

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022



HELENA
PUBLIC SCHOOLS

Helena School District #1

Helena, Montana

ANNUAL FINANCIAL REPORT

Of the

HELENA SCHOOL DISTRICT #1

1325 Poplar Street

Helena, MT 59601

For the Fiscal Year Ended

June 30, 2022

Siobhan Hathhorn, Chair Helena Board of Trustees

Rex Weltz, Superintendent

T. Janelle Mickelson, Business Services Administrator

Prepared by:

T. Janelle Mickelson, C.P.A.

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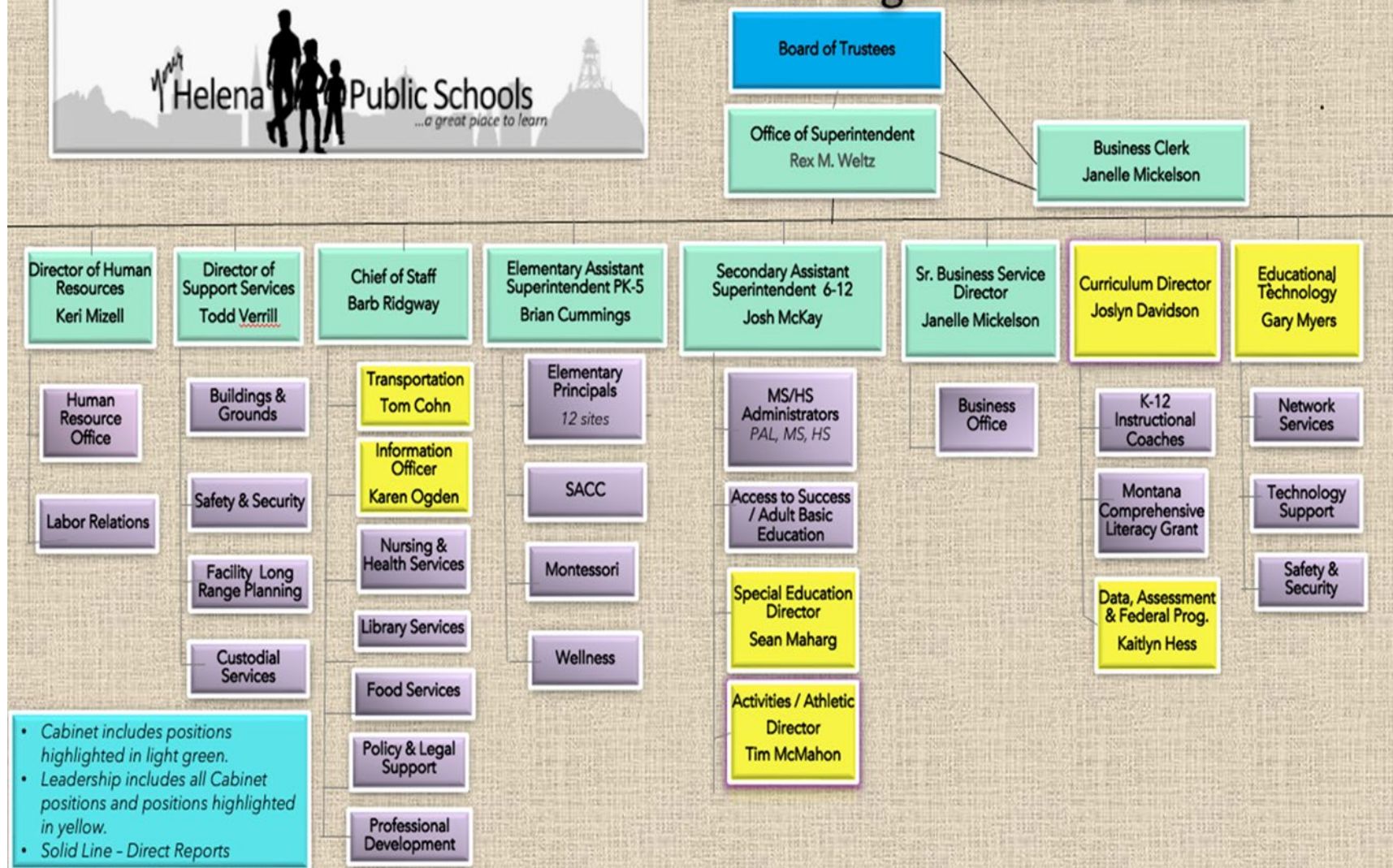
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District Organizational Structure



School District No. 1
Lewis and Clark County
Helena, Montana

Organization

Board of Trustees

Elementary and High School Trustees

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Siobhan Hathhorn	Chairperson	2025
Jennifer McKee	Vice-chair	2023
Janet Armstrong	Trustee	2024
Terry Beaver	Trustee	2024
Lois Fitzpatrick	Trustee	2025
Luke Muszkiewicz	Trustee	2023
Kay Satre	Trustee	2025

High School Trustees

Jennifer Walsh	Trustee - High School	2023
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List of Principal Officials

Rex Weltz	Superintendent
T. Janelle Mickelson	Business Services Administrator
Katrina Chaney	County Superintendent
Leo Gallagher	County Attorney

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Helena School District No.1
Helena, Montana

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Helena School District No.1, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles 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 of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Helena School District No.1 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 unmodified audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Helena School District No. 1'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 Responsibility for the audit of the Financials 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Helena School District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Helena School District No. 26'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 the management's discussion and analysis, budgetary comparison schedule – general fund, budgetary comparison schedule – budget to GAAP reconciliation, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of the net pension liability – teachers retirement and public employees retirement systems of Montana, and schedule of contributions – teachers retirement and public employees retirement systems of Montana, as listed in the table of contents, 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 as a whole. The schedule of school enrollment, schedules of student extracurricular funds and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wipfli LLP

Billings, Montana
March 28, 2023

Helena School District No. 1 Management's Discussion and Analysis For the Year Ended June 30, 2022

The management's discussion and analysis of Helena School District No. 1 (the District), Lewis and Clark County, Helena, Montana's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Elementary Average Number Belonging (ANB) decreased by 117 in the elementary and by 87 in the high school. The decrease in the high school was anticipated as East Helena continues to open grade levels at their new high school. The decrease in the elementary is believed to be a direct result of the pandemic and the District's hybrid model for instruction in the previous year and parents electing to enroll their children elsewhere. The 3-year average ANB was used to calculate budget limits in both the elementary and the high school.
- The state provided for a 1.50% inflationary increase on funding components for the general fund and increased the statewide guaranteed tax base ratio from 232% to 250%. The special education instructional block grant rate increased from \$152.88 to \$156.45, the special education related services block grant increased from \$50.96 to \$52.15, and the threshold to determine disproportionate costs was also raised. New legislation included the special education block grants in the K-12 BASE aid for determination of allocation to school districts, however, no inflation was appropriated for special education funding in fiscal year 2022 and 2023. Overall, state aid to the general fund increased by \$347,578.
- The high school general fund received the third of five-tuition payments for East Helena K-12 students served in the Helena School District (approximately \$231,691). Students will be enrolled in all grade levels in 2023 and the final tuition payment will be received in 2024.
- The District and the Helena Education Association entered into a retirement incentive agreement. The agreement provides for a \$15,000 retirement incentive to teachers meeting certain criteria. The incentive was offered to up to 30 teachers retiring in June 2022 and June 2023. Ten (10) teachers took advantage of the incentive in June of 2022 for a cost of approximately \$225,000 (includes existing incentive in the collective bargaining agreement). Twenty (20) teachers plan to take advantage of the incentive in June 2023. The estimated cost in fiscal year 2022-23 is \$450,000. The District anticipates a savings of approximately \$970,800 in the general funds over the next two years.
- Health benefits increased \$23 from \$820 per month to \$843 per month for a total increase of approximately \$2,998,801.
- A new teacher salary matrix was implemented in FY 2022. The District moved away from PCAP to a traditional steps and lanes matrix. In addition, the District and the Helena Education Association negotiated a 1.5% increase in salaries paid retroactively in fiscal year 2022. Retroactive market adjustments were made to the administration salaries and a new matrix was implemented. Custodians, para educators, secretaries, carpenters, and craft positions all received steps for FY 2022. Overall salary increases were approximately \$4,601,500 (including the health benefits increase and retirement incentive).
- Supply chain issues hindered progress on the final bond projects (primarily safety and security for school building doors) and projects were not quite completed as planned. A cash balance of \$777,508 still remained at year-end.
- Interest revenue remained low for the second consecutive year.
- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,464,689 with a total increase in net position of \$5,626,315. The increase in net position was primarily due to a combination of changes in pension accounts, an increase in net capital assets and increase in deferred outflows of other post-employment benefits (OPEB). The net pension liability decreased by \$22,369,133, deferred pension inflows increased by \$20,030,426 and deferred pension outflows decreased by \$2,467,708. Net capital assets increased \$4,361,203 and deferred OPEB outflows increased \$1,017,015.

Fund Highlights

- The District received \$2,734,910 in CRRSA - State Emergency Relief Fund II (ESSER II), and \$7,525,036 in ARP - State Emergency Relief Fund II (ESSER III). In fiscal year 2021-22, the funding was used to pay for a portion of day custodian salaries, IT employee salaries in support positions, summer school, coaches, nurses, interventions, temporary COVID staff, technology supplies, equipment and services, assessments and curriculum, and \$62,449 towards the Lincoln Center remodel.
- In addition to the above grants, the District also secured the following COVID-related grants: ARP Homeless Children and Youth - \$5,778; ARP FCC Emergency Connectivity Program Fund - \$414,404; ARP IDEA, Part B, Special Education - \$20,685; ARP IDEA, Special Education Preschool - \$19,029; and ARP DPHHS Reopening Schools - \$60,621.
- School meals were served free of charge throughout the school year for the second consecutive year, thus meal sales remained almost non-existent. However, with the higher federal reimbursement rates, the federal school foods reimbursement increased by \$1,512,794.
- State and county transportation reimbursements were both down approximately \$73,000 as a result of the reduction in bus routes due to bus driver shortages during the year.
- With the reopening of facilities both rental income and expenditures showed increased activity, with revenues up by approximately \$21,290 and expenditures up by approximately \$10,225.
- The District received \$145,177 in Advanced Opportunity Aid. The grant money is accounted for in the flexibility fund and is used to reduce student and family out-of-pocket costs for AP exams, dual credit classes and other course fees and for the enhancement of career and technical education programs.
- Tuition for the School Age Child Care (SACC) program rebounded and charges for services increased approximately \$450,000.
- At year-end, after all cash transfers, the interlocal fund had a cash balance of \$9,094,581 of which \$836,421 is earmarked for school building budgets.
- At the end of the current fiscal year, unassigned fund balance for the general funds was \$5,636,950. Fund balance assigned in the general fund was \$9,049,949 of which \$302,637 was for encumbrances. Prepaid expenses of \$64,873 represented non-spendable fund balance. There were no restricted fund balances in the combined general funds.

Capital Asset and Long-term Debt Highlights

- On May 2, 2017, District voters approved a \$63 million elementary bond to build three new elementary schools and to address safety, security and technology upgrades in all K-8 school buildings. In September 2017, Helena School District issued \$55 million of the authorized \$63 million at a premium of \$6,359,194. The remaining \$8,000,000 of the \$63,000,000 authorized was issued June 5, 2019 at a premium of \$793,224. The combined bonded indebtedness on these issues was \$52,680,000 as of June 30, 2022.
- The construction of three new elementary schools is complete and safety and security projects are expected to be complete by the end of the next fiscal year. The governmental capital assets, net of depreciation increased \$2,045,889 and business-type (SACC) capital assets, net of depreciation increased \$11,274 in fiscal year 2022.
- The District implemented GASB Statement No. 87 during FY22. As a result, intangible right of use assets and a corresponding lease liability of \$258,345 were recorded as of July 1, 2021. At year end the assets, net of related amortization were \$183,731 and the outstanding lease obligations were \$182,713.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Helena School District. The basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary schedules and other required supplemental information and 4) notes to the financial statements. Also included in the annual report is other supplementary information which is intended to furnish additional detail to support the basic financial statements. These components are described below:

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the District finances, in a manner similar to a private-sector business. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to private-sector accounting. The statement of net position and changes in it from year to year is a measure of the financial position of the District. Over time, increases or decreases are an indicator of the financial health. Other considerations such as the change in the tax base and funding decisions by the State of Montana affect the financial health.

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of the District, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The activities include governmental activities and business-type activities.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Most services normally associated with school government are considered governmental activities, and fall into this category including instruction, support services, general, school and business administrative services, operation and maintenance, student transportation, food services, community services, and other expenditures. The business-type activity of the District is comprised of a school-aged childcare center.

The government-wide financial statements include the financial information for the District and are reported beginning on page 17.

Fund financial statements: A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary. With the implementation of GASB 84, Fiduciary Activities, the District no longer has fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same function reported as governmental activities within the government-wide financial statements. These funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. They provide a short-term view of the District's general governmental operations and the basic services that it provides. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term *inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year.

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

The District is comprised of an elementary district and a high school district that are separate legal entities required and recognized by state law. The elementary and high school districts each maintain fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general funds of each district, the elementary food service fund, the elementary miscellaneous programs fund and the high school miscellaneous programs fund which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation.

The District adopts an annual appropriated budget for its general funds, select special revenue, debt service, and building reserve funds as required by state law. The District's high school general fund budget was amended to account for tuition receipts received from East Helena K-12 school district. All other original budgets and final budgets were identical. The budgetary comparison schedules (page 67 and 68) show how actual expenditures compared to the original and final budgeted expenditures for the general fund. There were no significant variances between the final expenditure budget and the actual expenditures.

Proprietary funds. The District maintains two different types of proprietary funds. The *Enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for the School-Aged Child Care (SACC) program. *Internal service funds* are a group of accounts used to accumulate and allocate cost internally among the various functions of the school district. The District uses internal service funds to account for the warehousing of its art, office, custodial and nursing supplies, for printing services, for collecting health insurance premiums and costs for District employees, and finally to pay the liability premiums of the district. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the SACC program and when combined are considered to be a major fund (Business –Type Activities) of the District. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the programs of the District. With the implementation of GASB 84, Fiduciary Activities, the District does not operate any fiduciary funds.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-65 of this report.

Other information In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found beginning on page 66 of this report.

The School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the financial position of the government. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,464,689 at the close of the most recent fiscal year.

The school district's investment in capital assets such as land, buildings, and equipment, less related outstanding debt used to acquire the assets represents \$60,885,866 of net position. The Helena School District uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. Although the investment in the capital assets by the District is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets by law cannot be used to liquidate these liabilities.

The second portion of the net position, *restricted net position*, of Helena School District which totals \$20,312,614 represents resources that are subject to external restrictions on how they may be used. Of the \$20,312,614 \$7,892,846 or 39% represents unobligated resources in the self-insurance fund, \$2,585,488 or 13% represents resources restricted for capital projects, \$3,369,372 or 16% represents resources restricted for pupil transportation and food service, and \$3,021,867 or 15% represents resources restricted for retirement benefits.

The remaining balance is an *unrestricted net position* deficit totaling \$55,733,791. This deficit is primarily due to the net pension liability for the Montana Public Employees Retirement and Teachers' Retirements systems.

At the end of the current fiscal year, the District is able to report positive balances in net position for the government as a whole as was true for the prior fiscal year.

Net Position of Helena School District No. 1

As stated earlier, the increase in net position was primarily due to a combination of changes in pension accounts, an increase in net capital assets and increase in deferred outflows of OPEB.

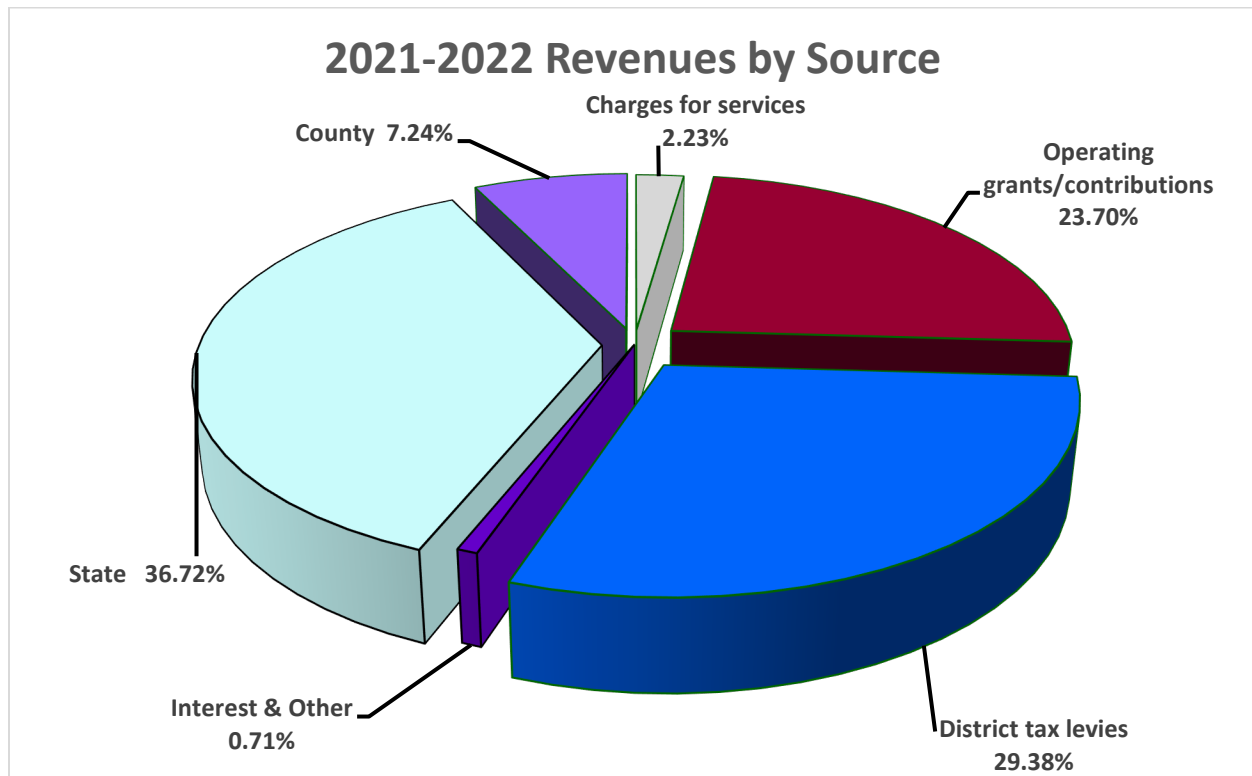
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$44,907,380	\$45,365,501	\$294,946	\$493,270	\$45,202,326	\$45,858,771
Capital assets, net	<u>119,660,931</u>	<u>117,431,311</u>	<u>16,014</u>	<u>4,740</u>	<u>119,676,945</u>	<u>117,436,051</u>
Total Assets	164,568,311	162,796,812	310,960	498,010	164,879,271	163,294,822
Deferred Outflows						
-Pensions	15,031,148	17,435,566	148,323	211,613	15,179,471	17,647,179
-Other post employment benefits	<u>1,750,373</u>	<u>733,358</u>			<u>1,750,373</u>	<u>733,358</u>
Total deferred outflows	16,781,521	18,168,924	148,323	211,613	16,929,844	18,380,537
Long-term liabilities outstanding	128,620,053	153,101,082	746,885	1,141,016	129,366,938	154,242,098
Other Liabilities	<u>4,576,178</u>	<u>4,572,677</u>	<u>50,004</u>	<u>299,001</u>	<u>4,626,182</u>	<u>4,871,678</u>
Total liabilities	133,196,231	157,673,759	796,889	1,440,017	133,993,120	159,113,776
Deferred Inflows						
-Pensions	20,395,461	568,288	204,671	1,418	20,600,132	569,706
-Other post-employment benefits	<u>1,751,174</u>	<u>2,153,503</u>			<u>1,751,174</u>	<u>2,153,503</u>
Total deferred inflows	22,146,635	2,721,791	204,671	1,418	22,351,306	2,723,209
Net position:						
Net investment in capital assets	60,869,852	56,519,923	16,014	4,740	60,885,866	56,524,663
Restricted	20,312,614	22,815,900			20,312,614	22,815,900
Unrestricted	<u>(55,175,500)</u>	<u>(58,765,637)</u>	<u>(558,291)</u>	<u>(736,552)</u>	<u>(55,733,791)</u>	<u>(59,502,189)</u>
Total net position	<u>\$26,006,966</u>	<u>\$20,570,186</u>	<u>(\$542,277)</u>	<u>(\$731,812)</u>	<u>\$25,464,689</u>	<u>\$19,838,374</u>

