-</u>	<u>3,914,251</u>	<u>(20,531)</u>
EXPENDITURES:					
Current:					
Instructional Services				2,187,304	
Support Services - Students				157,306	
Support Services - Instructional				121,731	
General Administrative Services				741,969	
Operation and Maintenance Services				599,419	
Transportation Services				11,144	
School Food Services				15,000	
Extracurricular				63,241	
Total Expenditures	<u>3,984,402</u>	<u>3,984,402</u>	<u>-</u>	<u>3,897,114</u>	<u>(87,288)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(49,620)</u>	<u>(49,620)</u>	<u>-</u>	<u>17,137</u>	<u>66,757</u>
OTHER FINANCING SOURCES (USES):					
Fund Transfers (Out)				(55,088)	
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,088)</u>	<u>(55,088)</u>
Net Change in Fund Balance	(49,620)	(49,620)	-	(37,951)	11,669
FUND BALANCE:					
Beginning of the Year				524,530	
Change in Reserve for Inventory				14,356	
End of the Year				<u>\$ 500,935</u>	

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual (continued)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	Flexibility (Elem)				
	Original Budget	Final Budget	Budget Variance with Original vs Final Budget - Over (Under)	Actual	Actual Variance with Final Budget - Over (Under)
REVENUES:					
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	419	419
Charges for Services	-	-	-	-	-
Other	-	-	-	-	-
State	<u>7,371</u>	<u>7,371</u>	<u>-</u>	<u>7,371</u>	<u>-</u>
Total Revenues	<u>7,371</u>	<u>7,371</u>	<u>-</u>	<u>7,790</u>	<u>419</u>
EXPENDITURES:					
Current:					
Instructional Services				9,916	
Support Services - Students				-	
Support Services - Instructional				-	
General Administrative Services				-	
Operation and Maintenance Services				-	
Transportation Services				-	
School Food Services				-	
Extracurricular				-	
Total Expenditures	<u>14,737</u>	<u>14,737</u>	<u>-</u>	<u>9,916</u>	<u>(4,821)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,366)</u>	<u>(7,366)</u>	<u>-</u>	<u>(2,126)</u>	<u>5,240</u>
OTHER FINANCING SOURCES (USES):					
Fund Transfers (Out)				-	
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(7,366)</u>	<u>(7,366)</u>	<u>-</u>	<u>(2,126)</u>	<u>5,240</u>
FUND BALANCE:					
Beginning of the Year				7,366	
Change in Reserve for Inventory				-	
End of the Year				<u>\$ 5,240</u>	

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual (continued)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

General (HS)					
	Original Budget	Final Budget	Budget Variance with Original vs Final Budget - Over (Under)	Actual	Actual Variance with Final Budget - Over (Under)
REVENUES:					
District Levies	\$ 834,910	\$ 834,910	\$ -	\$ 827,888	\$ (7,022)
Interest	15,303	15,303	-	13,206	(2,097)
Charges for Services	-	-	-	-	-
Other	-	-	-	240	240
State	1,760,933	1,760,933	-	1,760,933	-
Total Revenues	2,611,146	2,611,146	-	2,602,267	(8,879)
EXPENDITURES:					
Current:					
Instructional Services				1,271,722	
Support Services - Students				129,959	
Support Services - Instructional				32,761	
General Administrative Services				408,244	
Operation and Maintenance Services				349,826	
Transportation Services				61,729	
School Food Services				50,600	
Extracurricular				211,617	
Total Expenditures	2,623,614	2,623,614	-	2,516,458	(107,156)
Excess (Deficiency) of Revenues Over Expenditures	(12,468)	(12,468)	-	85,809	98,277
OTHER FINANCING SOURCES (USES):					
Fund Transfers (Out)				(72,833)	
Total Other Financial Sources (Uses)	-	-	-	(72,833)	(72,833)
Net Change in Fund Balance	(12,468)	(12,468)	-	12,976	25,444
FUND BALANCE:					
Beginning of the Year				328,589	
Change in Reserve for Inventory				7,405	
End of the Year				<u>\$ 348,970</u>	

