

HOT SPRINGS PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

**AUDIT REPORT**

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

HOT SPRINGS PUBLIC SCHOOL

SANDERS COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

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HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2023

**BOARD OF TRUSTEES**

Frederick A. DePoe Jr.  
Julie White  
Dirk Roosma  
Jennifer Christensen  
Lynette Ek

Chairperson  
Vice Chairperson  
Trustee  
Trustee  
Trustee

**DISTRICT OFFICIALS**

Carmen Jackson  
Gerald Chouinard  
Nichole Scribner  
Naomi Leisz

Business Manager  
Superintendent  
County Superintendent  
County Attorney

**Hot Springs School District  
Management Discussion and Analysis  
As of June 30, 2023**

**Management Discussion and Analysis**

The Business Manager/Clerk of the Hot Springs School District has provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year ended June 30, 2023. Comparative information year ended June 30, 2023, and the year ended June 30, 2022, are required in the MD&A.

**Using This Financial Report**

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

**Reporting the School District as a Whole**

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

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

**Reporting the District’s Most Significant Funds**

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

**Hot Springs School District  
Management Discussion and Analysis  
As of June 30, 2023**

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

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are shown for governmental funds such as the general funds, special revenue funds for transportation, school food service, debt service and capital outlay funds. These funds represent most of the district’s activities and are accounted for by using the modified accrual basis.

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

**Reporting the District’s Trust and Fiduciary Responsibilities**

The district is the trustee, or fiduciary for the student extracurricular fund. This report includes the activities of this fund in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. This fund is excluded from the district’s statements because the assets cannot be used to fund the district’s operations.

The district is responsible for ensuring the assets of the extracurricular fund are used for their intended purpose.

**The District as a Whole**

The Hot Springs School Districts’ net position decreased by \$255,990 in fiscal year 2023. The District realized a budget deficit and a cash overdraft in the general fund due to continued declining enrollment and increased operational costs. The District used the remaining ESSER III funds to supplement the cost of teacher salaries related to student intervention and help alleviate the budget deficit.

The District usually uses impact aid to supplement the general fund as well. During fiscal year 2022, the federal government overpaid the District due to a miscalculation on their part. They garnished the overpayment in fiscal year 2023. The District worked with the impact aid agent to reverse the garnishment however, the funds were not returned to the District until 2024.

The Districts gym bond liability expired June 30, 2023. The majority of the long-term liability debt outstanding is related to employee net pension and post-employment benefits and compensated absences.

**Hot Springs School District  
Management Discussion and Analysis  
As of June 30, 2023**

**Table 1 - Net Position**

	<b>Governmental Activities</b>		
	<b>FY23</b>	<b>FY22</b>	<b>Change Inc (Dec)</b>
Current and other assets	\$ 886,881	\$ 1,244,025	\$ (357,144)
Capital assets	2,158,215	2,187,854	(29,639)
Total assets	<u>3,045,096</u>	<u>3,431,879</u>	<u>(386,783)</u>
Long-term debt outstanding	\$ 2,095,343	\$ 1,797,747	\$ 297,596
Other liabilities	314,031	742,420	(428,389)
Total liabilities	<u>2,409,374</u>	<u>2,540,167</u>	<u>(130,793)</u>
Net investment in capital assets	2,163,055	2,095,956	67,099
Restricted	641,242	672,063	(30,821)
Unrestricted (deficit)	(2,168,575)	(1,876,307)	(292,268)
Total net position	<u>\$ 635,722</u>	<u>\$ 891,712</u>	<u>\$ (255,990)</u>

**Revenues**

Total revenues for the fiscal year ended June 30, 2023, were approximately \$3.234 million. Total revenue consists primarily of general revenues approximately 77%. The remaining 23% of revenues are program revenues. General revenues are used by the District at its discretion. The District's tax revenue slightly decreased during the fiscal year, which can be attributed to the change in budgetary needs in funds such as debt service. Due to declining enrollment the funds received from the state to help support the general fund balance continues to decrease.

The District's program revenues are 92% funded by federal and state grants. The District received the remaining balances from the ESSER III grant. The federal Title I Grant is consistently awarded to the District and is used to supplement educational services on a schoolwide basis. The federal 21<sup>st</sup> Century Learning Grant funds the high school afterschool program. The remaining balance consists of Special Education, School Food Services, Student Transportation, Local Donations, Drivers Ed Fees, and Adult Ed Fees.

**Expenses**

The district's spending decreased by \$256,032 from fiscal year 2022 to 2023. During fiscal year 2022, the district used Federal ESSER funds to install HVAC units in the high school classrooms, replaced the high school shop classroom roof including the removal of old moldy insulation, and installing HVAC units in the gymnasium. These were one-time costs totaling \$311,720. In addition, District cut its music program at a cost savings of \$48,387.

**Hot Springs School District  
Management Discussion and Analysis  
As of June 30, 2023**

**Table 2 - Changes in Net Position**

	<b>Governmental Activities</b>		
	<b><u>FY23</u></b>	<b><u>FY22</u></b>	<b><u>Change Inc (Dec)</u></b>
<b>Revenues</b>			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 13,648	\$ 12,161	\$ 1,487
Operating grants and contributions	766,842	1,522,782	(755,940)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	676,410	702,904	(26,494)
Grants and entitlements not restricted to specific programs	1,500,603	1,474,190	26,413
Investment earnings	9,241	1,597	7,644
Miscellaneous (other revenue)	4,692	14,232	(9,540)
Indirect costs	-	98	(98)
State technology	1,569	1,246	323
State contributions to retirement	75,332	88,933	(13,601)
County retirement	181,234	258,256	(77,022)
Federal Impact Aid	4,747	133,988	(129,241)
Total revenues	<u>\$ 3,234,318</u>	<u>\$ 4,210,387</u>	<u>\$ (976,069)</u>
<b>Program expenses</b>			
Instructional - regular	\$ 1,372,615	\$ 1,641,190	\$ (268,575)
Instructional - special education	130,206	127,277	2,929
Instructional - vocational education	161,238	162,595	(1,357)
Instructional - adult education	211	-	211
Supporting services - operations & maintenance	325,593	299,793	25,800
Supporting services - general	121,038	73,933	47,105
Supporting services - educational media services	53,870	69,501	(15,631)
Administration - general	351,403	318,100	33,303
Administration - school	210,806	259,023	(48,217)
Administration - business	101,111	113,560	(12,449)
Student transportation	178,324	223,881	(45,557)
Extracurricular	219,442	153,403	66,039
School food	169,109	160,799	8,310
Debt service expense - interest	7,220	9,719	(2,499)
Unallocated depreciation*	88,122	75,397	12,725
Student activities	-	58,169	(58,169)
Total expenses	<u>\$ 3,490,308</u>	<u>\$ 3,746,340</u>	<u>\$ (256,032)</u>
Excess (deficiency) before special items and transfers	\$ (255,990)	\$ 464,047	\$ (720,037)
Gain (loss) on disposal of capital assets	-	(11,196)	11,196
<b>Increase (decrease) in net position</b>	<u><u>\$ (255,990)</u></u>	<u><u>\$ 452,851</u></u>	<u><u>\$ (708,841)</u></u>

**Hot Springs School District  
Management Discussion and Analysis  
As of June 30, 2023**

**Significant Events and Trends**

The District receives funds through the Federal Government’s Impact Aid Program. This program provides money for schools that are impacted by federal non-taxable land in their district. Hot Springs School District has used their impact aid dollars to supplement the general fund and food service funds over the last few years. As enrollment declines so does the families who qualify the District for these funds. Administration continues to actively identify families with students who can be claimed for these funds. During fiscal year 2022 the Federal Government miscalculated and overpaid the district. This error was not caught until 2023, and now are requesting the funds be returned. The District appealed the government’s decision as it was their error and returning the funds would cause an undo financial burden to the District. These funds were returned to the District in 2024.