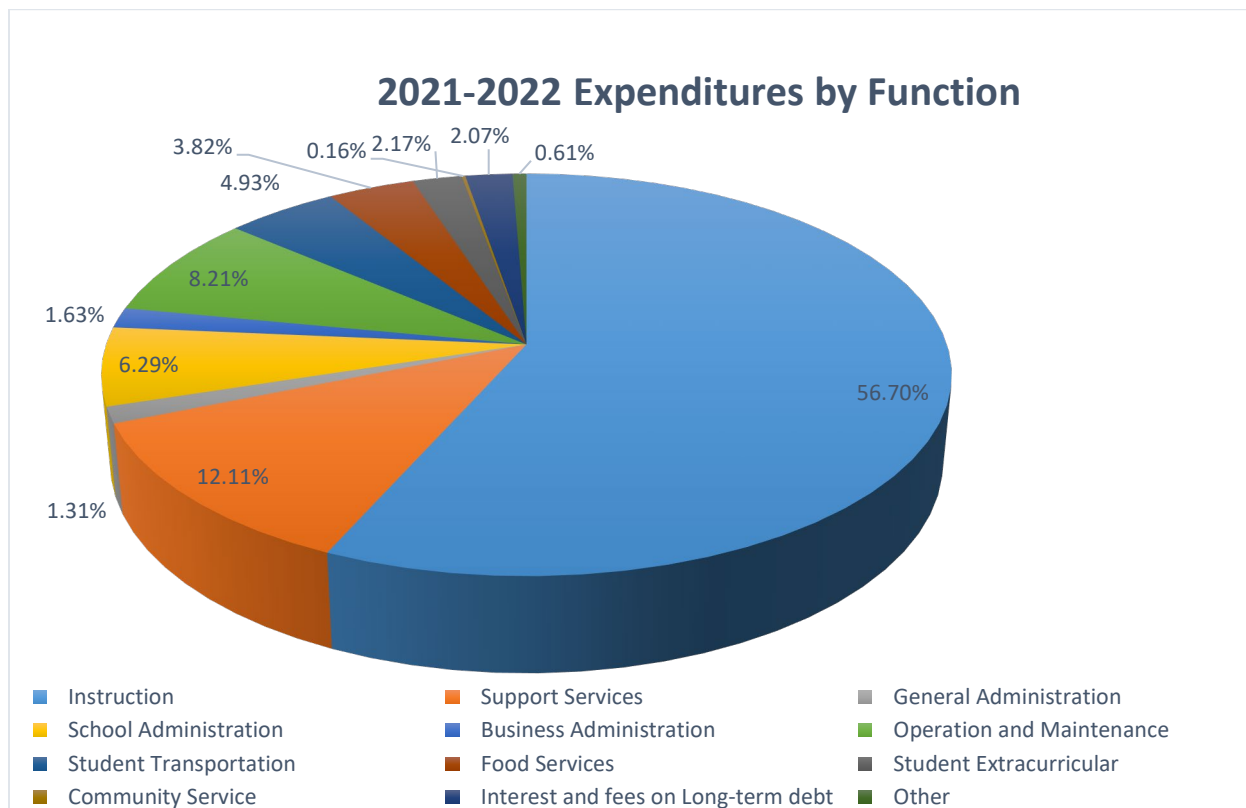
Changes in Net Activities of Helena School District No. 1

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$1,971,491	\$1,532,536	\$710,727	\$263,690	\$2,682,218	\$1,796,226
Operating grants/contributions	28,154,539	21,976,828	309,008	613,084	28,463,547	22,589,912
General revenues						
District tax levies	35,283,478	35,200,161			35,283,478	35,200,161
Interest	120,013	116,456	804	1,897	120,817	118,353
State	44,094,332	46,388,962			44,094,332	46,388,962
County	8,690,675	7,776,947			8,690,675	7,776,947
Net gain (loss) on disposition of property	10,867	16,405			10,867	16,405
All other	<u>697,504</u>	<u>706,887</u>	<u>38,146</u>	<u>80,962</u>	<u>735,650</u>	<u>787,849</u>
Total Revenues	119,022,899	113,715,182	1,058,685	959,633	120,081,584	114,674,815
Expenses:						
Instruction	64,893,947	71,373,191			64,893,947	71,373,191
Support Services	12,990,629	11,082,973	869,150	1,400,975	13,859,779	12,483,948
General Administration	1,496,335	1,326,312			1,496,335	1,326,312
School Administration	7,195,470	6,676,052			7,195,470	6,676,052
Business Administration	1,870,262	1,795,629			1,870,262	1,795,629
Operation and Maintenance	9,391,312	10,925,361			9,391,312	10,925,361
Student Transportation	5,646,745	4,939,808			5,646,745	4,939,808
Food Services	4,367,536	3,074,713			4,367,536	3,074,713
Student Extracurricular	2,487,935	1,845,442			2,487,935	1,845,442
Community Service	178,584	115,358			178,584	115,358
Interest and fees on Long-term debt	2,367,012	2,581,812			2,367,012	2,581,812
Other	<u>700,352</u>	<u>380,814</u>			<u>700,352</u>	<u>380,814</u>
Total expenses	<u>113,586,119</u>	<u>116,117,465</u>	<u>869,150</u>	<u>1,400,975</u>	<u>114,455,269</u>	<u>117,518,440</u>
Increase/(Decrease) in net position	5,436,780	(2,402,283)	189,535	(441,342)	5,626,315	(2,843,625)
Net position, prior year	<u>20,570,186</u>	<u>22,913,448</u>	<u>(731,812)</u>	<u>(290,470)</u>	<u>19,838,374</u>	<u>22,622,978</u>
Prior Period Adjustments:						
Restatements		59,021			-	59,021
Net position, current year	<u>\$26,006,966</u>	<u>\$20,570,186</u>	<u>(\$542,277)</u>	<u>(\$731,812)</u>	<u>\$25,464,689</u>	<u>\$19,838,374</u>

Governmental activities. Net position of the District increased from governmental activities by \$5,436,780. Key elements of this change include:

- Instructional expenditures were down \$6,479,244, primarily due to a decrease in pension expense of approximately \$9,968,633 from the previous year.
- The State's proportionate share of overall pension expense decreased by approximately \$2,568,648 , which was the primary reason for the decline of \$2,294,630 in state revenues.
- The District moved its focus away from safe reopening of schools and using ESSER funding for personal protective equipment (PPE) and placed more attention on learning loss. This, along with building bond projects coming to end accounted for the reduction in operations and maintenance expenditures of \$1,534,049.
- The Trustees transferred a total of \$2,414,770 from the general, transportation and adult education funds to the elementary interlocal fund. At year end, the fund balance in the interlocal fund was \$9,044,667. This multidistrict cooperative fund was created for the purpose of purchasing K-12 curriculum and resource adoption, professional development, emergency staffing to achieve accreditation standards, and operational costs for the participating districts, which include but are not limited to one-time staffing costs of participating districts. Retirement incentives of approximately \$216,780, curriculum of approximately \$621,000, \$265,550 of the CR Anderson lighting project, and approximately \$92,000 for assessments were paid out of the multidistrict cooperative fund.





Generally, since Montana State law requires a balanced budget in the budgeted funds, the growth in expenditures matches the growth in the revenues for these funds. The greatest increase within all of the expense functions is in the benefits and salaries for employees. The district spends on an average 90-95% of the general fund budget on salaries and benefits. Since the non-salary expense budgets in all categories in the general fund have been frozen by the Board of Trustees, in order to balance the budgets; the increases in the expense categories reflects wage and benefit increases.

Business-type activities. Although the District's School-Aged Child Care (SACC) program had a deficit net position of \$542,277, this was a \$189,535 improvement over the prior year deficit with tuition revenues up almost \$450,000.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the *governmental funds* of the District is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the financial requirements of the school district. In particular, *unassigned fund balance* may serve as a useful measure of the net resources available for spending at the end of the year. Unassigned fund balance represents amounts that are neither non-spendable, restricted, committed, or assigned – they are the residual balance.

As of the end of the current fiscal year, the governmental funds of the school district reported a combined ending fund balance of \$31,452,999 an increase of \$1,044,025. The increase was primarily due to a larger than normal remaining fund balance at year-end in the high school general fund and the transportation funds. Expenditures that would normally be paid from the general fund were paid with ESSER and CARES money. As was mentioned earlier, several bus routes were suspended during the year due to a bus driver shortage and costs were less than anticipated (budgeted) at year-end. Much of the unspent balances were transferred to the interlocal fund. In addition, the food service fund balance increased \$918,157 because of the large increase in federal reimbursements (\$1,512,794). Of this total fund balance, \$12,867,761 is restricted by state law or by grant agreements for a specific purpose, \$12,874,321 is assigned, the bulk of which is assigned for the multidistrict cooperative agreement, \$5,621,711 is unassigned, and \$89,206 is non-spendable (prepaid expenditures).

The general funds are the main operating funds of the elementary and high school districts. For financial statement reporting purposes, they are comprised of the elementary and high school general funds, flexibility funds, and the elementary interlocal fund. At the end of the current fiscal year, \$302,637 of the fund balance was assigned for encumbrances and \$8,747,312 was assigned for the multi-district cooperative agreement and flexibility funds, \$5,636,650 was unassigned and

available for any general operations, and the remaining \$64,873 was non-spendable fund balance (prepaid expenditures). As a measure of the liquidity of this fund, it may be useful to compare the total fund balance of \$14,751,472 to total fund expenditures which represents approximately 24% of the total general fund expenditures.

Helena School District operates eleven special revenue funds, which account for activities related to transportation of students; food service; tuition payment to out-of-district schools and facilities; employer retirement benefits; federal program activities; adult education; facility rentals; and technology programs. The combined total fund balance of these funds at fiscal year-end is \$12,908,118. Of this total, \$24,333 is non-spendable prepaid expenses, \$9,133,194 is restricted by state law or grant agreements, and \$3,765,530 is assigned by the District, primarily for regular instruction (\$3,598,063).

The debt service funds have a total balance of \$442,077, an increase of \$86,070 from the previous year. As of June 30, 2022, the outstanding general obligation debt in the elementary school was \$52,680,000. The high school does not have any general obligation debt.

The capital projects funds have a total fund balance of \$3,351,332. A small portion (\$58,842) is assigned by the District for specific use. The remaining \$3,292,490 is restricted for the final phase of the safety and security projects, energy conservation, equipping, remodeling or major maintenance projects. In November 2013, district voters approved a ten-year building reserve levy for \$1,250,000 at the elementary district and \$750,000 at the high school district. The construction of the three new elementary schools and several of the safety and security projects in the elementary and middle school buildings were completed by August 2019. The remaining safety and security upgrades were expected to be completed by December 2021, however supply chain issues delayed completion of the projects. The District hopes to have them completed by December 2022.

Proprietary funds. The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. In addition to the single enterprise fund, SACC, that was discussed earlier, Helena has four internal service funds: Warehouse, Print-shop, Self (health) Insurance, and Liability Insurance. The net position for the Print-shop increased by \$26,445, reflecting a move toward more pre-pandemic operations with an increase in services of \$93,570 from the prior year. The Warehouse net position increased slightly by \$5,091, primarily due to a reduction of inventory purchases and a decrease in charges for services as the District gradually moves toward elimination of the warehouse. The net position of the Self-Insurance fund decreased by \$1,383,859, due to an increase in high-cost claims and increased health insurance claim payments. Premium increases continue to be substantially less than national averages.

Governmental Fund Budgetary Highlights

Differences between the original and final budget resulted from the transfer of unexpended line items for District purposes at year-end as authorized by the Board of Trustees. State law generally does not permit a school district to transfer from one fund balance to another fund to increase the district budgets. Also, the funds are not permitted to exceed the budgeted expenditures in total.

Capital Asset and Debt Administration

Capital assets. The investment by the District in capital assets for the governmental and business-type activities as of June 30, 2022, was \$119,676,945 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and intangible right of use assets.

Capital assets increased during the current fiscal year including the following major additions:

- Vigilante Stadium improvements (\$1,034,312)
- CR Anderson Middle School new lighting (\$471,461)
- Capital High School main entry re-roof (\$321,168)
- Lincoln Center remodel (\$262,130)
- Lincoln Center re-roof (\$257,177)
- Capital High School air handling upgrades (\$161,519)
- Bryant Elementary new construction - owner's representative final bond billing (\$151,452)
- Lincoln Center boiler replacement (\$145,723)
- Central Elementary new construction - owner's representative final bond billing (\$142,446)
- Jim Darcy Elementary new construction - owner's representative final bond billing (\$138,179)
- Kessler main entry remodel (\$112,497)
- May Butler Center re-roof (\$92,691)

Capital Assets of Helena School District No.1

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Land	\$4,062,830	\$4,062,830
Construction in Progress	2,086,702	1,361,392
Land Improvements	3,788,651	2,960,339
Buildings	107,777,543	106,871,126
Machinery and equipment	1,761,474	2,175,624
Intangible right of use of assets	<u>183,731</u>	<u>0</u>
Total	<u>\$119,660,931</u>	<u>\$117,431,311</u>

	<u>Business Activities</u>	
	<u>2022</u>	<u>2021</u>
Land Improvements		
Machinery and equipment	<u>\$16,014</u>	<u>\$4,740</u>
Total	<u>\$16,014</u>	<u>\$4,740</u>

Long-term debt. At the end of the current fiscal year, the District had total general obligation debt outstanding of \$52,680,000 and unamortized bond premium of \$6,389,991. All of the general obligation debt is backed by the full faith and credit of the government.

Outstanding Debt of Helena School District No.1

<u>Elementary</u>	<u>Original Issue Amount</u>	<u>Original Issue Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Series 2017	\$55,000,000	7/1/2037	3.00-5.00%	\$45,560,000
Series 2019	\$8,000,000	7/1/2039	3.00-4.00%	<u>7,120,000</u>
				52,680,000
		Unamortized bond premium		<u>6,389,991</u>
				<u>\$59,069,991</u>

State law limits the amount of general obligation debt that the school district may issue up to 100 percent of its guaranteed tax base rate per student. The current debt limitation for the Elementary District is \$186,091,217 and \$280,476,120 at the High School District, both are in excess of the net amount of outstanding general obligation debt. The District received a rating from Moody's Investors Service of A1 based on the district's moderately sized tax base that has experienced steady growth, slightly below average wealth levels, satisfactory financial performance and a minimal debt burden.

Other long-term liabilities included compensated absences of \$6,012,896 for governmental funds and \$133,979 for the enterprise fund. The compensated absence liability increased slightly in the governmental funds (\$88,086) and decreased in the enterprise fund (\$4,631). Another debt component, OPEB, reflects future health benefits estimated to be paid to employees for health insurance premiums. Additional information regarding the long-term debt for the District can be found in notes J and K.

Economic Factors and Next Year's Budgets and Rates

- Internal enrollment projections predict that enrollment in the District will remain flat. This is a budgetary concern since enrollment is the major funding factor of the general fund.
- Electricity costs are expected to increase by 17% and natural gas is expected to increase approximately 49%.
- Custodial and maintenance supplies and equipment costs have risen as much as 30%-40%.
- Helena School District educators are among the highest paid educators in the state. With over 90% of the District's budget being spent on salaries and benefits, sustainability of projected lane movement is of great concern to the District.
- Although the rate of inflation is slowing down, it is still outpacing revenue increases.
- Affordable housing in Helena has become a major problem and a deterrent for potential new hires to the District with the market increasing over 26% in 2021.

- In fiscal year 2023, the state provided for a 2.57% inflationary increase on funding components for the general fund and increased the statewide guaranteed tax base ratio from 250% to 254%. The special education instructional block grant rate decreased from \$156.45 to \$152.47, the special education related services block grant decreased from \$52.15 to \$50.82, and the threshold to determine disproportionate costs was also raised. Overall, state aid to the general fund is expected to increase by \$317,158 (.75%).
- Substantially all of the ESSER funding will be depleted by end of fiscal year 2023.
- Taxable values increased in both the elementary and high school by approximately 2%.
- Live births in Lewis and Clark County were down from 576 in 2021 to 537 in 2022.
- The median age of the population in Helena is relatively high at 40.9, which explains the relatively flat birth rate.
- Over the past several years, the County has seen steady growth. Property tax revenue has grown at approximately 2 percent each year. In the last several years, the County has seen a considerable uptick in construction growth, and the demand for services such as subdivision applications has increased.
- The “Helena Valleys” are experiencing new growth with almost two-thirds of all new growth occurring outside the cities of Helena and East Helena.

All of these factors were considered in preparing the 2023 budgets. The general fund elementary budget for fiscal year 2023 is \$39,485,494, an increase of 2.31%, while the high school general fund budget is \$22,932,863 an increase of .04%.