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Budget and Actual (continued)
ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	Flexibility (HS)				
	Original Budget	Final Budget	Budget Variance with Original vs Final Budget - Over (Under)	Actual	Actual Variance with Final Budget - Over (Under)
REVENUES:					
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	1,049	1,049
Charges for Services	-	-	-	-	-
Other	-	-	-	-	-
State	27,846	27,846	-	27,846	-
Total Revenues	27,846	27,846	-	28,895	1,049
EXPENDITURES:					
Current:					
Instructional Services				28,388	
Support Services - Students				-	
Support Services - Instructional				-	
General Administrative Services				-	
Operation and Maintenance Services				-	
Transportation Services				-	
School Food Services				-	
Extracurricular				-	
Total Expenditures	38,381	38,381	-	28,388	(9,993)
Excess (Deficiency) of Revenues Over Expenditures	(10,535)	(10,535)	-	507	11,042
OTHER FINANCING SOURCES (USES):					
Fund Transfers (Out)				-	
Total Other Financial Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	(10,535)	(10,535)	-	507	11,042
FUND BALANCE:					
Beginning of the Year				10,535	
Change in Reserve for Inventory				-	
End of the Year				\$ 11,042	

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

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended June 30, 2025

NOTE 1. BUDGETS

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

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

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

1. a. GENERAL BUDGET POLICIES

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

- The Miscellaneous Programs fund was a major fund but was not included because it is a *non-budgeted special revenue fund*.
- The elementary and High School Debt Service were major funds but were not included because they are *not special revenue funds*.

1. b. BUDGET OPERATIONS

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

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

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (continued)
For the year ended June 30, 2025

NOTE 2. FUND BALANCE RECONCILIATION

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

	General (Elem)	General (HS)
End of the Year (GAAP)	\$ 505,584	\$ 359,094
Current-year Encumbrances	<u>(4,649)</u>	<u>(10,124)</u>
End of the Year (Budget)	<u>\$ 500,935</u>	<u>\$ 348,970</u>

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

NOTE 3. BUDGET AMENDMENTS

The original budgets were not amended.

MANHATTAN SCHOOL DISTRICT NO. 3

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (continued)
For the year ended June 30, 2025

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

	Sub-funds					Internal	
	General	Flexibility	General	Flexibility	Interlocal	Balances	
	(Elem)	(Elem)	(HS)	(HS)	Agreement	Adjustment	Total General
					(HS)	s	Fund
REVENUES:							
District Levies	\$1,091,561	\$ -	\$ 827,888	\$ -	\$ -	\$ -	\$ 1,919,449
Interest	42,516	419	13,206	1,049	40,883	-	98,073
Charges for Services	46,872	-	-	-	-	-	46,872
Other	606	-	240	-	-	-	846
State	2,732,696	7,371	1,760,933	27,846	300	-	4,529,146
Total Revenues	3,914,251	7,790	2,602,267	28,895	41,183	-	6,594,386
EXPENDITURES:							
Current:							
Instructional Services	2,171,528	9,916	1,269,253	28,388	309	-	3,479,394
Support Services - Students	157,306	-	129,959	-	-	-	287,265
Support Services - Instructional	121,731	-	34,845	-	-	-	156,576
General Administrative Services	741,716	-	408,244	-	-	-	1,149,960
Operation and Maintenance Services	599,419	-	349,826	-	-	-	949,245
Transportation Services	11,144	-	61,729	-	-	-	72,873
School Food Services	15,000	-	50,600	-	-	-	65,600
Extracurricular	63,241	-	211,617	-	-	-	274,858
Total Expenditures	3,881,085	9,916	2,516,073	28,388	309	-	6,435,771
Excess (Deficiency) of Revenues							
Over Expenditures	33,166	(2,126)	86,194	507	40,874	-	158,615
OTHER FINANCING SOURCES (USES):							
Fund Transfers In	-	-	-	-	120,000	(120,000)	-
Fund Transfers (Out)	(55,088)	-	(72,833)	-	-	120,000	(7,921)
Total Other Financial Sources (Uses)	(55,088)	-	(72,833)	-	120,000	-	(7,921)
UNUSUAL OR INFREQUENT ITEM:							
Total Unusual or Infrequent Items	-	-	-	-	-	-	-
Net Change in Fund Balance	(21,922)	(2,126)	13,361	507	160,874	-	150,694
FUND BALANCE:							
Beginning of the Year	527,506	7,366	345,733	10,535	1,117,722	-	2,008,862
End of the Year - GAAP Basis	505,584	5,240	359,094	11,042	1,278,596	-	\$ 2,159,556
Less Current Year Encumbrances	(4,649)	-	(10,124)	-	-	-	
End of the Year - Budget Basis	\$ 500,935	\$ 5,240	\$ 348,970	\$ 11,042	\$1,278,596	\$ -	