Enrollment is steadily declining, however costs to educate area children are rising. In May 2023 the District requested additional support from local taxpayers, and it failed. As a result, the District cut an additional \$42,238 with the plans to run another levy in May 2024.

**General Fund**

In the fiscal year 2023, the district realized a cash deficit of \$262,752. In fiscal year 2022, the District utilized the flexible non-voted levy authority to increase the allowable general fund budget by \$94,000. The mill levy authority was restored to the original budgetary component in 2023 resulting in a decrease in general fund authority of \$94,000. In addition, in December 2022, the Federal Government imposed a \$120,000 garnishment of the District's impact aid due to an overpayment during fiscal year 2022. The District relies on impact aid subsidies to supplement the general fund budget. The District attempted to appeal the garnishment claiming undo financial hardship, but the funds were not restored in 2023. These issues coupled with the District's reluctance to enforce a reduction in staff and inflationary increases exceeding state revenues resulted in a negative cash balance.

**Capital Assets**

During fiscal year 2023 the District replaced the cooking and serving equipment in the school kitchen using facility maintenance funds. Changes in accounting standards require the District to capitalize leased machinery. The District currently leases several copiers.

<b>Hot Springs School District</b>			
<b>Capital Assets</b>			
		<b>FY 22</b>	<b>FY 23</b>
	Land & Land Improvements	\$ 100,040.00	\$ 100,040.00
	Buildings & Improvements - net depreciation	\$1,845,050.00	\$ 1,827,879.00
	Buildings & Improvements - construction in progress	\$ 59,769.00	\$ 59,769.00
	Machinery & Equipment - net depreciation	\$ 182,995.00	\$ 230,296.00
	Leased Machinery - net amortization	\$ -	\$ 56,406.00
	<b>Total Expenditures Related To Gov't Activities</b>	<b>\$2,187,854.00</b>	<b>\$ 2,214,621.00</b>



**Hot Springs School District  
Management Discussion and Analysis  
As of June 30, 2023**

**Debt Administration**

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

District paid Total District long term debt obligations are described below:

<b>Hot Springs School District Debt Administration</b>		
	<b>FY22</b>	<b>FY23</b>
General Obligation Bonds/HVAC Loan	\$ 91,898.00	\$ -
OPEB Liability	\$ 49,843.00	\$ 53,332.00
Net Pension Liability	\$1,544,666.00	\$ 1,930,991.00
Compensated Absences	\$ 68,387.00	\$ 68,406.00
<b>Total Expenditures Related To Gov't Activities</b>	<b>\$1,754,794.00</b>	<b>\$ 2,052,729.00</b>

**The District's Future**

The District continues to suffer from funding loss due to declining enrollment. The District cut approximately \$48,387 by eliminating the music program and endured a \$242,661 cash balance deficit and over expended the general fund budget by \$274,037. The District attempted to pass a \$150,000 general fund levy in May 2023, and it failed. In addition, the District's federal impact dollars were being garnished due to a miscalculation. Usually, the District would use these funds to support the general fund and avoid budgetary overdrafts.

In planning for fiscal year 2024, the District instituted additional budgetary reductions of \$42,238 by cutting the business teacher, cross country program, and the payment of the ski club advisor. To avoid another budget overdraft, the district will use Impact Aid dollars and the flexible non-voted levy authority to increase the over-base budget without a vote in the general fund.

Budget planning for fiscal year 2025 the District will reduce projected expenditures by \$201,037, and request taxpayer approval of \$183,000 general fund levy. In May 2024, the levy passed by a narrow margin of 3 votes and could be challenged. An elector has up to 60 days to challenge the levy. The Board can recall and re-run the election however the time frame of 70 days runs into next year's budget adoption timeline. In the event the levy election is recalled and fails, the District will need to decrease it's proposed budget by approximately \$100,000.

**Contact Information**

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

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

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

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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hot Springs Public School, Sanders County, Montana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hot Springs Public School, Sanders County, Montana basic financial statements as listed in the table of contents.

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

**Basis for Opinions**

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

**Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter Our opinion is not modified with respect to this matter.

**Emphasis of Matter**

As described in Note 1 to the financial statements, the General Fund reported a cash overdraft of \$197,093 at the end of the fiscal year. The deficit is due to overspending by the District during the fiscal year. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hot Springs Public School, Sanders County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in the Entity's Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hot Springs Public School, Sanders County, Montana's basic financial statements. The Schedule of Revenues and Expenditures for the Extracurricular Fund, the Schedule of Enrollment, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Revenues and Expenditures for the Extracurricular Fund, the Schedule of Enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report June 27, 2024, on our consideration of the Hot Springs Public School, Sanders County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hot Springs Public School, Sanders County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hot Springs Public School, Sanders County, Montana's internal control over financial reporting and compliance.

*Derringer, Downey and Associates, CPA's, P.C.*

June 27, 2024

**Hot Springs Public School, Sanders County, Montana**  
**Statement of Net Position**  
**June 30, 2023**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	348,121
Taxes and assessments receivable, net		34,427
Other receivable		4,124
Due from other governments		70,592
Total current assets	\$	457,264
Noncurrent assets		
Capital assets - land	\$	100,040
Capital assets - construction in progress		59,769
Capital assets - depreciable, net		1,998,406
Leased assets - net of amortization		56,406
Total noncurrent assets	\$	2,214,621
Total assets	\$	2,671,885
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources - pensions	\$	344,566
Total deferred outflows of resources	\$	344,566
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	\$	<b>3,016,451</b>
<b>LIABILITIES</b>		
Current liabilities		
Warrants payable	\$	28,549
Accounts payable		25,066
Other payroll liabilities		26,900
Current portion of lease liabilities		14,367
Current portion of compensated absences payable		35,852
Total current liabilities	\$	130,734
Noncurrent liabilities		
Other post-employment benefit liability	\$	53,332
Noncurrent portion of lease liabilities		37,199
Noncurrent portion of compensated absences		32,554
Net pension liability		1,930,991
Total noncurrent liabilities	\$	2,054,076
Total liabilities	\$	2,184,810
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - pensions	\$	195,919
Total deferred inflows of resources	\$	195,919
<b>NET POSITION</b>		
Net investment in capital assets	\$	2,163,055
Restricted for capital projects		329,470
Restricted for debt service		35,846
Restricted for special projects		275,926
Unrestricted		(2,168,575)
Total net position	\$	635,722
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$	<b>3,016,451</b>

See accompanying Notes to the Financial Statements

**Hot Springs Public School, Sanders County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Position</u>
<u>Primary government:</u>		<u>Services</u>	<u>Grants and</u>	<u>Primary Government</u>
Governmental activities:			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Instructional - regular	\$ 1,372,615	\$ 2,063	\$ 325,391	\$ (1,045,161)
Instructional - special education	130,206	-	28,160	(102,046)
Instructional - vocational education	161,238	-	16,659	(144,579)
Instructional - adult education	211	105	-	(106)
Supporting services - operations & maintenance	325,593	-	-	(325,593)
Supporting services - general	121,038	-	86,716	(34,322)
Supporting services - educational media services	53,870	-	-	(53,870)
Administration - general	351,403	-	70,662	(280,741)
Administration - school	210,806	-	-	(210,806)
Administration - business	101,111	-	-	(101,111)
Student transportation	178,324	-	34,277	(144,047)
Extracurricular	219,442	-	83,833	(135,609)
School food	169,109	11,480	121,144	(36,485)
Debt service expense - interest	7,220	-	-	(7,220)
Unallocated depreciation*	88,122	-	-	(88,122)
Total governmental activities	\$ 3,490,308	\$ 13,648	\$ 766,842	\$ (2,709,818)
General Revenues:				
Property taxes for general purposes				\$ 676,410
Grants and entitlements not restricted to specific programs				1,500,603
Investment earnings				9,241
Miscellaneous (other revenue)				4,692
State technology				1,569
State contributions to retirement				75,332
County retirement				181,234
Federal Impact Aid				4,747
Total general revenues, special items and transfers				\$ 2,453,828
Change in net position				\$ (255,990)
Net position - beginning				\$ 891,712
Net position - end				\$ 635,722