Requests for Information

These financial reports are designed to provide a general overview of the finances of the District for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Business Services Administrator, 1325 Poplar St., Helena, MT, 59601.

BASIC FINANCIAL STATEMENTS

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2022

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 38,279,791	\$ 288,357	\$ 38,568,148
Property taxes receivable	857,948		857,948
Due from other governments	5,320,326		5,320,326
Accounts receivable	246,297	6,589	252,886
Inventories	113,812		113,812
Prepaid expenses	89,206		89,206
Capital assets not being depreciated	6,149,532		6,149,532
Capital assets, net of accumulated depreciation	113,327,668	16,014	113,343,682
Intangible right of use assets, net of accumulated amortization	183,731		183,731
Total assets	<u>164,568,311</u>	<u>310,960</u>	<u>164,879,271</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows - pension plans	15,031,148	148,323	15,179,471
Deferred outflows - other post-employment benefits	1,750,373		1,750,373
Total deferred outflows of resources	<u>16,781,521</u>	<u>148,323</u>	<u>16,929,844</u>
<u>LIABILITIES</u>			
Accounts payable	908,748	2,363	911,111
Accrued self-insurance claims	3,257,508		3,257,508
Unearned revenue	409,922	47,641	457,563
<u>Noncurrent liabilities</u>			
Due within one year:			
Intercap loan payable	156,278		156,278
Bonds payable	2,941,644		2,941,644
Lease liability	58,388		58,388
Compensated absences	1,698,889	45,864	1,744,753
Due in more than one year:			
Intercap loan payable	159,605		159,605
Bonds payable	56,128,347		56,128,347
Lease liability	124,325		124,325
Compensated absences	4,314,007	88,114	4,402,121
Other post-employment benefits	3,731,721		3,731,721
Net pension liability	59,306,849	612,907	59,919,756
Total liabilities	<u>133,196,231</u>	<u>796,889</u>	<u>133,993,120</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows - pension plans	20,395,461	204,671	20,600,132
Deferred inflows - other post-employment benefits	1,751,174		1,751,174
Total deferred inflows of resources	<u>22,146,635</u>	<u>204,671</u>	<u>22,351,306</u>
<u>NET POSITION (DEFICIT)</u>			
Net investment in capital assets	60,869,852	16,014	60,885,866
Restricted for:			
Instruction	1,049,184		1,049,184
Transportation	1,572,897		1,572,897
Retirement benefits	3,021,867		3,021,867
Support services	2,611,992		2,611,992
Debt service	484,612		484,612
Capital projects	2,585,488		2,585,488
Extracurricular activities	790,633		790,633
Scholarships	303,095		303,095
Health insurance benefits	7,892,846		7,892,846
Unrestricted	(55,175,500)	(558,291)	(55,733,791)
Total net position (deficit)	<u>\$ 26,006,966</u>	<u>\$ (542,277)</u>	<u>\$ 25,464,689</u>

The notes to the basic financial statements are an integral part of this statement

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
ACTIVITIES OR FUNCTIONS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTAL	BUSINESS-TYPE	TOTAL
				GOVERNMENTAL ACTIVITIES	ACTIVITIES	
<u>Governmental activities:</u>						
Instructional services:						
Regular	\$ 53,349,114	\$ 610,377	\$ 12,629,862	\$ (40,108,875)		\$ (40,108,875)
Special education	8,927,877	-	4,429,519	(4,498,358)		(4,498,358)
Vocational education	2,050,458	204	270,459	(1,779,795)		(1,779,795)
Adult education	566,497	-	88,069	(478,428)		(478,428)
Support services:						
Improvement of instruction services	11,153,143	29,545	4,441,765	(6,681,833)		(6,681,833)
Educational media services	1,837,486	23,213	-	(1,814,273)		(1,814,273)
General administration	1,496,335	-	-	(1,496,335)		(1,496,335)
School administration	7,195,470	-	-	(7,195,470)		(7,195,470)
Business services	1,870,262	-	-	(1,870,262)		(1,870,262)
Operations and maintenance of plant	9,391,312	43,413	320,962	(9,026,937)		(9,026,937)
Student transportation services	5,646,745	26,362	1,029,646	(4,590,737)		(4,590,737)
Community services	178,584			(178,584)		(178,584)
Other	700,352			(700,352)		(700,352)
Non-instructional services:						
Extracurricular	2,487,935	1,234,748	-	(1,253,187)		(1,253,187)
School food	4,367,536	3,629	4,944,257	580,350		580,350
Debt service:						
Interest payments	1,943,503	-	-	(1,943,503)		(1,943,503)
Bond agency fees	900	-	-	(900)		(900)
Special assessments	422,609	-	-	(422,609)		(422,609)
Total governmental activities	<u>113,586,119</u>	<u>1,971,491</u>	<u>28,154,539</u>	<u>(83,460,089)</u>		<u>(83,460,089)</u>
<u>Business-type activities:</u>						
SACC	<u>869,150</u>	<u>710,727</u>	<u>309,008</u>		\$ 150,585	<u>150,585</u>
Total governmental and business-type activities	<u>\$ 114,455,269</u>	<u>\$ 2,682,218</u>	<u>\$ 28,463,547</u>	<u>(83,460,089)</u>	<u>150,585</u>	<u>(83,309,504)</u>
General revenues						
Property taxes for general purposes				35,283,478		35,283,478
State aid/entitlements				44,094,332		44,094,332
County retirement distribution				8,690,675		8,690,675
Other revenue local sources				697,504	38,146	735,650
Investment earnings				120,013	804	120,817
Net gain/(loss) on disposition of property				10,867		10,867
Total general revenues				<u>88,896,869</u>	<u>38,950</u>	<u>88,935,819</u>
Change in net position				<u>5,436,780</u>	<u>189,535</u>	<u>5,626,315</u>
Net position - beginning				<u>20,570,186</u>	<u>(731,812)</u>	<u>19,838,374</u>
Net position - ending				<u>\$ 26,006,966</u>	<u>\$ (542,277)</u>	<u>\$ 25,464,689</u>

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	Major Funds				Other	Total
	General Fund	Elementary Food Service	Elementary Miscellaneous	High School Miscellaneous	Governmental Funds	Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 14,156,608	\$ 1,353,327	\$ 440,100	\$ -	\$ 10,583,160	\$ 26,533,195
Investments	-	-	-	-	-	-
Property taxes receivable	461,816	-	-	-	396,132	857,948
Due from other funds	409,358	-	30,871	-	-	440,229
Due from other governments	-	755,241	3,037,585	1,442,818	84,682	5,320,326
Accounts receivable	171,047	351	3,878	5,389	64,319	244,984
Prepaid expenses	64,873	8,875	-	3,067	12,391	89,206
Total assets	<u>\$ 15,263,702</u>	<u>\$ 2,117,794</u>	<u>\$ 3,512,434</u>	<u>\$ 1,451,274</u>	<u>\$ 11,140,684</u>	<u>\$ 33,485,888</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 288,873	\$ 174,712	\$ 67,943	\$ 44,538	\$ 277,157	\$ 853,223
Due to other funds	-	-	-	440,229	-	440,229
Unearned revenue	40,586	137,732	88,622	142,982	-	409,922
Total liabilities	<u>329,459</u>	<u>312,444</u>	<u>156,565</u>	<u>627,749</u>	<u>277,157</u>	<u>1,703,374</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes	182,771	-	-	-	146,744	329,515
Total deferred inflows of resources	<u>182,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,744</u>	<u>329,515</u>
<u>FUND BALANCES</u>						
Non-spendable fund balance	64,873	8,875	-	3,067	12,391	89,206
Spendable fund balance:						
Restricted	-	1,796,475	275,085	150,651	10,645,550	12,867,761
Committed	-	-	-	-	-	-
Assigned	9,049,949	-	3,080,784	684,746	58,842	12,874,321
Unassigned	5,636,650	-	-	(14,939)	-	5,621,711
Total fund balances	<u>14,751,472</u>	<u>1,805,350</u>	<u>3,355,869</u>	<u>823,525</u>	<u>10,716,783</u>	<u>31,452,999</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 15,263,702</u>	<u>\$ 2,117,794</u>	<u>\$ 3,512,434</u>	<u>\$ 1,451,274</u>	<u>\$ 11,140,684</u>	<u>\$ 33,485,888</u>

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances for governmental funds \$ 31,452,999

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 119,474,641

Intangible right of use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 150,758

Property taxes receivable are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 329,515

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 8,396,652

Some liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:

Intercap loans	(315,883)	
General obligation bonds	(59,069,991)	
Lease obligations	(149,514)	
Compensated absences liability	(6,000,144)	
Post employment health insurance benefits	(3,731,721)	
Net pension liability	(59,175,751)	
	(128,443,004)	(128,443,004)

Deferred outflows and inflows of resources related to pension plans and other post-employment benefits are not current financial resources and, therefore, are not reported in the governmental funds. (5,354,595)

Total net position of governmental activities \$ 26,006,966

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Elementary Food Service	Elementary Miscellaneous	High School Miscellaneous		
REVENUES						
Property taxes	\$ 18,682,128	\$ -	\$ -	\$ -	\$ 16,728,216	\$ 35,410,344
Tuition and fees	476,287	-	975	-	322,512	799,774
Interest	39,589	3,838	7,683	1,793	35,865	88,768
Other district revenue	3,283	29,460	362,276	161,489	304,046	860,554
County	-	-	-	-	9,205,498	9,205,498
State of Montana	42,878,479	7,490	2,307,927	246,913	1,276,619	46,717,428
Federal	-	4,936,767	12,447,044	4,084,424	-	21,468,235
School lunch sales	-	3,629	-	-	-	3,629
Student extracurricular activity	-	-	-	-	954,519	954,519
Total revenues	<u>62,079,766</u>	<u>4,981,184</u>	<u>15,125,905</u>	<u>4,494,619</u>	<u>28,827,275</u>	<u>115,508,749</u>
EXPENDITURES						
Instructional services:						
Regular	33,654,665	-	7,557,277	2,453,549	5,431,908	49,097,399
Special education	5,112,424	-	346,068	244,393	3,107,420	8,810,305
Vocational education	1,694,352	-	-	95,374	233,825	2,023,551
Adult education	-	-	8,028	84,488	466,520	559,036
Support services:						
Improvement of instruction services	4,077,150	-	4,217,400	677,811	1,751,055	10,723,416
Educational media services	1,564,749	-	28,845	1,569	218,162	1,813,325
General administration	1,108,692	-	61,237	25,011	184,226	1,379,166
School administration	5,444,530	-	309,980	203,750	918,601	6,876,861
Business services	1,460,521	-	201,730	23,767	104,244	1,790,262
Operations and maintenance of plant	5,820,243	-	1,102,180	249,534	1,191,783	8,363,740
Student transportation services	-	-	192,386	-	5,284,117	5,476,503
Other	35,571	-	493,508	155,296	4,625	689,000
Community services	13,265	-	95,969	52,928	11,488	173,650
Non-instructional services:						
Extracurricular	1,320,286	-	-	1,322	1,101,630	2,423,238
School food	131,758	4,063,027	944	-	22,384	4,218,113
Capital outlay	378,975	-	218,781	248,661	3,940,489	4,786,906
Debt service:						
Principal payments	38,933	-	-	-	2,556,469	2,595,402
Interest payments	-	-	-	-	2,284,161	2,284,161
Bond agency fees	-	-	-	-	900	900
Special assessments	-	-	-	-	422,609	422,609
Total expenditures	<u>61,856,114</u>	<u>4,063,027</u>	<u>14,834,333</u>	<u>4,517,453</u>	<u>29,236,616</u>	<u>114,507,543</u>
Excess (deficiency) of revenues over (under) expenditures	<u>223,652</u>	<u>918,157</u>	<u>291,572</u>	<u>(22,834)</u>	<u>(409,341)</u>	<u>1,001,206</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,414,770	-	-	18,825	-	2,433,595
Transfers (out)	(1,003,770)	-	(18,412)	-	(1,411,413)	(2,433,595)
Proceeds from sale of fixed assets	-	-	1,422	765	8,680	10,867
Net gain/(loss) on disposition of property	-	-	-	-	-	-
Insurance recovery	-	-	31,952	-	-	31,952
Total other financing sources (uses)	<u>1,411,000</u>	<u>-</u>	<u>14,962</u>	<u>19,590</u>	<u>(1,402,733)</u>	<u>42,819</u>
Net change in fund balance	<u>1,634,652</u>	<u>918,157</u>	<u>306,534</u>	<u>(3,244)</u>	<u>(1,812,074)</u>	<u>1,044,025</u>
Fund Balance - Beginning	<u>13,116,820</u>	<u>887,193</u>	<u>3,068,464</u>	<u>857,640</u>	<u>12,478,857</u>	<u>30,408,974</u>
Restatements	-	-	(19,129)	(30,871)	50,000	-
Fund Balance - Beginning Restated	<u>13,116,820</u>	<u>887,193</u>	<u>3,049,335</u>	<u>826,769</u>	<u>12,528,857</u>	<u>30,408,974</u>
Fund Balance - Ending	<u>\$ 14,751,472</u>	<u>\$ 1,805,350</u>	<u>\$ 3,355,869</u>	<u>\$ 823,525</u>	<u>\$ 10,716,783</u>	<u>\$ 31,452,999</u>

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds \$ 1,044,025

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Capital outlays - governmental funds	\$ 4,786,906	
Depreciation expense	<u>(2,739,737)</u>	
		2,047,169

Lease accounting guidance requires the capitalizing of leases having a non-cancelable period greater than 12 months. Governmental funds report rental expenditures on these leases as incurred. However, in the statement of activities, the capitalized lease is amortized over the lease term and interest expense is recognized.

Rent expense - governmental funds	38,933	
Amortization expense	<u>(37,689)</u>	
		1,244

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows in the funds. Deferred property tax revenue decreased during the fiscal year. (126,866)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with the governmental activities. (1,351,348)

The issuance of long-term debt (e.g. bonds, notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments on long-term debt	2,556,469	
Amortization of bond premium	341,438	
Post employment health insurance benefits	1,293,632	
Compensated absences liability	(95,936)	

In the governmental funds, benefits earned net of employee contributions is not recognized as an expense. (3,839,999)

On behalf pension contributions by the State are considered revenues in the statement of activities. 3,566,952

Change in net position - statement of activities \$ 5,436,780

The notes to the basic financial statements are an integral part of this statement.

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>ASSETS</u>		
<u>Assets</u>		
Cash and cash equivalents	\$ 288,357	\$ 11,746,596
Due from other governments	-	-
Accounts receivable	6,589	1,313
Inventories	-	113,812
Capital assets, net of accumulated depreciation		
Machinery and equipment	16,014	2,559
Right of use assets, net of accumulated amortization	32,973	32,973
Total assets	<u>310,960</u>	<u>11,897,253</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows - pension plans	148,323	43,539
Total deferred outflows of resources	<u>148,323</u>	<u>43,539</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	2,363	55,525
Compensated absences	45,864	5,198
Claims payable	-	3,257,508
Resources received prior to being earned	47,641	-
Lease liability	21,922	21,922
Total current liabilities	<u>95,868</u>	<u>3,340,153</u>
<u>Noncurrent liabilities</u>		
Compensated absences	88,114	7,554
Net pension liability	612,907	131,098
Lease liability	-	11,277
Total long-term liabilities	<u>701,021</u>	<u>149,929</u>
Total liabilities	<u>796,889</u>	<u>3,490,082</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows - pension plans	204,671	54,058
Total deferred inflows of resources	<u>204,671</u>	<u>54,058</u>
<u>NET POSITION</u>		
Net investment in capital assets	16,014	2,333
Restricted-health insurance benefits		7,892,846
Unrestricted	(558,291)	501,473
Total net position	<u>\$ (542,277)</u>	<u>\$ 8,396,652</u>

The notes to the basic financial statements are an integral part of this statement

HELENA SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>OPERATING REVENUES</u>		
Grants	\$ 309,008	\$ -
Charges for services	710,727	13,182,038
Other	4,074	202
Total operating revenues	<u>1,023,809</u>	<u>13,182,240</u>
<u>OPERATING EXPENSES</u>		
Personal services	748,163	159,964
Contractual services	12,035	14,241,344
Supplies/materials	86,336	125,080
Other operating expenses	20,047	11,659
Depreciation and amortization	2,569	38,205
Total operating expenses	<u>869,150</u>	<u>14,576,252</u>
Operating income (loss)	<u>154,659</u>	<u>(1,394,012)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Intergovernmental revenue	34,072	12,199
Interest earnings	804	31,245
Debt service interest expense	-	(780)
Total non-operating revenues (expenses)	<u>34,876</u>	<u>42,664</u>
Change in net position	<u>189,535</u>	<u>(1,351,348)</u>
Net position - beginning of the year	<u>(731,812)</u>	<u>9,748,000</u>
Net position - end of the year	<u>\$ (542,277)</u>	<u>\$ 8,396,652</u>

The notes to the basic financial statements are an integral part of this statement

HELENA SCHOOL DISTRICT NO. 1

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities SACC Enterprise Fund	Governmental Activities Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from sales and services	\$ 714,827	\$ 13,184,259
Receipts from grants	60,760	
Payments to suppliers for goods/services	(119,167)	(44,732)
Payments for claims	-	(13,691,419)
Payments to employees	(875,751)	(188,903)
Net cash provided (used) by operating activities	<u>(219,331)</u>	<u>(740,795)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal paid on lease obligations	-	(36,699)
Interest paid on lease obligations	-	(780)
Purchases of capital assets	(13,843)	
Net cash provided (used) by capital and related financing activities	<u>(13,843)</u>	<u>(37,479)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Subsidy from other governments	34,072	12,199
Net cash provided (used) by noncapital financing activities	<u>34,072</u>	<u>12,199</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on investments	804	31,245
Net cash provided (used) by investing activities	<u>804</u>	<u>31,245</u>
Net increase (decrease) in cash and cash equivalents	(198,298)	(734,830)
Cash and cash equivalents at July 1, 2021	486,655	12,481,426
Cash and cash equivalents at June 30, 2022	\$ <u><u>288,357</u></u>	\$ <u><u>11,746,596</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 154,659	\$ (1,394,012)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	2,569	38,205
Changes in assets and liabilities:		
Decrease (increase) in inventories	-	45,101
Decrease (increase) in accounts receivable	26	2,019
Increase (decrease) in accounts payable	(749)	46,906
Increase (decrease) in deferred in/outflows	266,543	49,240
Increase (decrease) in claims payable	-	549,925
Increase (decrease) in grant resources received prior to being earned	(248,248)	
Increase (decrease) in compensated absences payable	(4,631)	(7,850)
Increase (decrease) in pension liability	(389,500)	(70,329)
Net cash provided (used) by operating activities	\$ <u><u>(219,331)</u></u>	\$ <u><u>(740,795)</u></u>
Non-Cash Items:		
Intangible right of use assets obtained with lease financing		\$ <u><u>69,898</u></u>

The notes to the basic financial statements are an integral part of this statement

NOTES TO THE BASIC FINANCIAL STATEMENTS

Helena School District No. 1

Notes to the Basic Financial Statements

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Helena School District #1 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting entity

The District is a public school comprised of an elementary district that is governed by an elected seven-member board of trustees and a high school district that is governed by the seven elementary trustees and one additional elected high school only trustee. The accompanying financial statements include all of the operations of the two districts financially accountable to the combined Board of Trustees. There are no potential component units that meet any of the criteria to be either blended or discretely presented. The District is not a component unit of any other primary government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Fiduciary activities are reported only in the fund financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that clearly are identifiable with a specific function or segment. *Program revenues* include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

Depreciation expense for capital assets that can specifically be identified with a function is included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building that is used primarily for instructional and other functions such as administration) is ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line item.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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.