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

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

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

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENSES, AND BALANCES
STUDENT ACTIVITY FUNDS
For the year ended June 30, 2025

Activity	Beginning Balance 7/1/2024	Revenues	Expenses	Transfers	Ending Balance 6/30/2025
Athletics	\$ 6,286	\$ 151,355	\$ 144,673	\$ -	\$ 12,968
Student Council	8,677	9	1,342	512	7,856
Junior High	30,127	41,521	54,351	(400)	16,897
Athletics - Corporate Sponsorship	17,595	10,530	15,521	23,627	36,231
Annual	1,957	3,533	262	-	5,228
Band	98	150	-	-	248
Skills USA	1,637	2	-	437	2,076
High School Library	2,334	61	74	-	2,321
FCCLA	12,068	21,464	10,059	1,520	24,993
HS General	12,641	28,668	30,985	1,613	11,937
National Honor Society	4,674	100	1,080	437	4,131
K-8 Year Book	2,947	4,589	4,815	-	2,721
Elementary Library	461	7,274	7,243	-	492
Earth Shuttle	3,707	4	-	-	3,711
Speech & Drama	973	437	706	513	1,217
JH Library	264	478	693	-	49
Shop Resale	446	1	-	-	447
Football	802	-	1,150	458	110
Drama	976	1	-	-	977
Tip Off BB Tourney	20,711	5,250	2,334	(23,627)	-
Class of 2025	5,225	1,545	6,042	(728)	-
Class of 2027	1,412	1,380	909	637	2,520
Class of 2029	-	932	-	373	1,305
Robotics	204	-	-	(204)	-
Class of 2026	3,223	2,265	1,605	645	4,528
Wrestling	6,235	739	47	3,570	10,497
BPA	3,296	3,192	2,823	404	4,069
International Club	77	-	-	-	77
Elementary General	3,334	1,907	1,623	-	3,618
Class of 2028	212	27	167	834	906
Softball	1,683	1	1,165	441	960
Concessions	44,741	55,817	35,731	(14,631)	50,196
Track	4,979	4	3,516	495	1,962
Cross-Country	3,682	4	181	629	4,134
Volleyball	2,170	2	500	429	2,101
Cheerleading	9,894	5,080	6,607	500	8,867
Girls Basketball	2,762	4	-	550	3,316
Boys Basketball	585	1	-	637	1,223
JH Peer Helpers	579	1	-	-	580
Golf	2,983	3	-	329	3,315
Choir	1,466	2	195	-	1,273
Total	\$ 228,123	\$ 348,333	\$ 336,399	\$ -	\$ 240,057

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF REPORTED ENROLLMENT
For the year ended June 30, 2025

Fall Enrollment – October 2023									
	Full-time Students			Part-time Students					
	Reported	Audited	Variance	Less Than				Audited	Variance
				180 hours	360 hours	540 hours	720 hours		
Elementary									
Kindergarten	46	46	0	0	0	0	0	0	0
Grade 1 - 6	261	261	0	0	0	0	0	0	0
Grade 7 - 8	<u>140</u>	<u>140</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>447</u>	<u>447</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
High School									
Grade 9 - 12	<u>244</u>	<u>244</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>2</u>	<u>3</u>	<u>0</u>
19-year old	0	0	0						
Youth Challenge	0	0	0						
Job Corps	0	0	0						
Early Graduates	0	0	0						