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

**Hot Springs Public School, Sanders County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ -	\$ 88,627	\$ 294,579	\$ 90,126	\$ 28,599	\$ 43,340	\$ 545,271
Taxes and assessments receivable, net	15,966	10,989	3,439	-	-	4,033	34,427
Other receivable	4,124	-	-	-	-	-	4,124
Due from other funds	-	-	28,645	-	-	-	28,645
Due from other governments	-	-	-	-	70,592	-	70,592
<b>TOTAL ASSETS</b>	<u>\$ 20,090</u>	<u>\$ 99,616</u>	<u>\$ 326,663</u>	<u>\$ 90,126</u>	<u>\$ 99,191</u>	<u>\$ 47,373</u>	<u>\$ 683,059</u>
<b>LIABILITIES</b>							
Current liabilities:							
Cash overdraft	\$ 197,093	\$ -	\$ -	\$ -	\$ -	\$ 57	\$ 197,150
Warrants payable	28,549	-	-	-	-	-	28,549
Accounts payable	2,609	-	-	-	21,670	787	25,066
Due to other funds	-	-	-	-	-	28,645	28,645
Other payroll liabilities	26,900	-	-	-	-	-	26,900
Total liabilities	<u>\$ 255,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,670</u>	<u>\$ 29,489</u>	<u>\$ 306,310</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources	\$ 15,966	\$ 10,989	\$ 3,439	\$ -	\$ -	\$ 4,033	\$ 34,427
Total deferred inflows of resources	<u>\$ 15,966</u>	<u>\$ 10,989</u>	<u>\$ 3,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,033</u>	<u>\$ 34,427</u>
<b>FUND BALANCES</b>							
Restricted	\$ -	\$ 88,627	\$ 323,224	\$ 90,126	\$ 77,521	\$ 43,340	\$ 622,838
Unassigned fund balance	(251,027)	-	-	-	-	(29,489)	(280,516)
Total fund balance	<u>\$ (251,027)</u>	<u>\$ 88,627</u>	<u>\$ 323,224</u>	<u>\$ 90,126</u>	<u>\$ 77,521</u>	<u>\$ 13,851</u>	<u>\$ 342,322</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 20,090</u>	<u>\$ 99,616</u>	<u>\$ 326,663</u>	<u>\$ 90,126</u>	<u>\$ 99,191</u>	<u>\$ 47,373</u>	<u>\$ 683,059</u>

See accompanying Notes to the Financial Statements

**Hot Springs Public School, Sanders County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2023**

<b>Total fund balances - governmental funds</b>	\$	342,322
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,158,215
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		34,427
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(68,406)
Net pension and other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(1,984,323)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		344,566
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(195,919)
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		56,406
Lease liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(51,566)
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u><u>635,722</u></u></b>

See accompanying Notes to the Financial Statements



**Hot Springs Public School, Sanders County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2023**

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Local revenue	\$ 301,907	\$ 239,292	\$ 75,099	\$ 1,138	\$ 83,786	\$ 77,419	\$ 778,641
County revenue	-	17,488	-	181,234	-	-	198,722
State revenue	1,551,820	16,788	-	-	9,416	43,015	1,621,039
Federal revenue	4,747	-	-	-	477,456	115,172	597,375
Total revenues	<u>\$ 1,858,474</u>	<u>\$ 273,568</u>	<u>\$ 75,099</u>	<u>\$ 182,372</u>	<u>\$ 570,658</u>	<u>\$ 235,606</u>	<u>\$ 3,195,777</u>
<b>EXPENDITURES</b>							
Instructional - regular	\$ 909,610	\$ -	\$ -	\$ 96,349	\$ 284,035	\$ 1,880	\$ 1,291,874
Instructional - special education	83,587	-	-	17,863	-	28,756	130,206
Instructional - vocational education	142,288	-	-	16,074	2,876	-	161,238
Instructional - adult education	-	-	-	-	-	211	211
Supporting services - operations & maintenance	308,404	-	-	17,189	-	-	325,593
Supporting services - general	157	-	-	-	120,881	-	121,038
Supporting services - educational media services	41,281	-	-	5,166	7,423	-	53,870
Administration - general	197,483	62,135	-	19,392	50,173	22,220	351,403
Administration - school	188,038	-	-	22,768	-	-	210,806
Administration - business	64,699	27,931	-	8,481	-	-	101,111
Student transportation	18,329	148,645	-	2,304	-	-	169,278
Extracurricular	122,869	-	-	9,545	87,028	-	219,442
School food	3,034	-	-	9,432	-	156,643	169,109
Debt service expense - principal	45,704	-	-	-	-	60,000	105,704
Debt service expense - interest	3,700	-	-	-	-	3,520	7,220
Capital outlay	549	-	-	-	25,173	89,671	115,393
Total expenditures	<u>\$ 2,129,732</u>	<u>\$ 238,711</u>	<u>\$ -</u>	<u>\$ 224,563</u>	<u>\$ 577,589</u>	<u>\$ 362,901</u>	<u>\$ 3,533,496</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (271,258)</u>	<u>\$ 34,857</u>	<u>\$ 75,099</u>	<u>\$ (42,191)</u>	<u>\$ (6,931)</u>	<u>\$ (127,295)</u>	<u>\$ (337,719)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,367	\$ 1,367
Transfers out	(1,367)	-	-	-	-	-	(1,367)
Total other financing sources (uses)	<u>\$ (1,367)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,367</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (272,625)</u>	<u>\$ 34,857</u>	<u>\$ 75,099</u>	<u>\$ (42,191)</u>	<u>\$ (6,931)</u>	<u>\$ (125,928)</u>	<u>\$ (337,719)</u>
Fund balances - beginning	\$ 21,598	\$ 53,770	\$ 248,125	\$ 132,317	\$ 84,452	\$ 139,779	\$ 680,041
Fund balance - ending	<u>\$ (251,027)</u>	<u>\$ 88,627</u>	<u>\$ 323,224</u>	<u>\$ 90,126</u>	<u>\$ 77,521</u>	<u>\$ 13,851</u>	<u>\$ 342,322</u>

**Hot Springs Public School, Sanders County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2023**

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

<b>Net change in fund balances - total governmental funds</b>	\$ (337,719)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	115,393
- Depreciation expense	(113,537)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
- Disposal of capital assets	(31,495)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred inflows)	4,816
The change in compensated absences is shown as an expense in the Statement of Activities	
	(19)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt and lease principal payments	105,704
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(3,489)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	(161,787)
State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	33,725
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.	
	140,916
- Lease assets purchased	
- Amortization expense	(8,498)
<b>Change in net position - Statement of Activities</b>	<b>\$ <u>(255,990)</u></b>

See accompanying Notes to the Financial Statements

HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**New Accounting Pronouncements**

GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. The District has implemented this pronouncement in the current fiscal year.

**General Fund**

The General Fund ended the fiscal year with a deficit cash balance equal \$262,752. This deficit was offset by the combination of the clearing funds, Flex Fund, and Impact Aid Funds equal to \$65,660 for a reported cash overdraft of \$197,093. The deficit in the general fund was caused by a significant overspending of budget authority equal \$274,442. In addition, the District's impact aid funding was adjusted by the U.S. Department of Education resulting in a limited amount of funding being received during the fiscal year. The impact aid funding normally is available to support the General Fund, and offset any budgeted amounts over the available funding. The District is actively working on a sustainable plan to correct the deficit.