Helena School District No. 1

Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are measurable and available. Revenue is considered to be available if it is collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. These revenues include grants (to the extent that revenues are earned as eligible expenditures are incurred), and property taxes collected within sixty days of year end. All other revenue items are considered to be measurable and available only when the government receives cash. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures as well as expenditures relating to compensated absences and claims are recorded only when payment is due.

1) Fund Financial Statements

The District uses funds to report financial position and the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The financial activities of the District are classified into fund categories as described below.

Governmental Funds

The District reports the following major governmental funds:

- General Funds - are the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. In addition to Funds 101 and 201, the District includes Funds 129 (Elementary Flexibility), Fund 229 (High School Flexibility) and Fund 182 (Elementary Interlocal) in its general funds as the revenue streams are unrestricted.
- Elementary Food Service – This fund is authorized by Montana Code Annotated (MCA) to account for school food service operations, including state and federal reimbursements.
- Elementary Miscellaneous Programs - This fund accounts for the activities of grants. Major resources are federal, state and local grants while expenditures include salaries, benefits, and operational supplies in relation to the grant purpose, generally instructional. A significant amount of the resources available to this fund are restricted or assigned.
- High School Miscellaneous Programs - This fund accounts for the activities of grants. Major resources are federal, state and local grants while expenditures include salaries, benefits, and operational supplies in relation to the grant purpose, generally instructional. A significant amount of the resources available to this fund are restricted or assigned.

The District reports the following major proprietary fund:

- School Aged Child Care – This fund accounts for the activities of the day care of the school district. Significant revenues include tuition. Expenses consist of staff salaries/benefits and operational supplies for the program.

Additionally, the District reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources, generally taxes that are committed or legally restricted to expenditure for specified purposes other than major capital projects or debt.

Debt Service Funds – are used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds – are used to account for resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and procurement of equipment necessary for providing education programs for students within the District.

Permanent Funds – are used to account for resources that are permanently restricted to the extent that only earnings, not principal, may be used for the purposes of supporting the government's programs.

Helena School District No. 1

Notes to Financial Statements

Proprietary Funds

Enterprise Funds – are used to account for operations 1) financed and operated similar to private business enterprises, where the intent of the Trustees is to finance or recover costs primarily through user charges; 2) where the Trustees have decided periodic determination of revenue earned, expenses incurred, or net income is appropriate, or 3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity. The District has one enterprise fund.

Internal Service Funds – are used to account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

Fiduciary Funds

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the programs of the government. The District does not report any private purpose trust funds or fiduciary funds.

Private Purpose Trust Funds – are to account for assets held by the District in a trustee capacity, where both the principal and earnings benefit individuals, private organizations or other governments.

Proprietary Activity Accounting and Financial Reporting

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants (state and federal), and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the ongoing operations of a proprietary fund. The principal operating revenues of the District's School Aged Child Care enterprise (SACC) fund and of the District's internal service funds are charges to customers, individual schools or employees for sales, services, or insurance premiums. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, depreciation, medical premiums and expenses and associated costs. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Indirect expenses include general government, support services, administration, transportation, extracurricular costs and are based on a full cost allocation approach which spread the expenses among the functions. The allocation is performed through the general fund and is included in the direct program expenses for various function activities within the individual funds.

D. Assets, liabilities, and net position or equity

1) Deposits and investments

The majority of the cash of the District is held by the Lewis and Clark County Treasurer and is pooled with other County cash in an external investment pool. A portion of the Student Extracurricular Fund has cash deposits in checking accounts at four different banks which are fully insured through the Federal Deposit Insurance Corporation (FDIC). The County Treasurer, at the direction of the District Trustees, invests the pooled cash pursuant to State Law (MCA 20-9-213(4)). Allowable investments include direct obligations of the United States Government and some United States Agencies, savings or time deposits in a state or national bank, building and loan associations, savings and loans associations, or credit unions insured by the FDIC or NCUA located in the State, or in a repurchase agreement. It is allowable to invest monies under the Short-term investment pool (STIP) of the State Unified Investment Program established in Title 17, Chapter 6, Montana Code Annotated. Interest income earned is distributed pro-rata to the appropriate funds using the average monthly balance of cash in each fund.

Helena School District No. 1

Notes to Financial Statements

2) Receivables and payables

Periodically, the District has activity between funds that is representative of lending/borrowing arrangements outstanding at the end of a fiscal year generally referred to as "due to/from other funds." The District does not have any residual balances outstanding between the governmental activities and business-type activities for the current fiscal year.

All trade receivables, including those for the SACC, are shown as the gross charge. These receivables are deemed to be fully collectible and, as such, no allowance for doubtful accounts receivable has been established. Property tax receivables are shown as the gross charge as entered into the system by the Lewis and Clark County Assessor/Treasurer and Clerk and Recorder. Both property taxes and payments from the County and State are not shared taxes.

Property taxes are levied as assessed on January 1 of each year. The tax levy is divided into two billings and is due November 30 of the current year and May 31 of the ensuing year. The billings are considered past due after the due date, at which time, penalty and interest charges are assessed.

3) Inventory and prepaid expenses

Inventories are valued at cost using the weighted average method. Inventories reflect the balances in internal service funds and are recorded as expenditures based on the consumption method. Inventories are expensed when purchased because the amounts on hand at the end of the year are not material. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

4) Capital assets

Capital assets, which include property, plant, construction in progress, and equipment, are reported in the applicable column in the government-wide financial statements. Capital assets are defined by the District as assets with a significant value, more than \$25,000 for land, buildings and building improvements and \$5,000 for all other assets, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital assets purchased with grant funds comply with the specific requirements listed with each grant authorization.

The costs of normal maintenance and repairs that do not increase the capacity or efficiency of the asset or extend its useful life beyond the original estimate are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when completed. Upon disposal of capital assets, historical cost or estimated historical cost is removed. Proceeds from the sales are generally recorded as revenue in the fund that originally acquired the assets.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives. Salvage value is not used:

<u>Assets</u>	<u>Years</u>
Land Improvements	80
Buildings	80
Building Improvements	80
Vehicles	5
Instructional, Computers, Audio Visual Equipment	3
Musical, Athletic, Playground Equipment, Other	10

5) Accounts payable

Accounts payable to vendors and contractors include general accounts, retainages, deposits, and other accrued contingent liabilities not included in short or long-term liabilities.

Helena School District No. 1

Notes to Financial Statements

6) Compensated absences

Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service, as required by Montana State law. 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 all employees with no limit on accumulation. Upon retirement or termination, non-teaching employees are paid 100% of unused vacation leave; and all non-teaching employees and teachers with at least ten years of service are paid 25% of unused sick leave. All payments are made at the current rate of pay of the employee at the time of retirement or termination and include related payroll taxes. A liability for these amounts is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements. Vested or accumulated leave for proprietary funds is recorded as an expense and liability of those funds in the financial statements.

7) Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8) Statement of cash flows

In the statement of cash flows for proprietary funds, cash and cash equivalents include all assets in the cash and investment pool. This pool is similar to a demand deposit account for enterprise and internal service funds so that deposits and cash withdrawals may be made at any time without prior notice or penalty. This treatment is in conformity with GASB Statement No. 9, which states that deposits in cash management pools that have the general characteristics of demand deposit accounts are appropriately classified as cash. Additionally, the investment with STIP is deemed to be a cash equivalent since it is sufficiently liquid as to permit withdrawal of cash at any time without prior notice or penalty.

9) Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. The element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for pension-related amounts: payments since the measure date, changes in assumptions, and the difference between projected and actual earnings. Deferred outflows of resources are also reported for payments made since the measure date and the changes in assumptions related to other post-employment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section of deferred inflows of resources. This element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District reports deferred inflows of resources for pension-related and other post-employment benefits amounts: for its share of TRS and MPERS differences between expected and actual earnings, its share of the difference between expected and actual experience, and the changes in assumptions and inputs. Tax revenues that are not expected to be collected in time to pay current liabilities are deferred inflows of resources as well.

Helena School District No. 1

Notes to Financial Statements

10) Pensions

Montana Public Employees Retirement System (MPERS) and Teachers Retirement System (TRS) – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MPERS/TRS and additions to/deductions from MPERS/TRS's fiduciary net position have been determined on the same basis as they are reported by MPERS/TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11) Net position and fund balances

In the financial statements, assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources are presented in one of two ways depending on the measurement focus of the statement.

On the *Statement of Net Position* for government-wide reporting and for the proprietary funds and on the fiduciary funds' *Statement of Fiduciary Net Position*, net position is segregated into three categories: net position invested in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets net of accumulated depreciation, debt directly related to capital assets, and unspent bond proceeds. Any deferred outflows/inflows of resources directly related to debt, if applicable, are included in this section as well. Significant unspent deferred inflows of resources are not included.

Restricted net position represents amounts whose use is not subject solely to the government's own discretion. Restrictions may be placed on net position by an external third party that provided the resources, by laws or regulations of other governments, by enabling legislation, by endowment agreements, or by the nature of the asset.

Unrestricted surplus (deficit) net position represents amounts not included in other categories.

On the *Balance Sheet – Governmental Funds*, assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources are reported as fund balances and are segregated into separate classifications indicating the extent to which the District is bound to honor constraints on the specific purposes for which those funds can be spent. The District adopted a spending policy for nonspendable and spendable fund balances with the following order of spending: restricted, committed, assigned, and unassigned.

Fund balance is reported as Nonspendable when the resources cannot be spent because they are either in a nonspendable form or are legally or contractually required to remain intact. Resources in nonspendable form include inventories and prepaid items.

Fund balance is reported as Restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, and then unrestricted resources, as they are needed.

Fund balance is reported as Committed when the Board of Trustees passes a resolution that places specific constraints on how the resources may be used. The Trustees can modify or rescind the resolution at any time through passage of an additional resolution.

Amounts in the Assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally exist temporarily. Action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that is not otherwise reported as nonspendable, restricted, committed, or assigned. Additionally, this classification is used to report any negative fund balance amounts in other governmental funds.

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Notes to Financial Statements

12) Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted (GAAP) in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13) Adoption of GASB pronouncements:

During the fiscal year ended June 30, 2022, the District implemented the following GASB Pronouncements:

GASB Statement No. 87, Leases. This statement was issued in June 2017 by GASB. It enhances the relevance and consistency of reporting for the District's leasing activities by establishing requirements for lease accounting based on the principle that leases are financings of underlying right-to-use assets. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and deferred inflow of resources. The District adopted this guidance retroactively for the year beginning July 1, 2021. The adoption of this guidance did not affect beginning net position for the year ended June 30, 2022 and, accordingly, restatement of beginning July 1, 2021 net position was not necessary.

GASB Statement No. 98, The Annual Comprehensive Financial Report. Issued in response to concerns raised by stakeholders that common pronunciation of the acronym for comprehensive annual financial reports sounds like an objectionable racial slur.

The following GASB pronouncements have been issued, but are effective in the future:

GASB Statement No. 91, Conduit Debt Obligations. Issued May 2019, the objective of this statement is to provide for a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This statement is effective for the fiscal year ending June 30, 2023.

GASB Statement No. 92, Omnibus 2020. Issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature relative to certain GASB Statements. Effective for the fiscal year ending June 30, 2023.

GASB Statement No. 94, Public/Private and Public/Public Partnership Arrangements. Issued to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). Effective for the fiscal year ending June 30, 2023.

GASB Statement No. 96, Subscription Based Information Technology Arrangements. Issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Effective for the fiscal year ending June 30, 2023.

Helena School District will implement the new GASB pronouncements no later than the fiscal year required by the effective date. The District is currently evaluating whether the above-listed new GASB pronouncements will have a significant financial impact to the District or in issuing its financial statements.

II. Stewardship, compliance, and accountability

A. General budgetary information

An annual appropriated operating budget is adopted each fiscal year for each school district (elementary and high school) fund in accordance with State law. These levied funds are the General Fund, Special Revenue Funds – Transportation, Tuition, Retirement, Adult Education, Technology, and Flexibility – the Debt Service, and Building Reserve Fund. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control is at the fund level only. Budgetary transfers between funds are not permitted.

For the year ended June 30, 2022 actual expenditures in the budgeted funds were within the annual appropriations set for each fund.

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Notes to Financial Statements

B. Budget process

The District operates within the budget requirements for school districts as specified by State law. The District budgets are adopted and maintained under the following budgetary statutes and procedures:

- By March 1, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in each school district to each district and to the County Superintendent of Schools to be used for preliminary estimates.
- By the second Monday in July, the Department of Revenue must certify the taxable value of the District including the value of new construction. Any anticipated budget increase resulting from this new construction requires public notice and formal resolution of intent to utilize this increase.
- Any increase in local property taxes, except through value from new construction, up to the cap in the general fund, must be submitted for electorate approval in May of each year. Any increase over the new construction value in the transportation, bus depreciation, and adult education funds must be submitted to the electorate for approval.
- By August 15th, the Board of Trustees must meet to legally adopt the final budgets. Tax levies to raise the appropriate revenues are fixed at that time.
- After adoption of the final budgets, the Board authorizes management to transfer budget between line items as limited to the total fund appropriation, in accordance with state law. However, an emergency, as defined by state law and adopted by resolution by the Board of Trustees, authorizes revisions that alter the total expenditures of any fund.
- Reported budget amounts represent the originally adopted budget as amended by resolution of the Board of Trustees.

Appropriations in all funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (for which performance under the executory contract is expected in the ensuing year) are re-appropriated and become part of the subsequent year's budget.

C. Budgetary/GAAP basis difference

Legally required budgets are adopted on the modified accrual basis of accounting that is consistent with the budget laws of the State of Montana, which is a basis of accounting not in accordance with generally accepted accounting principles (GAAP). Under the budget basis of the District, certain revenues and the related assets are recognized when received rather than when susceptible to accrual or earned, and certain expenditures are recognized when disbursed as determined by the date of the expenditure rather than when the obligation was incurred. Annual appropriated budgets are legally adopted for all school district budgeted funds. GAAP requires that budget to actual comparisons be presented for the general fund and all major special revenue funds for which annual budgets have been adopted.

Note A of the Budgetary Comparison Schedule, Budget-to-GAAP Reconciliation reconciles the amount reported in the basic governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (which is presented on a non-GAAP budgetary basis) to the amounts reported in the basic governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance (which is presented on a GAAP basis) for the general and major special revenue funds.

Helena School District No. 1

Notes to Financial Statements

D. Deficit fund balance

The District has funds with a deficit as of June 30, 2022, as follows:

- School Aged Child Care Fund - \$(542,277) net position deficit. The deficit balance is a carryover from the previous year as result of lost revenues due to closures and waived tuition during the pandemic. The change in net position for the year was a positive \$189,535, indicating a movement towards pre-pandemic operations.

III. Detailed notes on all funds

A. Deposits and investments

As noted previously, the Lewis and Clark County Treasurer holds District cash, except a portion of the Middle and High School Extracurricular funds. The District directs the investment of money pursuant to the provisions of State law. Cash and cash equivalents consist of:

Governmental activities (County)	\$38,194,694
Business-type activities (County)	284,357
Governmental activities (checking, savings)	85,097
Business-type activities (checking)	4,000
Total cash and cash equivalents	<u>\$38,568,148</u>

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Middle and High School Extracurricular Fund cash is a combination of checking and savings accounts and is fully insured by the FDIC. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit risk quality per GASB Statement No. 40.

The District is a member of the Lewis and Clark County Investment Pool, an external investment pool. All cash, except the cash in checking/savings for student extracurricular funds listed above, is invested through this pool. The pool is not registered with the Securities and Exchange Commission (SEC). This investment pool is comprised of all money belonging to the county, school districts and special districts for which there is not an immediate demand. It is managed by the County Treasurer, County Commission and an Investment Committee that is comprised of county officials, school district officials, private sector individuals, and representatives from other entities that participate in the pool. The fair value of the school district's position in the pool is the same as the value of the pool shares. The County reported that as of June 30, 2022, the book value and fair value of the investments were almost the same; therefore, the County had no unrealized gain or loss to record.

The State of Montana permits the following investments by the County:

- Direct obligations of the United States Government
- Securities issued and guaranteed by agencies of the United States
- Mutual funds that invest only in government obligations
- Securities issued by agencies of the United States
- Securities guaranteed by the United States or by an agency of the United States but not issued by agencies of the United States
- Repurchase agreements
- State Short-term Investment Pool (STIP)

B. Inventories

Inventories are valued at cost or, if donated, at fair value when received, using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are reported in the governmental funds as revenue when received. As of year-end, the Internal Service funds had inventories valued at \$113,812.

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Notes to Financial Statements

C. Receivables

Receivables as of year-end for the individual major and non-major funds, internal service funds, and fiduciary funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Elementary Food Service</u>	<u>Elementary Miscellaneous</u>	<u>High School Miscellaneous</u>	<u>Non-major Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Receivables:							
Taxes, gross	\$461,816				\$396,132		\$857,948
Accounts	171,047	\$351	\$3,878	\$5,389	64,319	\$1,313	246,297
Other funds	409,358		30,871				440,229
Grants, Tuition		<u>755,241</u>	<u>3,037,585</u>	<u>1,442,818</u>	<u>84,682</u>		<u>5,320,326</u>
Total Receivables	<u>\$1,042,221</u>	<u>\$755,592</u>	<u>\$3,072,334</u>	<u>\$1,448,207</u>	<u>\$545,133</u>	<u>\$1,313</u>	<u>\$6,864,800</u>

Receivables of the School-Aged Child Care Fund, \$6,589 are gross receivables. Any uncollected accounts over 90 days are removed and turned over to collection.