Spring Enrollment – February 2024									
	Full-time Students			Part-time Students					
	Reported	Audited	Variance	Less Than				Audited	Variance
				180 hours	360 hours	540 hours	720 hours		
Elementary									
Kindergarten	47	47	0	0	0	0	0	0	0
Grade 1 - 6	262	262	0	0	0	0	0	0	0
Grade 7 - 8	<u>146</u>	<u>146</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>
Total	<u>455</u>	<u>455</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>
High School									
Grade 9 - 12	<u>234</u>	<u>234</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>5</u>	<u>0</u>
19-year old	0	0	0						
Youth Challenge	0	0	0						
Job Corps	0	0	0						
Early Graduates	3	3	0						

SCHEDULE OF OTHER INFORMATION FOR GENERAL OBLIGATION BONDS
For the year ended June 30, 2025

Elementary School District No. 3 (Manhattan)

Gallatin County, Montana

General Obligation School Building Bonds, Series 2012

General Obligation School Building Bonds, Series 2016

High School District No. 3 (Manhattan)

Gallatin County, Montana

General Obligation School Building Bonds, Series 2016

General Obligation School Building Bonds, Series 2017

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

Elementary District:

Fiscal Year	Debt Limitation/Capacity	General Obligation Debt Outstanding	Debt Capacity Remaining
2024/25	\$26,694,360	\$5,000,000	\$21,709,360
2023/24	\$22,810,000	\$5,360,000	\$17,450,000
2022/23	\$23,257,500	\$5,725,000	\$17,532,500
2021/22	\$19,824,750	\$6,085,000	\$13,739,750
2020/21	\$20,007,300	\$6,430,000	\$13,577,300

High School District:

Fiscal Year	Debt Limitation/Capacity	General Obligation Debt Outstanding	Debt Capacity Remaining
2024/25	\$33,989,760	\$7,920,000	\$26,084,760
2023/24	\$25,995,640	\$8,470,000	\$17,525,640
2022/23	\$28,397,280	\$9,025,000	\$19,372,280
2021/22	\$25,333,760	\$9,565,000	\$15,768,760
2020/21	\$26,240,930	\$10,085,000	\$16,155,930

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

Elementary District:

Fiscal Year	Taxable Market Valuation	Taxable Valuation
2024/25	\$1,133,491,280	\$17,231,404
2023/24	\$1,116,806,341	\$17,055,946
2022/23	\$720,645,432	\$11,574,299
2021/22	\$697,644,483	\$11,227,766
2020/21	\$577,222,824	\$9,508,500

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF OTHER INFORMATION FOR GENERAL OBLIGATION BONDS (continued)
For the year-ended June 30, 2025

High School District:

Fiscal Year	Taxable Market Valuation	Taxable Valuation
2024/25	\$1,687,769,260	\$25,818,609
2023/24	\$1,679,036,943	\$25,791,492
2022/23	\$1,087,005,751	\$17,658,324
2021/22	\$1,052,920,104	\$17,074,205
2020/21	\$888,634,942	\$14,762,125

3. Estimated District Population

Elementary District:

	Estimated Population
Census 2023	3718

High School District:

	Estimated Population
Census 2023	5848

4. ANB Enrollment

Elementary District:

	Elementary ANB Enrollment (Actual)
2024/25	462
2023/24	500
2022/23	525
2021/22	495
2020/21	510

High School District:

	High School ANB Enrollment (Actual)
2024/25	252
2023/24	242
2022/23	268
2021/22	256
2020/21	269

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF OTHER INFORMATION FOR GENERAL OBLIGATION BONDS (continued)
For the year-ended June 30, 2025

6. Statement of Future Financing/Borrowing

The Elementary School District held a successful Bond Election on June 28, 2016, for \$7,300,000 General Obligation School Building Bonds for a new middle school wing, remodeling elementary classrooms, paying for a portion of the Multi-Purpose Area/Gym Project, and related improvements. The \$7,300,000 Elementary Bonds, Series 2016, were issued on September 22, 2016. Other than the Bonds, the Elementary District does not anticipate the need to incur any additional general obligation indebtedness during the next three years.