**Financial Reporting Entity**

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

HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

*Primary Government*

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

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

**Basis of Presentation, Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements:**

*Basis of Presentation*

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

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

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

HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

*Measurement Focus and Basis of Accounting*

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

**Fund Financial Statements:**

*Basis of Presentation*

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

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

HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

*Measurement Focus and Basis of Accounting*

***Governmental Funds:***

Modified Accrual

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

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

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

Major Funds:

The District reports the following major governmental funds:

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

*Transportation Fund* — Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

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

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

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

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The District's cash, except for the Student Extracurricular demand deposit, and a scholarship savings account is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2023, consisted of a repurchase agreement, savings accounts, and time deposits. Interest earned on pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Sanders County deposits and investments is available from Sanders County Treasurer's office, 11 Main Street, Thompson Falls, Montana 59873. Fair value approximates carrying value for investments as of June 30, 2023.

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

HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash held at Sanders County Treasurer	\$ 283,999
Cash held at Lake County Treasurer	1,423
<u>Cash in banks:</u>	
Demand deposits	62,699
Total	<u>\$ 348,121</u>

**Deposits**

The District deposit balance at year end was \$62,699 and the bank balance was \$74,002.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2023, the government's bank balance was exposed to custodial credit risk as follows:

	<u>June 30, 2023 Balance</u>
<u>Depository Account</u>	
Insured	\$ 74,002
Total deposits and investments	<u>\$ 74,002</u>

**NOTE 3. RECEIVABLES**

**Tax Receivables**

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

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



HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

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

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

**NOTE 4. INVENTORIES AND PREPAIDS**

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

**NOTE 5. CAPITAL ASSETS**

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

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

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

Governmental activities:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2023</u>
Capital assets not being depreciated:					
Land	\$ 100,040	\$ -	\$ -	\$ -	\$ 100,040
Construction in progress	59,769	-	-	(59,769)	-
Total capital assets not being depreciated	\$ 159,809	\$ -	\$ -	\$ (59,769)	\$ 100,040
Other capital assets:					
Buildings	\$ 3,495,536	\$ 38,382	\$ (12,956)	\$ 59,769	\$ 3,580,731
Machinery and equipment	948,919	77,011	(21,522)	-	1,004,408
Total other capital assets at historical cost	\$ 4,444,455	\$ 115,393	\$ (34,478)	\$ 59,769	\$ 4,585,139
Less: accumulated depreciation	(2,416,410)	(113,537)	2,983	-	(2,526,964)
Total	\$ 2,187,854	\$ 1,856	\$ (31,495)	\$ -	\$ 2,158,215

HOT SPRINGS PUBLIC SCHOOL  
SANDERS COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

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

Governmental Activities:	
Instructional – regular	\$ 16,369
Student transportation	9,046
Unallocated	<u>88,122</u>
Total governmental activities depreciation expense	<u>\$ 113,537</u>

**NOTE 6. LEASE**

The District entered into two new 5 year lease agreements in fiscal year 2022 for copiers throughout the District with an original present value of \$73,402.

The summary of changes in the governmental leased assets was as follows:

Governmental activities:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	Balance <u>June 30, 2023</u>
Lease assets being amortized			
Machinery and equipment	\$ 73,402	\$ -	\$ 73,402
Total Lease assets being amortized	<u>\$ 73,402</u>	<u>\$ -</u>	<u>\$ 73,402</u>
Less accumulated amortization for:			
Machinery and equipment	\$ (8,498)	\$ (8,498)	\$ (16,996)
Total accumulated amortization	<u>\$ (8,498)</u>	<u>\$ (8,498)</u>	<u>\$ (16,996)</u>
Total lease assets, amortized, net	<u>64,904</u>	<u>(8,498)</u>	<u>56,406</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES LEASE ASSETS, NET</b>	<u>\$ 64,904</u>	<u>\$ (8,498)</u>	<u>\$ 56,406</u>

The lease liabilities as of June 30, 2023, are as follow:

Governmental Activities:	Balance <u>July 1, 2022</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
Lease Liabilities	\$ 65,372	\$ (13,806)	\$ 51,566	\$ 14,367
Total	<u>\$ 65,372</u>	<u>\$ (13,806)</u>	<u>\$ 51,566</u>	<u>\$ 14,367</u>

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2023</u>
2 Monochrome Copiers	9/1/21	3.99%	5yrs	8/31/26	\$ 17,983	\$ 3,960	\$ 11,762
4 Monochrome Copiers & 1 Color	1/1/22	3.99%	5yrs	12/31/26	<u>55,419</u>	<u>12,204</u>	<u>39,804</u>
					<u>\$ 73,402</u>	<u>\$16,164</u>	<u>\$ 51,566</u>

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

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 14,367	\$ 1,797
2025	14,952	1,213
2026	15,559	605
2027	6,688	73
Total	<u>\$ 51,566</u>	<u>\$ 3,688</u>

**NOTE 7. LONG TERM DEBT OBLIGATIONS**

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 60,000	\$ -	\$ (60,000)	\$ -	-
Loans/Contracted debt	31,898	-	(31,898)	-	-
Compensated absences	68,387	19	-	68,406	35,852
Total	<u>\$ 160,285</u>	<u>\$ 19</u>	<u>\$ (91,898)</u>	<u>\$ 68,406</u>	<u>\$ 35,852</u>

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

**Compensated Absences**

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

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

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

Unused days of sick leave each year will be allowed to accumulate to one hundred (100) days. The school board will pay a rate of  $\frac{1}{2}$  the substitute rate for every unused sick leave day beyond one hundred (100) days at the end of each school year. Upon termination, compensation will be determined by:

- a. For one hundred (100) or fewer unused sick leave days:
  - Termination Pay =  $.20 (Ns) (TS)/Nd$  where
  - Ns = Number of unused sick days sixty (60) or less
  - TS = Termination Salary
  - Nd = Total of PI and PIR days in current school year
- b. And, if applicable, the number of unused sick days over one hundred (100) multiplied by  $\frac{1}{2}$  substitute rate.

The liability associated with teaching and non-teaching employees is reported in the governmental-type activities. The District's compensated absences liability as of June 30, 2023 was \$68,406.

**NOTE 8.      POSTEMPLOYMENT HEALTHCARE PLAN**

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

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

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

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

Total OPEB Liability

The District's total OPEB liability of \$53,332 at June 30, 2023 was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022. The current year was rolled forward of the prior year evaluation.

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

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (Consumer Price Index)	8.35%
Participation rate	10.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

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

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

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

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

Changes in the Total OPEB Liability

Balance at 6/30/2022	\$ <u>49,843</u>
Changes for the year:	
Service Cost	\$ <u>3,489</u>
Net Changes	\$ <u>3,489</u>
Balance at 6/30/2023	\$ <u><u>53,332</u></u>

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

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

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

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

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

In fiscal year ending June 30, 2023, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2022, calculated liability per valuation completed on June 30, 2022.

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

For the year ended June 30, 2023, the District recognized an OPEB expense of \$3,489. The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method.

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**NOTE 9. NET PENSION LIABILITY (NPL)**

As of June 30, 2023, the District reported the following balances as its proportionate share of PERS and TRS pension amounts:

District's Proportionate Share Associated With:

	<u>PERS</u>	<u>TRS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 374,637	\$ 1,556,354	\$ 1,930,991
Deferred outflows of resources*	\$ 90,253	\$ 254,313	\$ 344,566
Deferred inflows of resources	\$ 27,427	\$ 168,492	\$ 195,919
Pension expense	\$ 51,299	\$ 163,853	\$ 215,152

\*Deferred outflows for PERS and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$25,363, and \$115,553, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2023.

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

**Public Employee's Retirement System – Defined Benefit Retirement Plan**

**Summary of Significant Accounting Policies**

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

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**Plan Descriptions**

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

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

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

**Summary of Benefits**

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).