D. Deferred inflows of resources and unearned revenue

Governmental funds report *deferred inflows of resources* for amounts for which asset recognition criteria has been met, but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental funds also report *deferred inflows of resources* in connection with revenues collected after all eligibility requirements are met, but prior to meeting time requirements. Unearned revenues are a liability created when prepayment is made in advance of receiving goods or services. At the end of the current fiscal year, the various components of *deferred inflows of resources and unearned revenues* reported in the governmental funds were as follows:

	<u>Deferred inflows</u>	<u>Unearned revenues – grants</u>
General fund	\$182,771	\$40,586
Elementary food service fund		137,732
Elementary miscellaneous fund		88,622
High School miscellaneous fund		142,982
Non-major governmental funds taxes	<u>146,744</u>	
Total	<u>\$329,515</u>	<u>\$409,922</u>

Proprietary funds report unearned revenues in the School-Aged Child Care fund of \$47,641 which represents tuition receipts received, but not yet earned of \$10,800 and federal grantor advances of \$36,841.

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Notes to Financial Statements

E. Capital assets

Capital asset activity for the governmental funds for the year ended June 30, 2022, is listed below.

<u>Asset Category</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Other/ Transfer</u>	<u>Ending Balance</u>
Capital assets, not depreciated:					
Land	\$4,062,830				\$4,062,830
Construction in progress	<u>1,361,392</u>	<u>\$3,269,855</u>	<u>\$(3,452)</u>	<u>\$(2,541,093)</u>	<u>2,086,702</u>
Total capital assets, not depreciated	<u>5,424,222</u>	<u>3,269,855</u>	<u>(3,452)</u>	<u>(2,541,093)</u>	<u>6,149,532</u>
Capital assets, depreciated:					
Land improvements	6,541,341	1,073,671	(131,632)	44,026	7,527,406
Buildings/improvements	125,447,142			2,497,067	127,944,209
Machinery and equipment	<u>11,126,619</u>	<u>443,380</u>	<u>(5,189)</u>		<u>11,564,810</u>
Total capital assets, depreciated	<u>143,115,102</u>	<u>1,517,051</u>	<u>(136,821)</u>	<u>2,541,093</u>	<u>147,036,425</u>
Accumulated Depreciation					
Land improvements	(3,581,002)	(289,385)	131,632		(3,738,755)
Buildings/improvements	(18,576,016)	(1,590,650)			(20,166,666)
Machinery and equipment	<u>(8,950,995)</u>	<u>(857,530)</u>	<u>5,189</u>		<u>(9,803,336)</u>
Total accumulated depreciation	<u>(31,108,013)</u>	<u>(2,737,565)</u>	<u>136,821</u>	<u>0</u>	<u>(33,708,757)</u>
Total depreciable capital assets, net	<u>112,007,089</u>	<u>(1,220,514)</u>	<u>0</u>	<u>2,541,093</u>	<u>113,327,668</u>
Total capital assets, net	<u>\$117,431,311</u>	<u>\$2,049,341</u>	<u>\$(3,452)</u>	<u>\$0</u>	<u>\$119,477,200</u>

Depreciation expense and abandoned CIP projects were charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$1,699,783
Administration	78,058
Operations and maintenance	793,326
Student transportation	82,206
Food services	87,644
Total depreciation expense – governmental activities	<u>\$2,741,017</u>

Capital asset activity for the SACC program (Business-type activities) for the year ended June 30, 2022 is listed below.

<u>Asset Category</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Other/ Disposals</u>	<u>Transfer</u>	<u>Ending Balance</u>
Machinery and equipment	\$5,925	\$13,843			\$19,768
Total capital assets, depreciated	<u>5,925</u>	<u>13,843</u>	<u>0</u>	<u>0</u>	<u>19,768</u>
Accumulated Depreciation					
Accumulated depreciation	<u>(1,185)</u>	<u>(2,569)</u>	<u>-</u>	<u>-</u>	<u>(3,754)</u>
Total capital assets, net	<u>\$4,740</u>	<u>\$11,274</u>	<u>\$0</u>	<u>\$0</u>	<u>\$16,014</u>

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Notes to Financial Statements

F. Intangible Right-to-Use Assets

	Balance July 1, 2021	Additions	Deletions	Expirations	Balance June 30, 2022
Intangible right-to-use capital assets:					
Equipment	\$258,345				\$258,345
Total intangible right-to-use capital assets	<u>258,345</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>258,345</u>
Less – Accumulated depreciation:					
Equipment		(74,614)	-	-	(74,614)
Total accumulated depreciation		<u>(74,614)</u>	<u>-</u>	<u>-</u>	<u>(74,614)</u>
Total intangible right-to-use-capital assets, net	<u>\$258,345</u>	<u>\$(74,614)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$183,731</u>

G. Commitments

At year-end, the District had commitments outstanding, in the form of purchase orders of \$1,070,517. The bulk of the commitments were for construction and maintenance projects. The projects included major improvements at the Lincoln Campus, LED lighting project at CR Anderson Middle School, gym floor replacement at Helena High School, duct cleaning at both Capital High School and Helena High School, flooring replacements at both high schools, boiler replacement at Jefferson Elementary, Vigilante Stadium, and roofing projects at Jefferson Elementary, Four Georgians Elementary, CR Anderson Middle School, and Capital High School. These projects were funded by the elementary building reserve, high school building reserve, and the interlocal fund. Including the aforementioned, the District had various encumbrances: \$302,637 in the general funds, \$6,374 in the elementary miscellaneous fund, \$21,913 in the high school miscellaneous fund, and \$739,593 in the non-major governmental funds. Note L delineates the fund balance status.

H. Inter-fund receivables, payables, and transfers

Inter-fund transfers

The elementary interlocal agreement fund received \$2,414,770 from other District funds, \$1,003,770 from the general fund, \$871,000 from the elementary transportation fund, \$300,000 from the high school transportation fund, \$150,000 from the elementary adult education fund, and \$90,000 from the high school adult education fund. These transfers are permitted by the interlocal agreement, as well as under state law. Transfers are permitted for the purpose of purchasing K-12 curriculum and resource adoption, professional development, emergency staffing to achieve accreditation standards, and operational costs for the participating districts, which include but are not limited to one-time staffing costs of participating districts.

In addition to the inter-fund transfers mentioned above, the District evaluated student activity accounts and determined that some accounts should be reported as District funds rather than student activities and one account should be reported in the high school rather than the elementary. As a result, funds were transferred as follows: \$18,412 transferred out of the elementary miscellaneous programs fund and \$413 transferred out of the high school student activity account. Both were transferred to the high school miscellaneous programs fund.

Helena School District No. 1

Notes to Financial Statements

Interfund receivables and payables

Interfund balances as of June 30, 2022, consisted of the following:

	Due from Funds	Due to Funds
Elementary miscellaneous programs	\$30,871	\$ -
High School miscellaneous programs	-	\$440,229
General	409,358	
Total	<u>\$440,229</u>	<u>\$440,229</u>

The \$409,358 due to the general fund represents a short-term loan to cover a cash deficit in the high school miscellaneous programs fund. The \$30,871 due to the elementary miscellaneous fund is a combination of restatements, a \$26,317 restatement for the high school's share of central office building repairs and a \$4,554 restatement for grant money owed to the elementary district.

I. Payables

Payables and other accrued liabilities at June 30th, are as follows:

	<u>General</u>	<u>Elementary Food Service</u>	<u>Elementary Misc.</u>	<u>High School Misc.</u>	<u>Non-Major Funds</u>	<u>Internal Service</u>	<u>Total</u>
Accounts to vendors and contractors	<u>\$288,873</u>	<u>\$174,712</u>	<u>\$67,943</u>	<u>\$44,538</u>	<u>\$277,157</u>	<u>\$55,525</u>	<u>\$908,748</u>

J. Lease obligations

Lease payable

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance June 30, 2022</u>	<u>Due within one year</u>
HP Copier Lease	\$ 188,447	\$ -	\$ 38,933	\$ 149,514	\$ 36,466
Kelley Copier DC-125 Lease	36,572	-	25,742	10,830	10,830
Kelley Copier DC-125P/H Lease	33,326	-	10,957	22,369	11,092
Leases payable	<u>\$ 258,345</u>	<u>\$ -</u>	<u>\$ 75,632</u>	<u>\$ 182,713</u>	<u>\$ 58,388</u>

The terms and expiration dates of the District's leases payable at June 30, 2022, follow:

HP Copier Lease - Lease agreement dated June 29, 2020 in the original principal amount of \$188,447 (from implementation date), due in annual installments of \$38,933, including imputed interest at 1.65%, through July 2025.

Kelley Copier DC-125 Lease - Lease agreement dated December 1, 2018 in the original principal amount of \$36,572 (from implementation date), due in monthly installments of \$2,175, including imputed interest at 1.65%, through November 2022.

Helena School District No. 1

Notes to Financial Statements

Kelley Copier DC-125 Lease P/H - Lease agreement dated June 12, 2019 in the original principal amount of \$33,326 (from implementation date), due in monthly installments of \$948, including imputed interest at 1.65%, through June 2024.

Future Minimum Leases			
Years	Principal	Interest	Total
2023	\$ 58,388	\$ 2,797	\$ 61,185
2024	48,345	1,966	50,311
2025	37,679	1,254	38,933
2026	38,301	632	38,933
2027	-	-	-
Totals	\$ 182,713	\$ 6,649	\$ 189,362

K. Long-term debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition, construction, or major remodeling of school facilities. General obligation bonds have been issued for governmental activities. On September 21, 2017, the elementary district issued general obligation bonds with a principal amount of \$55,000,000. A premium of \$6,382,616 was associated with the issuance of these bonds. The remaining \$8,000,000 of the \$63,000,000 authorized was issued on June 5, 2019. A premium of \$793,224 is associated with the issuance of these bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds generally are issued as 20-year serial bonds with varying amounts of principal due each year. General obligation bonds currently outstanding are as follows:

<u>Elementary</u>	<u>Original</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Outstanding</u>
<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>		<u>Balance</u>
2017	\$55,000,000	7/1/2037	3.00-5.00%	\$45,560,000
2019	\$8,000,000	7/1/2039	3.00-4.00%	7,120,000
				52,680,000
		Unamortized bond premium		6,389,991
				<u>\$59,069,991</u>

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Notes to Financial Statements

Changes in long-term liabilities

Long-term liability activity for fiscal year 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:					
GO Bonds	\$55,085,000		\$2,405,000	\$52,680,000	\$2,515,000
GO Bond Premiums	6,731,429		341,438	6,389,991	426,644
Intercap Loan	467,352		151,469	315,883	156,278
Lease Liability	258,345		75,632	182,713	58,388
Pension Liability	81,286,482		21,979,633	59,306,849	
Compensated Absences	5,924,810	\$88,086		6,012,896	1,698,889
Other Post-Employment Benefits – Health	<u>3,606,009</u>	<u>125,712</u>		<u>3,731,721</u>	
Governmental activity long-term liabilities	<u>\$153,359,427</u>	<u>\$213,798</u>	<u>\$24,953,172</u>	<u>\$128,620,053</u>	
Business-type activities:					
Compensated Absences	\$138,609		\$4,631	\$133,978	\$45,864
Pension Liability	<u>1,002,407</u>		<u>389,500</u>	<u>612,907</u>	
Business-type activity long term liabilities	<u>\$1,141,016</u>	<u>\$0</u>	<u>\$394,131</u>	<u>\$746,885</u>	

The Internal service funds (warehouse, print-shop, liability insurance, and health insurance) service the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the totals for governmental activities. At June 30, 2022 \$12,752 of compensated absences, \$33,199 of lease liability, and \$131,098 of pension liability recorded in the internal service funds were included in the amounts above. Payment for compensated absences of employees is from the originating fund for the employee pay.

Annual debt service requirements to maturity for general obligation bonds and the intercap loan are as follows:

Ending June 30,	Principal	Interest	Total
2023	\$2,671,278	\$2,169,055	\$4,840,333
2024	2,794,605	2,048,567	4,843,172
2025	2,760,000	1,921,000	4,681,000
2026	2,890,000	1,789,700	4,679,700
2027	3,025,000	1,652,650	4,677,650
2028-2032	17,115,000	6,285,200	23,400,200
2033-2037	20,650,000	2,746,000	23,396,000
2038-2039	1,090,000	61,800	1,151,800
	<u>\$52,995,883</u>	<u>\$18,673,972</u>	<u>\$71,669,855</u>

Helena School District No. 1

Notes to Financial Statements

Annual maturities of bond premium are as follows:

Year Ending June 30,	
2023	\$426,644
2024	492,698
2025	561,662
2026	617,180
2027	693,206
2028-2032	1,734,516
2033-2037	1,750,542
2038-2039	113,543
	<u>\$6,389,991</u>

L. Net position/fund balances

The residual of all other elements presented in the statement of net position is *net* position on the government-wide and proprietary fund financial statements. The residual of all other elements presented in the balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: net investment in capital assets (capital assets net of related debt), restricted and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports non-spendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

- Non-spendable. This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories and prepaids are classified as non-spendable.
- Restricted. This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following:
 - a) unspent tax revenues levied for specific purposes as required by law, such as transportation, out-of-district instruction payments, retirement payments, adult education, technology, capital projects and debt service;
 - b) balances remaining for nutrition services, driver education, curriculum adoption, low income instruction, drug and mental health services, professional development, building and maintenance projects, and student extracurricular activities.
- Committed. The committed fund balance classification includes amounts that can be used only for the specific purpose determined by formal action of the District's Board of Trustees. The Board is the highest level of decision-making authority for the District that can by resolution commit fund balance.

Helena School District No. 1

Notes to Financial Statements

- Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. Assigned amounts include the following:
 - a) Used for curriculum adoption, field trip transportation, building and maintenance, technology and other general purposes.
- Unassigned. Residual balances in the general fund and flexibility funds are classified as unassigned.

	General Fund	Elementary Food Service	Elementary Miscellaneous	High School Miscellaneous	Other Governmental Funds	Total
<u>Nonspendable for:</u>						
Inventories and prepaid expenses	\$64,873	\$8,875		\$3,067	\$12,391	\$89,206
<u>Restricted for:</u>						
Instruction			\$223,085	147,642	138,167	508,894
Support services					804,739	804,739
Retirement benefits					3,021,867	3,021,867
Student transportation					1,524,386	1,524,386
Operations and maintenance					15,958	15,958
Food services		1,796,475				1,796,475
Student extracurricular					790,633	790,633
Scholarships					303,095	303,095
Community services					312,138	312,138
COVID pandemic			5,234			5,234
Capital projects			46,766	3,009	3,292,490	3,342,265
Debt service					442,077	442,077
<u>Assigned for:</u>						
Instruction	8,912,713					8,912,713
Support services	32					32
Operations/maintenance	690				58,842	59,532
Student transportation			74,097	93,370		167,467
Student extracurricular activities	984					984
Other	135,530		3,006,687	591,376		3,733,593
Unassigned	5,636,650			(14,939)		5,621,711
Total	\$14,751,472	\$1,805,350	\$3,355,869	\$823,525	\$10,716,783	\$31,452,999

Helena School District No. 1

Notes to Financial Statements

Prior period adjustments:

The governmental fund balances were restated as a result of the following:

- June 30, 2021, elementary miscellaneous programs fund balance decreased by \$19,129 as a result of three separate misstatements, as follows: an understatement of solar panel expenditures (\$50,000) that should have been paid out of the elementary miscellaneous programs fund rather than the elementary building reserve fund, an overstatement of central office roof damage expenditures (\$26,317) that should have been split with the high school miscellaneous programs fund, and an understatement of interfund receivables (\$4,554) as of June 30, 2021.
- June 30, 2021, high school miscellaneous programs fund balance decreased by \$30,871 due to underreporting of central office roof damage expenditures in fiscal year 2021 (\$26,317) and understating of interfund payables (\$4,554 due to the elementary miscellaneous fund) in fiscal year 2021.
- June 30, 2021 elementary building reserve fund balance increased by \$50,000 due to overstating solar panel expenditures that should have been paid out of the elementary miscellaneous programs fund.

IV. Other information

A. Risk management

The District is exposed to various risks of loss related to torts; damage to, theft of, or destruction of assets; professional liability, i.e. errors and omissions; environmental damage and natural disasters; workers' compensation, i.e. employee injuries; and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts and professional liability coverage. Coverage limits and the deductibles on the commercial policies have been relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of the assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages and a pool limit for earthquake and flood damages.

The District has joined with other Montana employers to form a self-insurance pool offering workers' compensation coverage. This pool, named Montana State Fund, provides claim administrative services. Premiums paid to Montana State Fund amounted to \$371,424 for the fiscal year.

Employee medical insurance is provided through an internally administered, self-funded plan. The District provides medical and dental coverage for employees through an Internal Service Fund that is administered by Allegiance Administrators for the period that ends on October 1, 2022. Rates for the employees and employer are determined in consultation with the administrator for the ensuing year. An excess coverage insurance policy is purchased by the District.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these items. The balances of claims liabilities during the past two fiscal years are as follows:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Unpaid claims, July 1	\$2,707,583	\$2,117,565
Incurred claims (including IBNR)	12,694,706	10,828,159
Claim payments	<u>(12,144,781)</u>	<u>(10,238,141)</u>
Unpaid claims, June 30	<u>\$3,257,508</u>	<u>\$2,707,583</u>

Helena School District No. 1

Notes to Financial Statements

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the State of Montana and the federal government. Any disallowed claim, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government. The costs associated with this are covered through District insurance.

C. Other post-employment benefits

Health Insurance

The District provides 18 to 36 months optional post-employment health care benefits in accordance with Public Law 99-272, known as the Consolidated Omnibus Budget Reconciliation Act (COBRA), to the following employees and dependents who elect to continue and pay administratively established premiums: (1) employees who were covered by the District health insurance plan at the time they discontinued employment, and (2) spouses or other dependents who lose dependent eligibility. At June 30, 2022 there were three ex-employees who elected to have COBRA coverage through the District.

In accordance with section 2-18-704, MCA, the District also provides optional post-employment health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement policy and (2) surviving dependents of deceased employees. Retirement eligibility differs by retirement system. Administratively established premiums vary from \$572 to \$1,711 depending on the coverage selected. The District acts as a secondary payor for retired Medicare-eligible claimants. As of the valuation date, 69 retirees and their dependents were covered for health care benefits. As of June 30, 2022, 3 retirees opted to continue insurance through the District. The District collects insurance premiums from participating retirees which are deposited into the District's health insurance fund.

Total OPEB Liability

	<u>June 30, 2022</u>
Total OPEB Liability	\$3,731,721
Covered payroll	N/A
Total OPEB Liability as a % of covered payroll	N/A

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

Discount Rate

Discount Rate	2.16%
20 Year Tax-Exempt Municipal Bond Yield	2.16%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of June 30, 2021, were based on the results of an actuarial experience study for the period 2012-2017 for the State of Montana Teachers' Retirement System (MTRS).