The High School District held a successful Bond Election on June 28, 2016, for \$12,400,000 General Obligation School Building Bonds for expanding and renovating high school classrooms, paying for a portion of the Multi-Purpose Area/Gym Project, and related improvements. The \$8,825,000 High School Bonds, Series 2016, were issued on September 22, 2016. The \$3,575,000 High School Bonds, Series 2017, were issued on January 4, 2017. Other than the Bonds, the High School District is considering an additional general obligation indebtedness during the next three years.

7. Levy Rates

Taxing Entity	----- Fiscal Year -----				
	2020/21	2021/22	2022/23	2023/24	2024/25
University Millage	6.00	6.00	6.00	6.00	6.00
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00
County-wide School Levy	96.74	91.29	89.58	80.70	78.21
Manhattan Elementary School District	201.05	175.61	170.78	131.62	124.23
Manhattan High School District	119.48	104.36	97.98	79.14	76.76
Gallatin County Operating and Bond	97.59	88.24	91.25	72.99	78.77
Gallatin County Open Space	4.04	4.04	2.30	1.32	1.15
County Road Fund	19.04	16.76	17.15	11.49	12.03
Soil Conservation	.91	.70	.72	.48	.48
County-wide Planning	1.48	2.18	2.23	1.59	1.65
Manhattan Rural Planning	2.17	2.04	2.09	1.65	1.69
County Library	5.49	4.71	4.82	3.23	3.38
Town of Manhattan	121.82	111.53	115.08	85.48	89.90
Gallatin College	1.50	1.50	1.50	1.50	1.50

MANHATTAN SCHOOL DISTRICT NO. 3

SCHEDULE OF OTHER INFORMATION FOR GENERAL OBLIGATION BONDS (continued)
For the year-ended June 30, 2025

9. Tax Collections

Elementary District:

Fiscal Year	Total Tax Levy	Total Tax Collections ¹
2024/25	\$2,140,852	\$2,119,166
2023/24	\$2,244,661	\$2,232,354
2022/23	\$1,976,703	\$1,963,829
2021/22	\$1,971,505	\$2,037,943
2020/21	\$1,911,779	\$1,895,293

High School District:

Fiscal Year	Total Tax Levy	Total Tax Collections ¹
2024/25	\$1,981,731	\$1,964,884
2023/24	\$2,041,213	\$2,013,166
2022/23	\$1,730,124	\$1,712,706
2021/22	\$1,781,697	\$1,851,470
2020/21	\$1,764,065	\$1,751,780

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

10. Top 10 Major Taxpayers as of FY 2024/25

<u>Elementary District:</u>	<u>Taxable Value</u>	<u>High School District:</u>	<u>Taxable Value</u>
Northwestern Energy-T&D	\$1,080,068	Northwestern Energy-T&D	\$2,010,319
BNSF Railway Co.	\$232,229	BNSF Railway Co.	\$234,287
Federal Cartridge Company	\$186,194	Federal Cartridge Company	\$186,194
Yellowstone Pipeline Co.	\$157,939	Yellowstone Pipeline Co.	\$157,939
Stockman Bank of Montana	\$150,151	Stockman Bank of Montana	\$150,151
Parkhaven Investment LLC	\$143,615	Parkhaven Investment LLC	\$143,615
Jefferson Island LLC	\$129,454	Jefferson Island LLC	\$129,454
Third Prime LLC	\$106,865	Hammer Ranch LLC	\$108,678
Hammer Ranch LLC	\$104,209	Third Prime LLC	\$106,865
Schutter Clifford D & Laura D	\$102,663	Schutter Clifford D & Laura D	\$102,663



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manhattan School District No. 3 (School District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 4, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



STROM & ASSOCIATES, PC
Billings, Montana
February 4, 2026

MANHATTAN SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2025

Prior year findings/status

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

Current year findings

There were no findings or recommendations for the fiscal year ended June 30, 2025.