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- b. No service credit for second employment;
  - c. Start the same benefit amount the month following termination; and
  - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
- a. The same retirement as prior to the return to service;
  - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

**Contributions**

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

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

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

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

Fiscal Year	Member		School Districts	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2023	7.900%	7.900%	8.700%	0.370%
2022	7.900%	7.900%	8.600%	0.370%
2021	7.900%	7.900%	8.500%	0.370%
2020	7.900%	7.900%	8.400%	0.370%
2019	7.900%	7.900%	8.300%	0.370%
2018	7.900%	7.900%	8.200%	0.370%
2017	7.900%	7.900%	8.100%	0.370%
2016	7.900%	7.900%	8.000%	0.370%
2015	7.900%	7.900%	7.900%	0.370%
2014	7.900%	7.900%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	6.800%	0.370%
2010 – 2011	6.900%		6.800%	0.370%
2008 – 2009	6.900%		6.800%	0.235%
2000 - 2007	6.900%		6.800%	0.100%

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

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2. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - c. The portion of the 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 contributes 0.1% of members' compensation on behalf of local government entities.
    - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
    - iii. The State contributed a statutory appropriation from its General Fund of \$34,633,570.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2023, was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2023, and 2022 (reporting periods), are displayed below. The District proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The District recorded a liability of \$374,637 and the District's proportionate share was 0.015755 percent.

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	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 374,637	\$ 237,786	0.015755%	0.013114%	0.002641%
State of Montana Proportionate Share associated with Employer	122,163	76,704	0.005137%	0.004230%	0.000907%
Total	<u>\$ 496,800</u>	<u>\$ 314,490</u>	<u>0.020892%</u>	<u>0.017344%</u>	<u>0.003548%</u>

*Changes in actuarial assumptions and methods:*

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

1. The discount rate was increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated the rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

*Changes in benefit terms:*

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

*Changes in proportionate share:*

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

*Pension Expense:*

At June 30, 2023, the District recognized a Pension Expense of \$38,637 for its proportionate share of the pension expense. The District also recognized grant revenue of \$12,662 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 38,637	\$ (11,302)
State of Montana Proportionate Share associated with the Employer	12,662	16,343
Total	<u>\$ 51,299</u>	<u>\$ 5,041</u>

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*Recognition of Beginning Deferred Outflow*

At June 30, 2023, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2022 contributions of \$21,144.

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2023, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,776	\$ -
Actual vs. Expected Investment Earnings	11,010	-
Changes in Assumptions	13,961	27,427
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	35,142	-
Employer contributions subsequent to the measurement date - FY23*	25,363	-
<b>Total</b>	<u>\$ 90,252</u>	<u>\$ 27,427</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

<u>For the Measurement Year ended June 30:</u>		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$	19,231
2024	\$	5,039
2025	\$	(11,875)
2026	\$	25,068
Thereafter	\$	-

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**Actuarial Assumptions**

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increase Below:

**Guaranteed Annual Benefit Adjustment (GABA)**

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on 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.

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**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, 2023, 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 or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly, and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 540,056	\$ 374,637	\$ 235,852

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

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

**Teachers Retirement System**

**Summary of Significant Accounting Policies**

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

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

**Plan Descriptions**

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

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



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**Summary of Benefits**

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

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

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

**Contributions**

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

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

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

**School District and Other Employers**

	<u>Members</u>	<u>Employers</u>	<u>General fund</u>	<u>Total employee &amp; employer</u>
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.3 1%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.5 1%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.8 1%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

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

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2023, and June 30, 2022 (reporting dates).

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	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,556,354	\$ 1,306,880	0.0791%	0.0789%	0.0002%
State of Montana Proportionate Share associated with Employer	857,978	745,102	0.0436%	0.0450%	-0.0014%
<b>Total</b>	<b>\$ 2,414,332</b>	<b>\$ 2,051,982</b>	<b>0.1227%</b>	<b>0.1239%</b>	<b>-0.0012%</b>

At June 30, 2023, the District recorded a liability of \$1,556,354 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2021, through June 30, 2022, relative to the total District contributions received from all of TRS' participating employers. At June 30, 2023, the District's proportion was 0.0791 percent.

*Changes in actuarial assumptions and methods:*

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

- 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.

*Changes in benefit terms:*

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

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*Changes in proportionate share:*

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

*Pension Expense:*

At June 30, 2023, the District recognized a Pension Expense of \$163,853 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$70,947 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 92,906	\$ 85,836
State of Montana Proportionate Share associated with the Employer	70,947	71,590
Total	\$ 163,853	\$ 157,426

*Recognition of Beginning Deferred Outflow*

At June 30, 2023, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2022 contributions of \$110,517.

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*Recognition of Deferred Inflows and Outflows:*

At June 30, 2023, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,812	\$ -
Actual vs. Expected Investment Earnings	36,403	-
Changes in Assumptions	79,545	142,272
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	26,220
Employer contributions subsequent to the measurement date - FY23*	115,553	-
Total	\$ 254,313	\$ 168,492

\*Amounts reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
For the Measurement Year ended June 30:	
2024	\$ 7,053
2025	\$ (36,024)
2026	\$ (87,055)
2027	\$ 86,293
2028	\$ -
Thereafter	\$ -



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**Target Allocations**

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

\* The assumed rate is comprised of a 2.50% inflation rate and a real long-term expected rate of return of 5.00%.

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

**Sensitivity Analysis**

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 2,173,988	\$ 1,556,354	\$ 1,039,473

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

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**NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2023, was as follows:

<b>Due to/from other funds</b>			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cover negative cash balances	Bus Depreciation – Major Governmental	School Food – Nonmajor Governmental	\$ <u>28,645</u>

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2023:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fund future compensated absence payouts	HS Compensated Absences – Nonmajor Governmental	HS Impact Aid – Nonmajor Governmental	\$ <u>1,367</u>

**NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

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

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

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

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

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

**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Transportation	\$ 88,627	Pupil Transportation
Bus Depreciation	323,224	Bus replacement
Retirement	90,126	Employer costs of benefits
Misc Programs	77,521	Third party grantor restrictions
All other aggregate	19,495	Debt Service
	1,685	Student instructional services
	15,391	Vacation and sick leave payouts
	4,598	Adult Education
	<u>2,171</u>	Future construction costs
Total	\$ <u>622,838</u>	



HOT SPRINGS PUBLIC SCHOOL  
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**NOTE 12. DEFICIT FUND BALANCES**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
General Fund	\$ (251,027)	Negative cash balance	Budget cuts to expenditures to be below available funding
School Food	\$ (29,489)	Insufficient resources to cover due to other fund payable	Future support from impact aid and full Community Eligibility Provision program

**NOTE 13. JOINT VENTURES**

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

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

The District's contribution to the Cooperative was \$10,811 for the fiscal year ended June 30, 2023. Separate financial statements are available from the Cabinet Mountain Cooperative.

**NOTE 14. SERVICES PROVIDED BY OTHER GOVERNMENTS**

**County Provided Services**

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

HOT SPRINGS PUBLIC SCHOOL  
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**NOTE 15. RISK MANAGEMENT**

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

Insurance Policies:

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

Insurance Pools:

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

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

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

HOT SPRINGS PUBLIC SCHOOL  
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**NOTE 16. SUBSEQUENT EVENTS**

In May 2024, the District run an election for additional General Fund tax levies equal to \$183,000 to assist the District with budget deficits to continue providing quality educational services. The levy passed by a narrow margin. Due to the narrow margin, it is uncertain if the levy will be levied the fiscal year 2024-2025.