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry Age Normal
Mortality	MTRS; see "Actuarial Assumptions" for details
Salary increases including inflation	MTRS; see "Actuarial Assumptions" for details

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Notes to Financial Statements

Changes in Total OPEB Liability

Changes in Total OPEB Liability

	<u>2021-2022</u>
Beginning of Year Balance	\$3,606,009
Changes for the year:	
Service cost	253,929
Interest on total OPEB liability	82,849
Effect of economic/demographic gains or losses	0
Effect of assumptions changes or inputs	12,418
Benefit payments	<u>(223,484)</u>
End of Year Balances	<u><u>\$3,731,721</u></u>

Sensitivity Analysis

The following presents the total OPEB liability of the Helena School District #1, calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	<u>2021-2022</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.16%</u>	<u>2.16%</u>	<u>3.16%</u>
Total OPEB Liability	\$3,986,622	\$3,731,721	\$3,489,815

The following presents the total OPEB liability of the Helena School District #1, calculated using the current healthcare cost trend rates as well as what the Helena School District #1's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	<u>2021-2022</u>		
	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
	<u>Rate</u>		
Total OPEB Liability	\$3,333,169	\$3,731,721	\$4,202,183

OPEB Expense

	<u>July 1, 2021 to</u> <u>June 30, 2022</u>
OPEB Expense	
Service cost	\$253,929
Interest on total OPEB liability	82,849
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	43,807
Recognition of assumption changes or inputs	<u>(329,658)</u>
OPEB Expense	<u><u>\$50,927</u></u>

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Notes to Financial Statements

As of June 30, 2022, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Payments subsequent to the measurement date		\$1,391,701
Differences between expected and actual experience		253,883
Changes of assumptions	<u>\$(1,751,174)</u>	<u>104,789</u>
Total	<u>\$(1,751,174)</u>	<u>\$1,750,373</u>

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

Year ending June 30:

2022	N/A
2023	(316,682)
2024	(317,876)
2025	(296,529)
2026	(259,587)
2027	(93,822)
Thereafter*	(108,006)

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

Actuarial Assumptions

The following actuarial assumptions were used in the development of the Helena School District #1 retiree health cost projections. Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the State of Montana Teachers' Retirement System (MTRS) as provided in the July 1, 2021 Actuarial Valuation reports, without reflecting the adjustment of healthy member mortality for partial credibility that is utilized by the System actuary.

Interest Discount Rate:

Measurement Date	Rate
June 30, 2019	3.50%
June 30, 2020	2.21%
June 30, 2021	2.16%

Mortality:

<u>Non-Disabled:</u>	For Males:	RP-2000 Healthy Combined Mortality Table, set back two years, with mortality improvements projected by Scale BB to 2022.
	For Females:	RP-2000 Healthy Combined Mortality Table, set back two years, with mortality improvements projected by Scale BB to 2022.
<u>Disabled:</u>	For Males:	RP-2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022.
	For Females:	RP-2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.

Employee Turnover/Withdrawal: MTRS for all employees.

Disablement: MTRS disability rates for all employees.

Retirement: MTRS retirement rates for general members for all employees.

Helena School District No. 1

Notes to Financial Statements

Salary Adjustment Factors: MTRS General Members for all employees. Rates are shown below.

% Merit and Longevity Increase Next Year	
Service	General Members
1	4.51%
2	4.09
3	3.46
4	2.94
5	2.52
6	2.21
7	1.89
8	1.68
9	1.47
10	1.31
11	1.16
12	1.00
13	0.84
14	0.68
15	0.58
16	0.47
17	0.37
18	0.26
19	0.21
20	0.16
21	0.11
22+	0.00

In addition to the merit and longevity increase, each person is assumed to get an economic increase of 3.25% each year.

Percentage of Retirees Participating In Retiree Medical Coverage:

Future retirees: 35% of current employees are expected to participate in the Helena School District #1's retiree health insurance plan.

Current retirees: Actual retiree participation.

Percentage of Retirees Electing Family Coverage:

Future retirees: 30% of future retirees that take coverage are assumed to elect two-party coverage.

Current retirees: Actual family coverage election.

Age Difference of Active Employees and Spouses: Spouses same age as participants.

Helena School District No. 1

Notes to Financial Statements

Annual Medical Trend Rate Assumptions: Based on recent experience, the experience of medical insurers, Milliman's future trend expectations, and judgment.

Annual Medical Trend Rate	
2021-2022	5.90%
2022-2023	5.50%
2023-2024	5.10%
2024-2025	4.90%
2025-2026	4.80%
2026-2027	4.70%
2027-2028	4.60%
2028-2029	4.50%
2029-2035	4.40%
2035-2044	4.50%
2044-2051	4.60%
2051-2054	4.50%
2054-2065	4.40%
2065-2066	4.30%
2066-2068	4.20%
2068-2069	4.10%
2069-2071	4.00%
2071-2072	3.90%
2072-2074	3.80%
2074+	3.70%

Expected Monthly 2020-2021 Medical Costs Per Retiree: Relative cost factors were developed from the Milliman Health Cost Guidelines. Based on the District's claim experience, current premiums, plan provisions, and related age cost factors assumptions, age adjusted 'per member per month' (PMPM) costs for 2020-21 were developed. The post-65 premiums are sufficient to cover the post-65 medical costs; therefore, no implied rate subsidy is valued after age 64.

Age	Male		Female	
	Single	EE & SPS	Single	EE & SPS
50	\$527	\$1,231	\$659	\$1,231
55	688	1,505	773	1,505
60	879	1,827	904	1,827
64	1,090	2,154	1,020	2,155

Changes in Assumptions Since Prior Valuation: The discount rate was updated as of June 30, 2020, and June 30, 2021 in accordance with the parameters defined by GASB 75. A higher discount rate results in lower liabilities and vice versa. The expected medical costs, medical trend rate, and participation rate have been updated. The overall result of the change in assumptions is a decrease in liability.

Summary of Plan Provisions

Eligibility Requirements and Benefits

Eligibility requirements and benefits are as follows:

Eligibility - A retiree is considered eligible for coverage under this plan only if the retiree was covered under the plan as a participant on their last day of active service prior to retirement and retires from MTRS.

Retiree Health Benefits - Retirees pay 100% of the premiums to continue coverage.

Helena School District No. 1

Notes to Financial Statements

Summary of Participant Data

Monthly Retiree Premiums: The District's current premium rates are shown in the following table.

Pre-65 Monthly Health Insurance Premiums 10/01/2021-9/30/2022		
Plan	Single	Subscriber & Spouse
Premium	\$838	\$1,585
Standard	572	1,083

Participant Data: The District relied on the following medical plan participant data as of May 1, 2021 and assumed there have been no significant changes in data between June 30, 2020 and May 1, 2021.

	Participant Count	Average Age	Average Service
Active Employees	877	44.8	10.8
Retirees	69	60.9	

Other Employee Benefits

The District operates an Internal Revenue Code Section 125 plan for medical, day care, health insurance, and life insurance expenses. Employees can contribute pretax dollars up to \$2,400 per year for medical expenses and up to \$5,000 per year for day care expenses. The entire health and life insurance premiums are tax sheltered.

D. Employee benefit pension plans

Employees of the District participate in one of two state-wide cost sharing multiple-employer retirement benefits plans, Teachers Retirement System (TRS) and Public Employees Retirement System (PERS). Contributions to the plans are as required by state statute. Information about each plan is as follows:

Employer's proportion of TRS and PERS pension amounts combined

	District's proportionate share associated with TRS	District's proportionate share associated with PERS	Total Pension Amounts
Total Pension Liability	\$ 214,197,807	\$9,979,313	\$224,177,120
Fiduciary Net Position	161,812,440	2,444,924	164,257,364
Net Pension Liability	<u>\$ 52,385,367</u>	<u>\$7,534,389</u>	<u>\$59,919,756</u>
Deferred Outflows of Resources	\$12,677,186	\$2,502,285	\$15,179,471
Deferred Inflows of Resources	\$17,493,332	\$3,106,800	\$20,600,132
Pension Expense	\$8,252,718	\$1,299,665	\$9,552,383

Helena School District No. 1

Notes to Financial Statements

Teachers' Retirement System of Montana

a. 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>.

b. Plan Description

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.

c. 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 $1.6667 \times \text{AFC} \times \text{years of creditable service}$).

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Notes to Financial Statements

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.

d. Overview of Contributions

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

The tables below show the legislated contribution rates for TRS members, districts and the state.

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

State and University Employers	Members	Employers	General Fund	Total Employee & Employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	9.47%	0.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	9.85%	0.11%	17.11%
July 1, 2013 to June 30, 2014	8.15%	10.85%	0.11%	19.11%
July 1, 2014 to June 30, 2015	8.15%	10.95%	0.11%	19.21%
July 1, 2015 to June 30, 2016	8.15%	11.05%	0.11%	19.31%
July 1, 2016 to June 30, 2017	8.15%	11.15%	0.11%	19.41%
July 1, 2017 to June 30, 2018	8.15%	11.25%	0.11%	19.51%
July 1, 2018 to June 30, 2019	8.15%	11.35%	0.11%	19.61%
July 1, 2019 to June 30, 2020	8.15%	11.45%	0.11%	19.71%
July 1, 2020 to June 30, 2021	8.15%	11.55%	0.11%	19.81%
July 1, 2021 to June 30, 2022	8.15%	11.65%	0.11%	19.91%
July 1, 2022 to June 30, 2023	8.15%	11.75%	0.11%	20.01%
July 1, 2023 to June 30, 2024	8.15%	11.85%	0.11%	20.11%

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Notes to Financial Statements

e. TRS Stand-Alone Statements

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

f. Actuarial Assumptions

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

- Total wage increases* 3.25% - 7.76% for Non-University Members and 4.25% for University Members
- Investment return 7.06%
- Price inflation 2.40%
- Postretirement Benefit Increases
 - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than .5%, but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
 - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members
 - 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.

*Total wage increases include 3.25% general wage increase assumption

g. Discount Rate

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

Helena School District No. 1

Notes to Financial Statements

h. Target Allocations

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

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

i. Sensitivity Analysis

	1% Decrease 6.06%	Current Discount Rate	1% Increase 8.06%
District's portion of net pension liability	\$77,834,450	\$52,385,367	\$31,148,516

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

j. Net Pension Liability

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

Helena School District No. 1

Notes to Financial Statements

	Net pension liability as of 06/30/22	Net pension liability as of 6/30/2021	Percent of Collective NPL as of 06/30/22	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
District proportionate share	\$ 52,385,367	\$ 72,115,783	3.1623%	3.2059%	(0.0436%)
State of Montana proportionate share associated with the District	29,891,716	42,648,393	1.8045%	1.8959%	(0.0914%)
Total	\$82,277,083	\$ 114,764,176	4.9668%	5.1018%	(0.1350%)

At June 30, 2022, the District recorded a liability of \$52,385,367 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2022, the District's proportion was 3.1623 percent.

Changes in actuarial assumptions and other inputs: Since the previous measurement date the following changes to actuarial assumptions were made:

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

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

Change 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.

k. Pension Expense

	Pension Expense as of 6/30/2022
District proportionate share	\$ 5,340,584
State of Montana proportionate share associated with the District	2,912,134
Total	\$ 8,252,718

At June 30, 2022, the District recognized pension expense of \$8,252,718 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$2,912,134 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

Helena School District No. 1

Notes to Financial Statements

I. Deferred Inflows and Outflows

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	822,735	-
Changes in actuarial assumptions	5,964,886	26,904
Difference between projected and actual investment earnings	-	16,553,032
Changes in proportion and differences between actual and expected contributions	756,552	913,396
*Contributions paid to TRS subsequent to the measurement date - FY 2022 contributions	5,133,013	-
Total	\$12,677,186	\$17,493,332

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

Year ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an increase or (decrease) to Pension Expense
2023	(428,130)
2024	(1,071,794)
2025	(3,196,571)
2026	(5,252,665)
2027	-
Thereafter	-

Montana Public Employee Retirement System

a. Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the net pension liability (NPL); deferred outflows of resources and deferred inflows of resources related to pensions; pension expense; the fiduciary net position; and, additions to 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).

Helena School District No. 1

Notes to Financial Statements

b. General Information about the Pension Plan

Plan Description: The PERS-Defined Benefit Retirement Plan (DBRP), 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, and local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

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

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

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

- 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):

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Helena School District No. 1

Notes to Financial Statements

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 all other adjustments to the members benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
 - a. 1.5% each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - c. 0% whenever the amortization period for PERS is 40 years or more.

Contributions: The state Legislature has the authority to establish and amend contribution 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 for state agencies and universities but are reported as employer contributions.

Helena School District No. 1

Notes to Financial Statements

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

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <7/1/11	Hired >7/1/11	Employer	Employer	State	Employer	State
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%	- %	7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%	- %	7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%	- %	6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following 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 contribution rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions:
 - a. Special Funding
 - i. The State contributed 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a Statutory Appropriation from the General Fund of \$34,290,660.

Helena School District No. 1

Notes to Financial Statements

c. 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 total pension liability (TPL). The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The TPL minus the fiduciary net position equals the net pension liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2021 and 2020, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$7,534,389 and the employer's proportionate share was 0.415525 percent.

As of measurement date	Net pension liability as of 6/30/2021	Net pension liability as of 6/30/2020	Percent of Collective NPL 6/30/2021	Percent of Collective NPL 6/30/2020*	Change in Percent of Collective NPL
District proportionate share	\$ 7,534,389	\$ 10,173,105	0.415525%	0.385606%	0.029919%
State of Montana proportionate share associated with the District	2,444,924	3,514,592	0.134839%	0.133219%	0.001620%
Total	\$ 9,979,313	\$ 13,687,697	0.550364%	0.518825%	0.031539%

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

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

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

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

Pension Expense: At June 30, 2021, the employer recognized \$598,576 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$701,089 for the support provided by the state of Montana for its proportionate share of the pension expense associated with the employer.

As of measurement date	Pension Expense as of 6/30/2021	Pension Expense as of 6/30/2020
District proportionate share	\$ 598,576	\$ 1,367,651
District grant revenue - state of Montana proportionate share for the District	701,089	574,783
Total	\$ 1,299,665	\$ 1,942,434

Helena School District No. 1

Notes to Financial Statements

Recognition of Deferred Inflows and Outflows: At June 30, 2021, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	80,406	54,541
Projected investment earnings vs actual investment earnings	-	3,052,259
Changes in assumptions	1,115,983	-
Changes in proportion and differences between District contributions and proportionate share of contributions	605,504	-
District contributions subsequent to the measurement date	700,392	-
Total	\$2,502,285	\$3,106,800

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) in pension expense
2022	415,516
2023	(8,868)
2024	(737,199)
2025	(974,356)
Thereafter	-

Helena School District No. 1

Notes to Financial Statements

Actuarial Assumptions: The total pension liability as of June 30, 2021, was determined on the results of an actuarial valuation date of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

Investment return (net of admin expense)	7.06%
Admin expense as % of payroll	0.28%
General wage growth*	3.50%
*includes inflation at	2.40%
Merit increases	0% to 4.80%
Postretirement benefit increases 1. Guaranteed Annual Benefit Adjustment (GABA) each January <ul style="list-style-type: none"> 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. <ul style="list-style-type: none"> Members hired prior to July 1, 2007 Members hired between July 1, 2007 & June 30, 2013 Members hired on or after July 1, 2013 <ul style="list-style-type: none"> For each year PERS is funded at or above 90% <ul style="list-style-type: none"> The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90% 0% whenever the amortization period for PERS is 40 years or more 	3.0% 1.5% 1.5% 0%
Mortality <ul style="list-style-type: none"> Contributing members, service retired members & beneficiaries Disabled members 	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males RP-2000 Combined Mortality Tables, with no projections

Discount Rate: The discount rate used to measure the TPL was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations: The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	3.0%	(0.33)%
Domestic Equity	30.0%	5.90%
International Equity	17.0%	7.14%
Private Investments	15.0%	9.13%
Real Assets	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.0%	3.02%
Total	100.0%	

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.06%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1% Decrease (6.06%)	Current Discount Rate	1% Increase (8.06%)
District's net pension liability	\$11,959,667	\$7,534,389	\$3,822,607

d. PERS Disclosure for the Defined Contribution Plan

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

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

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

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

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

Pension plan fiduciary net position: The stand-alone financial statements of the Montana Public Employees Retirement Board (PERB) *Annual Comprehensive Financial Report* (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>.

E. Tax Abatements

The District's property tax revenue is subject to tax abatement agreements entered into by Lewis and Clark County. Under the Montana Code Annotated, Title 15, Chapter 24, Part 14, the localities may grant property tax abatements to new or expanding industries. In the first 5 years, qualifying expansions must be taxed at 50% of their taxable value. Each year thereafter, the percentage must be increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be taxed at 100% of its taxable value. Property taxes abated by this section are subject to recapture if the ownership does not add at least \$50,000 worth of qualifying improvements or modernized processes within the first two years in which these benefits are provided. For the fiscal year ended June 30, 2022, the District portion of the property taxes abated by Lewis and Clark County totaled \$22,782 as follows:

<u>Company</u>	<u>Amount</u>
The Boeing Corporation	\$ 5,705
Pioneer Aerostructures	<u>17,077</u>
	<u>\$22,782</u>

Required Supplementary Information

HELENA SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2022

	General Fund			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	(BUDGETARY BASIS) - NOTE A	WITH FINAL BUDGET
<u>REVENUES</u>				
Property taxes	\$ 18,676,933	\$ 18,676,933	\$ 18,682,128	\$ 5,195
Tuition and fees	46,676	278,367	476,287	197,920
Interest	16,338	16,338	19,077	2,739
Other district revenue	4,386	4,386	2,034	(2,352)
County	-	-	-	-
State of Montana	42,773,888	42,773,888	42,773,888	-
Amounts available for appropriation	61,518,221	61,749,912	61,953,414	203,502
<u>EXPENDITURES</u>				
Regular	32,890,368	32,890,368	32,613,477	276,891
Special education	4,392,462	4,392,462	5,084,473	(692,011)
Vocational education	1,634,603	1,634,603	1,693,938	(59,335)
Adult education				
Support services:				
Improvement of instruction services	4,506,636	4,506,636	3,976,614	530,022
Educational media services	1,470,640	1,470,640	1,560,944	(90,304)
General administration	2,144,501	2,376,192	1,108,692	1,267,500
School administration	5,439,089	5,439,089	5,439,360	(271)
Business services	1,695,759	1,695,759	1,448,453	247,306
Operations and maintenance of plant	5,859,231	5,859,231	5,736,929	122,302
Student transportation services	-	-	-	-
Community services	13,171	13,171	13,265	(94)
Other	-	-	35,571	(35,571)
Non-instructional services:				
Extracurricular	1,374,058	1,374,058	1,308,920	65,138
School food	-	-	131,758	(131,758)
Non-instructional services:				
Capital outlay	97,703	97,703	209,973	(112,270)
Debt service:				
Principal payments	-	-	38,933	(38,933)
Interest payments	-	-	-	-
Total charges to appropriations	61,518,221	61,749,912	60,401,300	1,348,612
<u>Other Financing Sources (Uses):</u>				
Transfers (out)	-	-	(1,003,770)	(1,003,770)
Total other financing sources (uses)	-	-	(1,003,770)	(1,003,770)
Net change in fund balance			548,344	
Budgetary fund balance - July 1, 2021			5,141,258	
Restatements				
Budgetary fund balance - June 30, 2022			<u>\$ 5,689,602</u>	

See independent auditors' report

**HELENA SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

Note A - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	General Fund
<hr/>	
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 61,953,414
Fund 182 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	21,507
Fund 129 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	32
Fund 229 inflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	104,813
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	<hr/> \$ 62,079,766 <hr/>
Uses/Outflows of resources	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 60,401,300
Fund 182 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	1,214,213
Fund 129 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	-
Fund 229 outflows of resources - included in the general fund for financial statement reporting purposes, but not for budgetary purposes	105,253
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	
Encumbrances reported at the beginning of the year	140,630
Encumbrances reported at the end of the year	(5,282)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<hr/> \$ 61,856,114 <hr/>

Note: Amounts presented in the Budgetary Comparison Schedule and Related Budget-to-GAAP Reconciliation present only Funds 101 and 201. Other funds included in the general fund for financial statement reporting purposes are not included in these schedules.

Helena School District No. 1

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

Other Postemployment Benefits

Total OPEB Liability	2022	2021	2020	2019	2018	2017
Service cost	\$253,929	\$314,376	\$287,391	\$393,351	\$425,373	\$353,556
Interest on total OPEB liability	82,849	156,717	163,396	204,786	168,305	203,669
Effect of economic/demographic gains or (losses)		313,416		37,731		
Effect of assumption changes or inputs	12,418	(1,172,709)	109,769	(1,642,661)	(299,813)	368,792
Benefit payments	(223,484)	(335,187)	(328,617)	(441,449)	(453,246)	(450,000)
Net change in total OPEB liability	125,712	(723,387)	231,939	(1,448,242)	(159,381)	476,017
Total OPEB liability - beginning	3,606,009	4,329,396	4,097,457	5,545,699	5,705,080	5,229,063
Total OPEB liability - ending	\$3,731,721	\$3,606,009	\$4,329,396	\$4,097,457	\$5,545,699	\$5,705,080
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period for the respective measurement date, as listed:

June 30, 2016	2.85%
June 30, 2017	3.58%
June 30, 2018	3.87%
June 30, 2019	3.50%
June 30, 2020	2.21%
June 30, 2021	2.16%

Governmental Accounting Standard Board, Statement 75 requires this information to be provided for 10 years. Additional years will be displayed as they become available.

Helena School District No. 1

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability Teachers Retirement and Public Employees Retirement Systems of Montana

Teachers Retirement System:	2022	2021	2020	2019	2018
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	3.1623%	3.2059%	3.1840%	3.1437%	3.1502%
Employer's proportionate share of the net pension liability associated with the employer	\$ 52,385,366	\$ 72,115,783	\$ 61,396,152	\$ 58,350,944	\$ 53,114,391
State of Montana's proportionate share of the net pension liability associated with the employer	29,891,716	42,648,393	37,169,121	36,240,550	33,714,733
Total	\$82,277,082	\$114,764,176	\$98,565,273	\$94,591,494	\$ 86,829,124
Employer's covered payroll	\$45,041,133	\$44,127,462	\$43,221,690	\$41,990,904	\$ 41,549,727
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	116.31%	163.43%	142.05%	138.96%	127.83%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.09%	70.09%
Public Employees Retirement System:	2021	2020	2019	2018	2017
As of the June 30 Measurement Date					
Employer's proportion of the net pension liability	0.415525%	0.385606%	0.362111%	0.354348%	0.483453%
Employer's proportionate share of the net pension liability associated with the employer	\$ 7,534,389	\$ 10,173,105	\$ 7,569,244	\$ 7,395,754	\$ 9,415,853
State of Montana's proportionate share of the net pension liability associated with the employer	2,444,924	3,514,592	2,700,174	2,729,715	453,964
Total	\$9,979,313	\$13,687,697	\$10,269,418	\$10,125,469	\$ 9,869,817
Employer's covered payroll	\$7,556,299	\$6,677,792	\$6,169,141	\$6,020,372	\$ 6,197,232
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	99.71%	152.34%	122.70%	122.85%	151.94%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%

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

Helena School District No. 1

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability Teachers Retirement and Public Employees Retirement Systems of Montana (Continued)

Teachers Retirement System:	2017	2016	2015
As of the June 30 Measurement Date			
Employer's proportion of the net pension liability	3.1113%	3.1046%	3.1129%
Employer's proportionate share of the net pension liability associated with the employer	\$ 56,838,244	\$ 51,008,607	\$ 47,903,304
State of Montana's proportionate share of the net pension liability associated with the employer	37,029,697	34,151,359	32,809,594
Total	\$ 93,867,941	\$ 85,159,966	\$ 80,712,898
Employer's covered payroll	\$ 40,385,463	\$ 39,625,370	\$ 39,256,570
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	66.69%	69.30%	70.36%

Public Employees Retirement System:	2016	2015	2014
As of the June 30 Measurement Date			
Employer's proportion of the net pension liability	0.474258%	0.474299%	0.479773%
Employer's proportionate share of the net pension liability associated with the employer	\$ 8,078,258	\$ 6,630,090	\$ 5,978,024
State of Montana's proportionate share of the net pension liability associated with the employer	377,542	311,547	279,453
Total	\$ 8,455,800	\$ 6,941,637	\$ 6,257,477
Employer's covered payroll	\$ 5,872,509	\$ 5,722,913	\$ 5,654,050
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	74.71%	78.40%	79.87%

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

Helena School District No. 1

Required Supplementary Information

Schedule of Contributions

Teachers Retirement and Public Employees

Retirement Systems of Montana

Teachers Retirement System:	2022	2021	2020	2019	2018
As of the June 30 Reporting Date					
Contractually required contributions	\$ 5,133,013	\$ 4,316,202	\$ 5,925,998	\$ 4,449,351	\$ 4,371,348
Contributions in relation to the contractually required contributions	5,133,013	4,316,202	5,925,998	4,449,351	4,371,348
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 49,623,118	\$ 45,041,133	\$ 44,127,462	\$ 43,221,690	\$ 41,990,904
Contributions as a percentage of covered payroll	10.34%	9.58%	13.43%	10.29%	10.41%
 Public Employees Retirement System:					
	2022	2021	2020	2019	2018
As of the June 30 Reporting Date					
Contractually required contributions	\$699,138	\$650,443	\$566,843	\$513,872	\$493,585
Plan choice rate required contributions					
Contributions in relation to the contractually required contributions	699,138	650,443	566,843	513,872	493,585
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$8,129,511	\$7,556,299	\$6,677,792	\$6,169,141	\$ 6,020,372
Contributions as a percentage of covered payroll	8.60%	8.61%	8.49%	8.33%	8.20%

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

Helena School District No. 1

Required Supplementary Information

Schedule of Contributions

Teachers Retirement and Public Employees Retirement Systems of Montana (Continued)

Teachers Retirement System:	2017	2016	2015
As of the June 30 Reporting Date			
Contractually required contributions	\$ 4,221,250	\$ 4,136,450	\$ 4,146,229
Contributions in relation to the contractually required contributions	4,221,250	4,136,450	4,146,229
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 41,549,727	\$ 40,385,463	\$ 39,625,370
Contributions as a percentage of covered payroll	10.16%	10.24%	10.46%
 Public Employees Retirement System:	 2017	 2016	 2015
As of the June 30 Reporting Date			
Contractually required contributions	\$ 501,979	\$ 474,831	\$ 456,120
Plan choice rate required contributions	-	11,288	17,863
Contributions in relation to the contractually required contributions	501,979	486,119	473,983
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 6,197,232	\$ 5,872,509	\$ 5,722,913
Contributions as a percentage of covered payroll	8.10%	8.28%	8.28%

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

Helena School District No. 1

Notes to Required Supplementary Information Teachers Retirement and Public Employees Retirement Systems of Montana

Teacher's Retirement System *Changes of Benefit Terms:*

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

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

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

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

Helena School District No. 1

Notes to Required Supplementary Information

Teachers Retirement and

Public Employees Retirement Systems of Montana (Continued)

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 through fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under 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%.

See independent auditor's report.

Helena School District No. 1

Notes to Required Supplementary Information

Teachers Retirement and

Public Employees Retirement Systems of Montana (Continued)

- Wage growth assumption was reduced from 4.00% to 3.25%.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.

The tables include margins for mortality improvement which is expected to occur in the future.

- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

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

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

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

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

Helena School District No. 1

Notes to Required Supplementary Information

Teachers Retirement and

Public Employees Retirement Systems of Montana (Continued)

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 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

Public Employees Retirement System

Changes of Benefit Terms

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

Working Retiree Limitations - for PERS

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

Helena School District No. 1

Notes to Required Supplementary Information

Teachers Retirement and

Public Employees Retirement Systems of Montana (Continued)

Refunds

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

Interest Credited to Member Accounts

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

Lump-Sum Payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as% of Payroll	0.28%

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

Other Supplemental Information

HELENA SCHOOL DISTRICT NO. 1
ENROLLMENT/ANB SCHEDULE
For the Year Ended June 30, 2022

Students Grade K – 8

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	N/A	N/A	
Kindergarten Full Day	604	604	
Grades 1-6	3391	3391	
Grades 7-8	1230	1230	
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	N/A	N/A	
Kindergarten Full Day	611	611	
Grades 1-6	3399	3399	
Grades 7-8	1228	1228	

Part Time Students:

Fall	Per MAEFAIRS Reports Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
K-Half	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
K-Full	1	47	0	0	1	47	0	0	
1-6	0	5	0	0	0	5	0	0	
7-8	0	14	0	0	0	14	0	0	
Spring	Per MAEFAIRS Reports Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
K-Half	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
K-Full	1	47	0	0	1	47	0	0	
1-6	0	5	0	0	0	5	0	0	
7-8	2	13	0	0	2	13	0	0	

Students Grade 9 – 12:

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	2456	2456	
19-year olds included	0	0	
Job Corps	0	0	
Youth challenge	7	7	
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	2417	2417	
19-year olds included	0	0	
Job Corps	0	0	
Youth challenge	7	7	
Early Graduates	0	0	

Part Time Students:

Fall	Per MAEFAIRS Reports Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9 - 12	1	1	6	3	1	1	6	3	
Spring	Per MAEFAIRS Reports Enrollment Reports				Per District Reports				
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9 - 12	9	0	11	4	9	0	11	4	

HELENA SCHOOL DISTRICT NO. 1

Supplemental Schedule of Student Extracurricular Fund

		BEGINNING BALANCE			GRAND TOTAL
		7/1/2021	EXPENDITURE	REVENUE	TRANSFERS IN
					6/30/2022
184		181,296	(69,075)	90,583	0
DISTRICT ACTIVITIES - ELEMENTARY SCHOOLS		104,850	(27,515)	47,510	0
0196	CRA INVESTMENT	297	(273)	(80)	(56)
0193	BRYANT INVESTMENT- STUCO	1		0	1
0197	HMS INVESTMENT	64	(45)	1	20
0220	STUDENT ACTIVITIES	104,488	(27,197)	47,589	124,880
C.R. ANDERSON MIDDLE SCHOOL		56,901	(20,693)	19,042	55,250
BAND	BAND FUND 184_284	15,677	(11,261)	9,180	13,596
CHES	CHES CLUB_FUND 184	203	(22)	0	181
CHOR	CHORUS_FUND 184_284	4,924	(1,222)	2,551	6,253
DANC	DANCE CLUB_FUND 184	8,799	(22)	25	8,802
DSTU	DISTRICT STUDENT COUNCIL_FUND 184	8,388	(1,891)	21	6,518
FLSX	FLS ROOM 109_FUND 184	(249)	0	249	0
HOTC	HOT CHOCOLATE FOR CANCER_FUND 184	0	(1,022)	1,187	165
INTL	INTERNATIONAL CLUB_FUND 184_284	268	(22)	0	246
NICE	NICENESS IS PRICELESS_FUND 284	412	(22)	0	390
ORCH	ORCHESTRA_FUND 184_284	3,748	(4,754)	5,789	4,783
SOCC	SOCCER CLUB_FUND 184	0	0	0	0
SPAN	SPANISH CLUB_FUND 184_284	244	(22)	0	222
STUC	STUDENT COUNCIL_FUND 184_284	14,474	(433)	40	14,081
YRBK	YEARBOOK_FUND 184_284	0	0	0	0
CCCX	CROSS COUNTRY CO_ED FUND 184	5	0	0	5
PBSX	PBS CLUB_FUND 184	8	0	0	8
HELENA MIDDLE SCHOOL		19,545	(20,867)	24,031	22,709
ARTT	ART TECHNOLOGY_FUND 184	2,737	0	545	3,282
BAND	BAND FUND 184_284	2,700	(11,250)	11,799	3,249
BIRD	HMS BOBCAT BIRDERS_FUND 184	607	0	0	607
BLDR	BUILDERS_CONSTRUCTION ARTS_FUND 184	0	0	0	0
BOOK	BOOK CLUB_FUND 184	586	(2,293)	2,992	1,285
BUSX	SMALL BUSINESS CLUB_FUND 184	82	0	0	82
CHES	CHES CLUB_FUND 184	78	0	0	78
CHOR	CHORUS_FUND 184_284	46	0	0	46
COMP	COMPUTER TECH CLUB_FUND 184	251	0	0	251
CVCS	CIVICS CLUB_FUND 184	1,313	(689)	0	624
DRMA	DRAMA CLUB_FUND 184	244	0	0	244

See independent auditor's report.

HELENA SCHOOL DISTRICT NO. 1

Supplemental Schedule of Student Extracurricular Fund

		BEGINNING BALANCE				GRAND TOTAL
		7/1/2021	EXPENDITURE	REVENUE	TRANSFERS IN	6/30/2022
FEST	FESTIVAL ORCHESTRA_FUND ???	1,734	(914)	815		1,635
FISH	FISHING CLUB_FUND 184	709	0	0		709
MATH	MATH COUNTS_FUND ???	82	0	0		82
OLYM	SCIENCE OLYMPIAD_FUND 115_184	783	(844)	1,384		1,323
OUTR	HMS OUTREACH_FUND 184	862	(116)	595		1,341
SPAN	SPANISH CLUB_FUND 184_284	223	0	0		223
STUC	STUDENT COUNCIL_FUND 184_284	1,457	(3,509)	3,223		1,171
WEBB	WEB_HMS WELCOME_INVOLVEMENT_FUN	1,422	(1,252)	2,678		2,848
YLWX	YELLOWSTONE CLUB_FUND 184	3,161	0	0		3,161
YRBK	YEARBOOK_FUND 184_284	5	0	0		5
CART	CONSTRUCTION ARTS CLUB_FUND 184	387	0	0		387
ITEC	INDUSTRIAL TECHNOLOGY_FUND 184	76	0	0		76
284		484,699	(871,343)	1,029,365	0	642,721
DISTRICT ACTIVITIES - HIGH SCHOOLS		3,647	(328,193)	346,864	(807)	21,511
0220_0803_0804	STUDENT ACTIVITIES	(3,169)	(246,555)	321,042		71,318
0296	CHS INVESTMENT	611	(100)	(256)		255
0297	HHS INVESTMENT	1,614		4		1,618
0225	DIST SPONSORED TOURNAMENT	2,656	(80,409)	26,073		(51,680)
0295	PAL INVESTMENT	1,935	(1,129)	1	(807)	0
0222	EVENT ARENA SIGNAGE	0	0	0		0
HELENA HIGH SCHOOL		211,472	(261,066)	345,324	0	295,730
ARTC	ART CLUB_FUND 284	1,565	0	5		1,570
ARTH	ART HONOR SOCIETY_FUND 284	160	0	0		160
AUTO	AUTO CLUB_FUND 284	1,206	(8,759)	16,074		8,521
BAND	BAND FUND 184_284	18,259	(606)	322		17,975
BBBX	BASKETBALL_BOYS_FUND 284	1,074	(15,662)	20,771		6,183
BBCX	BRAWNEY BENGAL CLUB_FUND 284	1,732	0	5		1,737
BBGX	BASKETBALL_GIRLS_FUND 284	2,855	(7,029)	10,764		6,590
BPOA	BUSINESS PROFESSIONALS_FUND 284	2,352	(5,629)	7,708		4,431
CATE	CULINARY CATERING_FUND 284	10,857	(1,174)	804		10,487
CCBX	CROSS COUNTRY-BOYS_FUND 284	3,400	(5,902)	6,169		3,667
CCGX	CROSS COUNTRY-GIRLS_FUND 284	1,169	(11,997)	13,213		2,385
CHCC	CARNEGIE HALL CHOIR CLUB_FUND ???	259	0	0		259
CHOR	CHORUS_FUND 184_284	3,707	(2,829)	13,419		14,297
CHRX	CHEERLEADERS_FUND 284	845	(3,919)	11,569		8,495