As of June 2024, the during the fiscal year 2023-024 the General Fund cash deficit is estimated to decrease by \$70,000 bringing the deficit to estimated \$195,752. The improvements to the deficit were a result of some programs being cut during the fiscal year 2023-2024, and impact aid revenues in the subsequent periods equal to \$270,832. In the fiscal year 2024-2025, the District is planning additional budget cuts equal to an estimated \$200,000 to continue making improvements on the deficit cash balance in the General Fund.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Hot Springs Public School, Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2023**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY	VARIANCE WITH FINAL
	ORIGINAL	FINAL	BASIS) See Note A	BUDGET
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 299,733	\$ 299,733	\$ 301,731	\$ 1,998
State revenue	1,503,322	1,503,322	1,503,322	-
Amounts available for appropriation	<u>\$ 1,803,055</u>	<u>\$ 1,803,055</u>	<u>\$ 1,805,053</u>	<u>\$ 1,998</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 783,259	\$ 783,259	\$ 862,450	\$ (79,191)
Instructional - special education	112,153	112,153	83,587	28,566
Instructional - vocational education	115,342	115,342	142,288	(26,946)
Supporting services - operations & maintenance	241,656	241,656	308,404	(66,748)
Supporting services - general	-	-	157	(157)
Supporting services - educational media services	16,404	16,404	41,281	(24,877)
Administration - general	178,059	178,059	195,442	(17,383)
Administration - school	163,016	163,016	188,038	(25,022)
Administration - business	71,312	71,312	64,699	6,613
Student transportation	27,078	27,078	18,329	8,749
Extracurricular	94,776	94,776	122,869	(28,093)
Debt service expense - principal	-	-	45,704	(45,704)
Debt service expense - interest	-	-	3,700	(3,700)
Capital outlay	-	-	549	(549)
Total charges to appropriations	<u>\$ 1,803,055</u>	<u>\$ 1,803,055</u>	<u>\$ 2,077,497</u>	<u>\$ (274,442)</u>
Net change in fund balance			<u>\$ (272,444)</u>	
Fund balance - beginning of the year			<u>\$ 10,418</u>	
Fund balance - end of the year			<u>\$ (262,026)</u>	

**Hot Springs Public School, Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2023**

	Transportation			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 243,152	\$ 243,152	\$ 239,292	\$ (3,860)
County revenue	25,438	25,438	17,488	(7,950)
State revenue	25,438	25,438	16,788	(8,650)
Amounts available for appropriation	\$ 294,028	\$ 294,028	\$ 273,568	\$ (20,460)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Administration - general	\$ 60,547	\$ 60,547	\$ 62,135	\$ (1,588)
Administration - business	30,174	30,174	27,931	2,243
Student transportation	203,307	203,307	148,645	54,662
Total charges to appropriations	\$ 294,028	\$ 294,028	\$ 238,711	\$ 55,317
Net change in fund balance			\$ 34,857	
Fund balance - beginning of the year			\$ 53,770	
Fund balance - end of the year			\$ 88,627	

**Hot Springs Public School, Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2023**

<b>Bus Depreciation</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 70,786	\$ 70,786	\$ 75,099	\$ 4,313
Amounts available for appropriation	\$ 70,786	\$ 70,786	\$ 75,099	\$ 4,313
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Debt service expense - interest	\$ 253,031	\$ 253,031	-	\$ 253,031
Total charges to appropriations	\$ 253,031	\$ 253,031	-	\$ 253,031
Net change in fund balance			\$ 75,099	
Fund balance - beginning of the year			\$ 248,125	
Fund balance - end of the year			\$ 323,224	

**Hot Springs Public School, Sanders County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2023**

	<b>Retirement</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ -	\$ -	\$ 1,138	\$ 1,138
County revenue	174,954	174,954	181,234	6,280
Amounts available for appropriation	<u>\$ 174,954</u>	<u>\$ 174,954</u>	<u>\$ 182,372</u>	<u>\$ 7,418</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 119,891	\$ 119,891	\$ 96,349	\$ 23,542
Instructional - special education	20,992	20,992	17,863	3,129
Instructional - vocational education	20,306	20,306	16,074	4,232
Instructional - adult education	289	289	-	289
Supporting services - operations & maintenance	15,940	15,940	17,189	(1,249)
Supporting services - educational media services	981	981	5,166	(4,185)
Administration - general	17,071	17,071	19,392	(2,321)
Administration - school	20,903	20,903	22,768	(1,865)
Administration - business	9,338	9,338	8,481	857
Student transportation	7,851	7,851	2,304	5,547
Extracurricular	12,698	12,698	9,545	3,153
School food	8,844	8,844	9,432	(588)
Other current charges	955	955	-	955
Total charges to appropriations	<u>\$ 256,059</u>	<u>\$ 256,059</u>	<u>\$ 224,563</u>	<u>\$ 31,496</u>
Net change in fund balance			<u>\$ (42,191)</u>	
Fund balance - beginning of the year			<u>\$ 132,317</u>	
Fund balance - end of the year			<u>\$ 90,126</u>	



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

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

	<u>General</u>	<u>Transportation</u>	<u>Bus Depreciation</u>	<u>Retirement</u>
<b>Sources/Inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,805,053	\$ 273,568	\$ 75,099	\$ 182,372
Combined funds (GASBS 54) revenues	<u>53,421</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 1,858,474</u>	<u>\$ 273,568</u>	<u>\$ 75,099</u>	<u>\$ 182,372</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,077,497	\$ 238,711	\$ -	\$ 224,563
Combined funds (GASBS 54) expenditures	52,641	-	-	-
- Encumbrances reported at the beginning of the year	382	-	-	-
- Encumbrances reported at the end of the year	<u>(788)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,129,732</u>	<u>\$ 238,711</u>	<u>\$ -</u>	<u>\$ 224,563</u>

**Note B**

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

**Hot Springs Public School, Sanders County, Montana**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF CHANGES IN THE**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For Fiscal Year Ended June 30, 2023**

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service Cost	\$ 3,489	\$ 3,489	\$ 5,891	\$ 5,891	\$ 4,037	\$ 4,037
Change in assumptions and inputs	-	(24,552)	-	(1,370)	-	-
Net change in total OPEB liability	3,489	(21,063)	5,891	4,521	4,037	4,037
Total OPEB Liability - beginning	49,843	70,906	65,015	60,494	56,457	43,004
Restatement	-	-	-	-	-	9,416
Total OPEB Liability - ending	\$ 53,332	\$ 49,843	\$ 70,906	\$ 65,015	\$ 60,494	\$ 56,457
Covered-employee payroll	\$ 848,664	\$ 848,664	\$ 796,680	\$ 769,680	\$ 1,027,841	\$ 1,027,841
Total OPEB liability as a percentage of covered -employee payroll	6%	6%	9%	8%	6%	5%

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

**Hot Springs Public School, Sanders County, Montana**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2023**

	<u>PERS</u> <u>2023</u>	<u>PERS</u> <u>2022</u>	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.015755%	0.013114%	0.013762%	0.016089%	0.016393%	0.019189%	0.017673%	0.017712%	0.017521%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 374,637	\$ 237,786	\$ 363,059	\$ 336,313	\$ 342,146	\$ 373,737	\$ 301,028	\$ 247,591	\$ 218,316
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 122,163	\$ 76,704	\$ 124,715	\$ 119,251	\$ 125,474	\$ 17,072	\$ 14,069	\$ 11,634	\$ 10,206
Total	<u>\$ 496,800</u>	<u>\$ 314,490</u>	<u>\$ 487,774</u>	<u>\$ 455,564</u>	<u>\$ 467,620</u>	<u>\$ 390,809</u>	<u>\$ 315,097</u>	<u>\$ 259,225</u>	<u>\$ 228,522</u>
Employer's covered payroll	\$ 285,571	\$ 239,001	\$ 238,318	\$ 274,104	\$ 278,470	\$ 245,982	\$ 218,833	\$ 213,714	\$ 205,205
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	131.19%	99.49%	152.34%	122.70%	122.87%	151.94%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>TRS</u> <u>2023</u>	<u>TRS</u> <u>2022</u>	<u>TRS</u> <u>2021</u>	<u>TRS</u> <u>2020</u>	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.0791%	0.0789%	0.0799%	0.0805%	0.0858%	0.0840%	0.0821%	0.0803%	0.0815%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,556,354	\$ 1,306,880	\$ 1,797,308	\$ 1,552,218	\$ 1,591,877	\$ 1,415,611	\$ 1,499,531	\$ 1,319,344	\$ 1,254,032
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 857,978	\$ 745,102	\$ 1,061,350	\$ 940,930	\$ 993,766	\$ 898,783	\$ 980,240	\$ 890,593	\$ 861,497
Total	<u>\$ 2,414,332</u>	<u>\$ 2,051,982</u>	<u>\$ 2,858,658</u>	<u>\$ 2,493,148</u>	<u>\$ 2,585,643</u>	<u>\$ 2,314,394</u>	<u>\$ 2,479,771</u>	<u>\$ 2,209,937</u>	<u>\$ 2,115,529</u>
Employer's covered payroll	\$ 1,161,550	\$ 1,123,785	\$ 1,107,821	\$ 1,092,728	\$ 1,145,558	\$ 1,107,392	\$ 1,065,471	\$ 1,024,909	\$ 1,027,675
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	133.99%	116.29%	162.24%	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	70.61%	75.54%	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

**Hot Springs Public School, Sanders County, Montana**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 25,363	\$ 24,624	\$ 20,528	\$ 20,230	\$ 22,832	\$ 22,834	\$ 19,925	\$ 17,694	\$ 17,033
Contributions in relation to the contractually required contributions	\$ 25,363	\$ 24,624	\$ 20,528	\$ 20,230	\$ 22,832	\$ 22,834	\$ 19,925	\$ 17,694	\$ 17,033
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 291,529	\$ 285,571	\$ 239,001	\$ 238,318	\$ 274,104	\$ 278,470	\$ 245,982	\$ 218,833	\$ 213,714
Contributions as a percentage of covered payroll	8.70%	8.62%	8.59%	8.49%	8.33%	8.20%	8.10%	8.09%	7.97%

	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 115,553	\$ 110,517	\$ 103,040	\$ 99,749	\$ 98,018	\$ 126,238	\$ 97,118	\$ 92,376	\$ 87,835
Contributions in relation to the contractually required contributions	\$ 115,553	\$ 110,517	\$ 103,040	\$ 99,749	\$ 98,018	\$ 126,238	\$ 97,118	\$ 92,376	\$ 87,835
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,171,556	\$ 1,161,550	\$ 1,123,785	\$ 1,107,821	\$ 1,092,728	\$ 1,145,558	\$ 1,107,392	\$ 1,065,471	\$ 1,024,909
Contributions as a percentage of covered payroll	9.86%	9.51%	9.17%	9.00%	8.97%	11.02%	8.77%	8.67%	8.57%

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

**Hot Springs Public School, Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

**Public Employees' Retirement System of Montana (PERS)**

**Changes of Benefit Terms**

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

**2013 Legislative Changes**

*Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013*

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

*Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013*

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

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

**Guaranteed Annual Benefit Adjustment (GABA) - for PERS**

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
  - 1.5% each 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.

**2015 Legislative Changes**

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

**Second Retirement Benefit - for PERS**

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

**Hot Springs Public School, Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

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

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

**Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP**

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

**2017 Legislative Changes**

**Working Retiree Limitations – for PERS**

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

**Refunds**

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

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

**Hot Springs Public School, Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

**Lump-sum payouts**

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

**Disabled PERS Defined Contribution (DC) Members**

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

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

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

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

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actuarial administrative expenses.

**Teachers' Retirement System of Montana (TRS)**

**Changes of Benefit Terms:**

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

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

**Hot Springs Public School, Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

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

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

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

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



**Hot Springs Public School, Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

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

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
  - School Districts contributions will increase from 7.47% to 8.47%
  - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
  - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

**Changes in actuarial assumptions and other inputs:**

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

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

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

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

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%

**Hot Springs Public School, Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
  - The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

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

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

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

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

**Hot Springs Public School, Sanders County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2023**

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

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members was updated to the following:

For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

**Method and assumptions used in calculations of actuarially determined contributions:**

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	29 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary Increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent. Net of pension plan investment expense, and including inflation

# **SUPPLEMENTAL INFORMATION**

**Hot Springs Public School**  
**Sanders County, Montana**  
**Schedule of Enrollment/ANB Schedule**  
**For the Fiscal Year Ended June 30, 2023**

**Students Grade K – 8**

Full-Time Students:

<b>Fall Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Kindergarten Half Day	0	0	0
Kindergarten Full Day	6	6	0
Grades 1-6	92	92	0
Grades 7-8	22	22	0
<b>Spring Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Kindergarten Half Day	0	0	0
Kindergarten Full Day	7	7	0
Grades 1-6	93	93	0
Grades 7-8	21	21	0

Part Time Students:

<b>Fall Enrollment-EI District</b>	<b>Per MAEFAIRS Enrollment Reports</b>				<b>Per District Reports</b>				<b>Difference</b>
<b>Grade</b>	<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	
K-Half	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	0	0	0	0	0	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0
<b>Spring Enrollment-EI District</b>	<b>Per MAEFAIRS Reports Reports</b>				<b>Per District Reports</b>				<b>Difference</b>
<b>Grade</b>	<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	
K-Half	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	0	0	0	0	0	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

**Students Grades 9 – 12:**

Full-Time Students:

<b>Fall Enrollment-HS District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Grades 9 - 12	46	46	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
<b>Spring Enrollment-HS District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Grades 9 - 12	43	43	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	0	0	0

Part Time Students:

<b>Fall Enrollment - HS District</b>	<b>Per MAEFAIRS Enrollment Reports</b>				<b>Per District Reports</b>				<b>Difference</b>
<b>Grade</b>	<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	
Grades 9 - 12	0	0	2	0	0	0	2	0	0
<b>Spring Enrollment-HS District</b>	<b>Per MAEFAIRS Enrollment Reports</b>				<b>Per District Reports</b>				<b>Difference</b>
<b>Grade</b>	<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	<b>&lt;180 hrs/yr</b>	<b>180-359 hrs/yr</b>	<b>360-539 hrs/yr</b>	<b>540-719 hrs/yr</b>	
Grades 9 - 12	0	0	0	0	0	0	0	0	0

Hot Springs Public School  
Sanders County, Montana  
EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2023

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
6th Grade Adopt a Family	\$ 89	\$ 433	\$ 433	\$ 89
AAA	2,682	4,757	3,013	4,426
Annual	40	2,435	3,188	(713)
Art	200	-	-	200
Athletics	(1,052)	19,660	17,177	1,431
Baldy Press	2,179	-	-	2,179
Cheerleading	206	-	-	206
Chromebook Fines	355	920	250	1,025
Class of 2020	-	-	-	-
Class of 2021	41	-	-	41
Class of 2022	202	-	100	102
Class of 2023	1,485	605	1,973	117
Class of 2024	1,180	3,160	373	3,967
Class of 2025	446	984	511	919
Class of 2026	747	822	105	1,464
Class of 2027	1,103	770	-	1,873
Class of 2028	-	177	-	177
Class of 2029	125	-	-	125
Community Fundraiser	308	7,884	8,192	-
Concessions	5,624	10,739	11,082	5,281
Counselor Fund	3,892	1,500	1,064	4,328
Savage Heat Cross Country	42	-	34	8
Crows Nest Fund	488	-	-	488
Drama	652	-	-	652
Hot Springs Elementary	1,391	-	-	1,391
Family Consumer Service (FCS)	83	-	-	83
FCCLA	1,754	5,923	4,367	3,310
FFA	9,455	8,177	12,908	4,724
Savage Heat Football	218	-	-	218
Lady Savage Heat Basketball	354	300	300	354
Interest Income	2	-	-	2
JMG	4,561	4,896	5,343	4,114
Hot Springs Junior High	368	-	202	166
Just Do It Scholarship	501	-	-	501
Library Fund	674	23	-	697
Library Fund RIF	1,139	-	-	1,139
Music	1,608	-	-	1,608
Native American Club	584	-	-	584
Savage Heat Pep Club	31	1,915	1,393	553
Petty Cash	1,600	-	-	1,600

Hot Springs Public School  
Sanders County, Montana  
EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2023 - Continued

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
ProStart	1,036	-	-	1,036
Registration & Misc.	747	1,118	722	1,143
Shop & Mechanics	1,748	25	469	1,304
Savage Heat Student Council	940	115	108	947
Savage Heat Track	273	-	-	273
Dave Tripp Memorial	1,050	1,325	1,050	1,325
Lady Savage Heat Volleyball	148	125	75	198
Welding Dual Credit	2,079	4,162	4,592	1,649
Spa City Bball Tournament	2,442	100	2,453	89
Savage Heat Basketball	-	600	600	-
Total	<u>\$ 55,820</u>	<u>\$ 83,650</u>	<u>\$ 82,077</u>	<u>\$ 57,393</u>

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hot Springs Public School, Sanders County, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hot Springs Public School's basic financial statements and have issued our report thereon dated June 27, 2024.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below that we consider to be material weaknesses listed as item(s) 2023-001 and 2023-002.



**2023-001      General Fund Deficit Cash and Fund Balance**

**Condition:**

The District does not have adequate internal control procedures to monitor the General Fund activity to ensure that it has adequate resources to meet needs of the of the District.

**Context:**

The auditor noted that the General Fund had a significant negative cash balance in the current period equal to (\$262,752). The shortfall was due to the District overspending its budget in the current year by more than \$274,442.

**Criteria:**

The District should have sufficient monitoring procedures in place to identify when revenues and reserves are not meeting expenditure the expenditure needs, and have processes to analyze plan for addressing any shortfalls or expenditure cuts needed to keep the cash balances of the General Fund at a healthy amount.

**Effect:**

The Districts General Fund reported a deficit fund balance of \$251,027 that is a decrease of \$272,625 from the prior year. In addition, the Districts cash balance of the General Fund is also at a deficit of \$197,093, which is a decrease of \$299,032, from the prior year. This balance includes clearing, flex, and impact aid funds cash balances equal to \$65,660.

**Cause:**

The District's internal controls procedures did not identify that the expenditures for the fiscal year exceeded the available funding of the General Fund to take the necessary steps to ensure appropriate changes were made to prevent overspending in the fund.

**Recommendation:**

We recommend that the District establish a plan to eliminate the deficits of the General Fund. In addition, implement a monitoring system to actively review the revenues and expenditures to prevent and identify any shortfalls that may occur to ensure immediate action can be taken to address General Fund from being over drawn in the future.

**2023-002      Student Activities Internal Controls**

**Condition:**

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

1. Adequate supporting documentation for concession sales, gate ticket sales, and fundraising is not being provided from the activity advisories for cash and checks collections deposited with the fund custodian.
2. Monthly activity detail reports are not being provided to activity advisors for review.

This is a repeat finding from the prior year

**Context:**

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

**Criteria:**

1. Adequate internal control procedures would require adequate supporting documentation for concession, gate ticket sales, and fundraising in order to ensure all money being collected by the fund custodian is accounted for.
2. Internal control procedures should include timely monitoring of activities funds.

**Effect:**

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

**Cause:**

- 1 Supporting documentation is not being provided to the fund custodian by the advisors to support the collection of concessions, gate ticket sales, and fundraising being deposited the activity fund custodian.
2. There is control procedure to send the activity detail reports to advisors on a monthly basis, and currently are provided upon request.

**Recommendation:**

1. We recommend that the District require supporting concession sales reports and the gate ticket sales form be remitted with all cash deposits to determine whether all money received is properly deposited.
2. We recommend once the activity funds are reconciled, detail fund reports be emailed to the activity advisors for monitoring of the funds activity

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hot Springs Public School’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item(s) 2023-003.

**2023-003      Budget overdraft**

**Condition:**

The District exceeded its legally adopted budget in the General Funds in fiscal ending June 30, 2023.

**Context:**

The actual expenditures were compared to the adopted budget revealing a budget overdraft in the General Funds.

**Criteria:**

20-3-133, MCA limits the district in making expenditures or incurring liabilities to the total amount of each fund's budget.

**Effect:**

The District's expenditures exceeded its legally adopted budget in the General Funds \$274,036 and is not in compliance with MCA 20-3-133.

**Cause:**

The District's internal budget document identified an anticipated budget deficit, but no changes were made to reduce the expenditures prior to the start of the fiscal year.

**Recommendation:**

The District should review the policies and procedures related to the preparation of the budget and implement additional processes requiring that all budgeted deficits be reviewed by management and board to identify the necessary cuts to the expenditures to spend with in the available resources.

**Hot Springs Public School's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

*Derring, Downey and Associates, CPA's, P.C.*

June 27, 2024

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

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

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

<u>Recommendation</u>	<u>Action Taken</u>
2022-001 Payroll Clearing Fund	Implemented
2022-002 Student Activities Internal Controls	Repeated
2022-003 Prevailing Wage Rate Internal Control and Compliance	Not Repeated

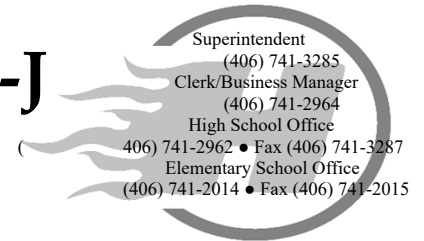
*Denning, Downey and Associates, CPA's, P.C.*

June 27, 2024

# Hot Springs Public Schools #14-J

Proudly Serving Students in Grades K-12

301 Broadway Street • P O Box 1005 • Hot Springs, MT 59845



## Contact Person:

Carmen Jackson

Business Manager/Clerk

406-741-2964

[cjakson@hotspringspride.com](mailto:cjakson@hotspringspride.com)

## Expected Completion Date of Corrective Action Plan:

6/30/2023

## **CORRECTIVE ACTION PLAN**

### FINDING 2023-001: General Fund Deficit Cash and Fund Balance

#### Response:

In fiscal year 2024, the District cut a few programs at a cost savings of \$94,825, the District has also maximized the use of Impact Aid and Title I Federal funding to reduce the deficit cash balance as much as possible during fiscal year 2024, projected \$70,000 deficit reduction.

The District has imposed an additional \$254,000 in general fund cuts to the 2025 fiscal year's projected budget. Projected Impact Aid and Title I funding will be used to reduce the deficit further, estimated \$100,000 deficit reduction.

In addition, the District will attempt to run and pass a general fund mill levy to improve the District's financial condition and restore reserves. By the fiscal year ending 2026, the deficit cash balance will be eliminated.

### FINDING 2023-002: Student Activities Internal Control

#### Response:

In fiscal year 2024, the District purchased 3 square POS systems to help provide adequate documentation to support gate ticket sales and concession sales. In addition, cash box requests and reconciliation forms are being used for other fundraising events.

In fiscal year 2025, monthly activity reports will be given to activity advisors for review.

### FINDING 2023-003: Budget Overdraft

#### Response:

In fiscal year 2024, the District has closely monitored the general fund expenditures to ensure that a budget overdraft is not realized, including implementing approximately \$95,000 in budgetary reductions. The District will also use Impact Aid and Title I Federal funding to help maintain budgetary compliance.

**STATUS OF PRIOR AUDIT FINDINGS**

FINDING 2022-001: Payroll Clearing Fund

Response:  
Implemented

FINDING 2022-002: Student Activities Internal Controls

Response:  
Implementation in Progress

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

Response:  
Implemented.