HELENA SCHOOL DISTRICT NO. 1

Supplemental Schedule of Student Extracurricular Fund

		BEGINNING BALANCE				GRAND TOTAL
		7/1/2021	EXPENDITURE	REVENUE	TRANSFERS IN	6/30/2022
CMNT	CONCESSIONS MANAGEMENT_FUND 284	2,044	0	716		2,760
CONC	CONCESSIONS_FUND 284	24,893	(11,583)	9,232		22,542
DECA	DECA CLUB_FUND 284	6,441	(14,021)	13,604		6,024
DRFT	DRAFTING CLUB_FUND 284	844	(174)	395		1,065
ETTE	BENGALETES_FUND 284	(225)	(4,601)	3,540		(1,286)
FBXX	FOOTBALL_FUND 284	1,759	(11,176)	24,540		15,123
FCAX	FCA CLUB_FUND 284	229	0	0		229
FLSP	FLS PEERS_FUND 284	2,001	(1,798)	4,483		4,686
FORE	FORENSICS-SPEECH-DEBATE_FUND 284	6,624	(12,710)	12,081		5,995
FREN	FRENCH CLUB_FUND 284	77	0	0		77
GERM	GERMAN CLUB_FUND 284	578	0	0		578
GOLF	GOLF_FUND 284	(427)	(2,485)	2,305		(607)
GRNG	GREEN CLUB_FUND 284	2,950	(1,733)	2,252		3,469
GSAX	GAY-STRAIGHT ALLIANCE_FUND 284	366	0	0		366
HOSA	HOSA CLUB_FUND 284	1,703	(1,100)	624		1,227
JMGX	JOBS FOR MT GRADUATES_FUND 284	541	(690)	614		465
KEYX	KEY CLUB_FUND 284	167	(849)	1,136		454
KNIT	KNITTING CLUB_FUND 284	7	0	0		7
LATI	LATIN CLUB_FUND 284	2,063	0	6		2,069
LIBC	LIBRARY CLUB_FUND 284	342	0	0		342
LINK	LINK CREW_FUND 284	501	(959)	1,085		627
MOCK	MOCK TRIAL_FUND 284	1,940	(1,363)	3,672		4,249
NALX	NATIVE AMERICAN LEADERSHIP_FUND 284	400	(1,039)	425		(214)
NHSX	NATIONAL HONORS SOCIOETY_FUND 284	(39)	(624)	1,406		743
NICE	NICENESS IS PRICELESS_FUND 284	8	0	0		8
NUGG	NUGGET NEWSPAPER_FUND 284	32	0	0		32
ORCH	ORCHESTRA_FUND 184_284	2,589	(161)	7		2,435
OUTC	OUTDOORS CLUB_FUND 284	2,713	(488)	7		2,232
PTRY	POTTERY_FUND 284	1,832	0	5		1,837
PURE	PURE PERFORMANCE GROUP_FUND 284	137	0	0		137
SCIE	SCIENCE CLUB_FUND 284	2,543	(1,529)	921		1,935
SKIL	SKILLS USA_FUND 284	2,349	(635)	576		2,290
SOCB	SOCCER-BOYS_FUND 284	5,057	(4,933)	10,565		10,689
SOCG	SOCCER-GIRLS_FUND 284	4,573	(7,364)	14,146		11,355
SOFT	SOFTBALL_FUND 284	6,520	(13,236)	14,421		7,705

HELENA SCHOOL DISTRICT NO. 1

Supplemental Schedule of Student Extracurricular Fund

		BEGINNING BALANCE				GRAND TOTAL
		7/1/2021	EXPENDITURE	REVENUE	TRANSFERS IN	6/30/2022
SPAN	SPANISH CLUB_FUND 184_284	90	0	0		90
SPRT	HHS SPIRIT CLUB_FUND 284	96	0	0		96
SSEM	SCIENCE SEMINAR_FUND ???	600	(4,335)	6,973		3,238
STOR	SCHOOL STORE_FUND 284	4,574	(23,176)	29,497		10,895
STUC	STUDENT COUNCIL_FUND 184_284	7,291	(17,033)	20,834		11,092
SVNS	3-7-77'S CLUB_FUND 284	486	0	0		486
SWIM	SWIM TEAMS_FUND 284	5,908	(1,426)	2,803		7,285
TENN	TENNIS_FUND 284	233	(403)	3,769		3,599
THES	THESPIANS_FUND 284	3,354	(5,688)	4,512		2,178
TRKB	TRACK_BOYS_FUND 284	10,961	(5,872)	7,404		12,493
TRKG	TRACK_GIRLS_FUND 284	9,158	(23,340)	15,491		1,309
TRNR	STUDENT TRAINERS_FUND 284	2,023	0	310		2,333
TRVL	TRAVEL CLUB_FUND 284	1,218	(6,845)	5,819		192
UKUL	UKULELE CLUB_FUND 284	41	0	0		41
VBXX	VOLLEYBALL_FUND 284	4,014	(6,977)	10,067		7,104
WELD	WELDING CLUB_FUND 284	8,737	(4,438)	5,142		9,441
WORD	WORD CLUES_FUND 284	64	0	0		64
WRES	WRESTLING_FUND 284	7,984	(2,632)	3,430		8,782
WWRK	WOODWORKERS CLUB_FUND 284	1,065	0	47		1,112
YRBK	YEARBOOK_FUND 184_284	10,003	(144)	5,639		15,498
CAPITAL HIGH SCHOOL		269,580	(281,804)	337,068	0	324,844
ACCT	BRUIN ACCOUNTING_FUND 284	0	0	0		0
APLT	AP LITERATURE_FUND 284	2,733	0	8		2,741
ARTC	ART CLUB_FUND 284	3	0	0		3
ARTS	ART SEEN_FUND 284	35	0	0		35
ATVL	ART TRAVEL_FUND 284	1,171	0	3		1,174
AWQX	ACADEMIC WORLDQUEST	76	0	0		76
BAND	BAND FUND 184_284	1,635	(531)	539		1,643
BBBX	BASKETBALL_BOYS_FUND 284	13,362	(18,147)	20,447		15,662
BBGX	BASKETBALL_GIRLS_FUND 284	9,792	(14,309)	13,943		9,426
BEAR	BEAR NECESSITIES_FUND 284	6,140	(12,648)	18,980		12,472
BIOT	BIOLOGY II TRAVEL FUND 215	179	0	0		179
BPOA	BUSINESS PROFESSIONALS_FUND 284	9,211	(9,141)	7,530		7,600
BSCH	BAND SCHOLARSHIP_FUND 284	474	0	0		474
BTEC	BRUIN TECH_FUND 284	0	0	0		0

HELENA SCHOOL DISTRICT NO. 1

Supplemental Schedule of Student Extracurricular Fund

		BEGINNING BALANCE				GRAND TOTAL
		7/1/2021	EXPENDITURE	REVENUE	TRANSFERS IN	6/30/2022
CADE	CADETTES_FUND 284	1,434	(753)		1,303	1,984
CCBX	CROSS COUNTRY-BOYS_FUND 284	1,801	(939)		2,261	3,123
CCGX	CROSS COUNTRY-GIRLS_FUND 284	31	(3,610)		5,051	1,472
CCLB	C-CLUB_FUND 284	220	(31)		0	189
CHOR	CHORUS_FUND 184_284	5,567	(8,517)		9,995	7,045
CHRX	CHEERLEADERS_FUND 284	41	(1,770)		1,825	96
CISC	CISCO_FUND 284	0	0		0	0
CMPS	COMPUTER SCIENCE CLUB_FUND 284	221	0		0	221
CONC	CONCESSIONS_FUND 284	13,486	(11,012)		11,346	13,820
DECA	DECA CLUB_FUND 284	4,446	(12,774)		11,228	2,900
DESS	DESSERT SHOW_FUND???	0	0		0	0
DOME	CAPITAL DOME_FUND 284	26,413	(8,171)		22,202	40,444
DSGN	DESIGN CLUB_FUND 284	155	0		0	155
ECOX	ECO CLUB_FUND284	501	(100)		0	401
FAST	FASTPITCH_FUND 284	0	0		0	0
FBXX	FOOTBALL_FUND 284	15,060	(40,064)		30,192	5,188
FCAX	FCA CLUB_FUND 284	1,298	0		(1,298)	0
FCCL	FCCLA CLUB_FUND 284	2,943	(330)		605	3,218
FFSH	FLY FISHING CLUB_FUND 284	140	0		0	140
FOOD	FOOD PANTRY_FUND 184_284	1	0		0	1
FORE	FORENSICS-SPEECH-DEBATE_FUND 284	517	(325)		130	322
FPWR	FEMALE EMPOWERMENT_FUND 284	450	0		0	450
FREN	FRENCH CLUB_FUND 284	4,767	(649)		314	4,432
GALA	MUSIC DEPT GALA ACCOUNT_FUND???	420	0		0	420
GERM	GERMAN CLUB_FUND 284	1,166	0		3	1,169
GOLF	GOLF_FUND 284	3,671	(11,484)		17,990	10,177
GRNG	GREEN CLUB_FUND 284	7,664	(1,858)		3,130	8,936
GSAX	GAY-STRAIGHT ALLIANCE_FUND 284	432	0		0	432
HELP	BRUINS HELPING BRUINS_FUND 284	2,030	(150)		1,446	3,326
HOSA	HOSA CLUB_FUND 284	779	(2,787)		2,857	849
INDP	INDEPENDENT RESEARCH_FUND 284	0	0		0	0
KEYX	KEY CLUB_FUND 284	296	(189)		200	307
LATI	LATIN CLUB_FUND 284	919	0		0	919
LIFT	LIFTING CLUB_FUND 284	10,510	(9,768)		135	877
LINK	LINK CREW_FUND 284	2,426	(573)		6	1,859

HELENA SCHOOL DISTRICT NO. 1

Supplemental Schedule of Student Extracurricular Fund

		BEGINNING BALANCE				GRAND TOTAL
		7/1/2021	EXPENDITURE	REVENUE	TRANSFERS IN	6/30/2022
MEDX	SPORTS MED-1ST AID_FUND 284	181	0	0		181
NAHB	NATIONAL ASSOC OF HOME BUILDERS_FUN	0	0	0		0
NHSX	NATIONAL HONORS SOCIOETY_FUND 284	1,035	(1,168)	1,279		1,146
NICE	NICENESS IS PRICELESS_FUND 284	10,124	(6,990)	1,928		5,062
ORCH	ORCHESTRA_FUND 184_284	2,757	(2,713)	2,390		2,434
OUTC	OUTDOORS CLUB_FUND 284	71	0	0		71
PART	PARTNERS CLUB_FUND 284	1,407	0	4		1,411
PAWP	PAW PRINT_FUND 284	1,204	0	3		1,207
PENI	PEN AND INK_FUND 284	1,521	(37)	320		1,804
PPNT	PAWSITIVELY PRINTING_FUND 284	(22)	0	348		326
PURE	PURE PERFORMANCE GROUP_FUND 284	5,962	0	17		5,979
ROBO	SCIENCE ROBOTICS_FUND 284	6,354	0	18		6,372
RSPT	RESPECT CLUB_FUND 284	87	0	0		87
SCIE	SCIENCE CLUB_FUND 284	4,696	(931)	774		4,539
SHRD	SHRED CLUB_FUND 284	444	0	0		444
SKIL	SKILLS USA_FUND 284	1,115	(760)	446		801
SOCB	SOCCER-BOYS_FUND 284	1,886	(2,686)	1,940		1,140
SOCG	SOCCER-GIRLS_FUND 284	9	(6,134)	6,179		54
SOFT	SOFTBALL_FUND 284	6,897	(4,837)	5,229		7,289
SPAN	SPANISH CLUB_FUND 184_284	73	(358)	1,037		752
SPTV	SPANISH CLUB TRAVEL_FUND 215	86	0	0		86
STUC	STUDENT COUNCIL_FUND 184_284	11,902	(9,806)	19,756		21,852
SWIM	SWIM TEAMS_FUND 284	1,016	(1,061)	3,296		3,251
TENN	TENNIS_FUND 284	8,387	(8,364)	4,985		5,008
THES	THESPIANS_FUND 284	16,725	(15,004)	21,557		23,278
TRKB	TRACK_BOYS_FUND 284	6,570	(9,143)	14,102		11,529
TRKG	TRACK_GIRLS_FUND 284	13,338	(10,529)	16,614		19,423
TRRM	TRAINING ROOM_FUND ???	(95)	0	95		0
UPWD	Undesignated	1	0	998		999
VBXX	VOLLEYBALL_FUND 284	61	(7,660)	10,670		3,071
VG CX	VIDEO GAME CLUB_FUND 284	174	0	0		174
VICA	VICA MACHINES_FUND 284	720	0	0		720
VPAR	VIGILANTE PARADE_FUND ???	147	(1,970)	1,825		2
WALL	HONOR WALL_FUND 284	361	(192)	0		169
WRES	WRESTLING_FUND 284	427	(8,185)	16,857		9,099

HELENA SCHOOL DISTRICT NO. 1

Supplemental Schedule of Student Extracurricular Fund

		BEGINNING BALANCE				GRAND TOTAL
		7/1/2021	EXPENDITURE	REVENUE	TRANSFERS IN	6/30/2022
XIII	CLASS OF 2023_FUND 284	0	(2,677)	18,795		16,118
XXII	CLASS OF 2022_FUND 284	2,497	(4,558)	3,231		1,170
XXXI	CLASS OF 2021_FUND 284	6,408	(5,411)	4		1,001
XXXX	CLASS OF 2020_FUND 284	0	0	0		0
YTHA	YOUTH ALIVE_FUND 284	262	0	0		262
YTHL	YOUTH LEGISTATURE_FUND 284	176	0	0		176
055-PAL		0	(280)	109	807	636
YRBK	YEARBOOK_FUND 184_284		(280)	109	807	636
Grand Total		\$665,995	(\$940,418)	\$1,119,948	\$0	\$845,525

Single Audit Section

Helena School District #1
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grants Number	Program or Award Amount	Cash/ (Accrued) or Deferred Revenue at 7/1/2021	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at 6/30/2022
U.S. DEPARTMENT OF EDUCATION							
Direct Programs:							
Indian Education – Grants to Local Education Agencies	84.060A	S060A150856	\$48,354	(\$13,741)	\$30,364	\$48,354	(\$31,731)
Total direct programs			48,354	(13,741)	30,364	48,354	(31,731)
U.S. DEPARTMENT OF EDUCATION							
Pass-through Montana Office of Public Instruction:							
Special Education – Olympic Education Programs	84.380	N/A	3,336	1,620			1,620
Title I Grants to Local Educational Agencies	84.010A	2504873121		(31,497)	290,993	259,496	0
Title I Grants to Local Educational Agencies	84.010A	2504873121	39,219	(4,851)	11,217	6,366	0
Title I Grants to Local Educational Agencies	84.010A	2504873122	60,168		15,943	19,320	(3,377)
Title I Grants to Local Educational Agencies	84.010A	2504873122	2,383,310	0	1,459,310	1,469,307	(9,997)
Title I Grants to Local Educational Agencies	84.010A	250487372021	26,939	(5,017)	5,099	82	0
Title I Grants to Local Educational Agencies	84.010A	250487372022	53,741		6,328	23,501	(17,173)
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	2504884221	21,964	0	21,934	21,934	0
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	250488422022	11,775	0	965	1,369	(404)
Comprehensive Literacy Development	84.371C	2504873520		(140,868)	140,868		0
Comprehensive Literacy Development	84.371C	2504873520		(188,205)	188,205		0
Comprehensive Literacy Development	84.371C	250487392021	1,270,000	(521,989)	746,943	224,954	0
Comprehensive Literacy Development	84.371C	250487392022	1,104,042	0	609,386	638,905	(29,519)
Education for Homeless Children and Youth	84.196A	250487572021	18,887	(157)	3,501	3,344	0
Education for Homeless Children and Youth	84.196A	250487572022	38,128	0	24,834	27,792	(2,958)
Adult Education – Basic Grants to States	84.002	250488562022	58,530	0	50,650	58,530	(7,880)
Career and Technical Education – Basic Grants to States	84.048	0250488812022	145,330	0	98,697	136,328	(37,631)
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126A		186,085	29,500	5,646	12,558	22,588
Education Stabilization Fund ARP FCC Emergency Connectivity Program Fund	84.425				342,945	455,992	(113,047)
Elementary and Secondary Emergency Relief (ESSER) Fund	84.425D	0250487912020	1,204,031	(131,846)	136,964	28,069	(22,951)
Elementary and Secondary Emergency Relief (ESSER) Fund	84.425D	0250487912020	164,351	(6,350)	6,350		0
Elementary and Secondary Emergency Relief (ESSER) Fund	84.425D	0250487922021	5,034,250	(2,545,635)	4,650,736	2,488,605	(383,504)
Elementary and Secondary Emergency Relief (ESSER) Fund	84.425D	0250487922021	228,687			177,379	(177,379)
Elementary and Secondary Emergency Relief (ESSER) Fund	84.425D	0250487922021	134,825			68,926	(68,926)
Elementary and Secondary Emergency Relief (ESSER) Fund	84.425D	0250487922021		0	1,111		1,111
American Rescue Plan - Elementary and Secondary School Relief (ARP ESSER)	84.425U	0250487932021	9,044,949		3,090,038	5,854,372	(2,764,334)
American Rescue Plan - Elementary and Secondary School Relief (ARP ESSER)	84.425U	0250487932021	2,261,238	(25,334)	1,055,748	1,670,664	(640,250)

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Helena School District #1
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantors Number	Program or Award Amount	Cash/ (Accrued) or Deferred Revenue at 7/1/2021	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at 6/30/2022
ARP Elementary and Secondary School Emergency Relief Homeless Children and Youth	84.425W	0250487972021	32,894		8,536	8,576	(40)
Special Education - State Personnel Development	84.323A	CHS Project Real	3,000	2,720	0	2,270	450
Special Education Cluster:							
Special Education – Grants to States	84.027	0250487772021	1,841,646	(606,323)	606,323		0
Special Education – Grants to States	84.027	0250487772022	1,918,019		1,914,924	1,918,019	(3,095)
Special Education – Preschool Grants	84.173 A	0250487792022	51,870	0	31,497	51,870	(20,373)
ARPA Elementary and Secondary Schools Emergency Relief – IDEA, Part B, Special. Education	84.027X	0250487702022	499,561		20,670	20,685	(15)
ARPA IDEA Part B Section 619 - Preschool Age	84.173X	0250487712022	30,827			19,029	(19,029)
Special Education – Assistive Technology	84.027		5,800	877			877
Total Special Education Cluster			4,347,723	(605,446)	1,967,091	2,009,603	(41,635)
Total pass-through Montana Office of Public Instruction			27,877,402	(4,173,355)	14,940,038	15,716,596	(4,295,236)
U.S. DEPARTMENT OF TRANSPORTATION							
Pass Through Montana Department of Transportation							
State and Community Highway Safety	20.600		47,475	(14,147)	24,847	10,700	0
State and Community Highway Safety	20.600		44,500		26,092	41,272	(15,180)
Total pass-through Montana Department of Transportation			91,975	(14,147)	50,939	51,972	(15,180)
ENVIRONMENTAL PROTECTION AGENCY							
Pass Through Soil and Water Conservation Districts of Montana							
EcoSchools Natioan Wildlife Federation	66.951			777			777
Total Environmental Protection Agency			0	777	0	0	777
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Pass Through Montana Department of Public Health and Human Services							
COVID-19 Child Development Emergency Grant	93.575		80,000	270,345		234,124	36,221
ARP DPHHS Reopening Schools Grant	93.323		290,000	0	290,000	122,766	167,234
MT Child Care Stabilization Grant	93.575		65,598	0	32,799	32,479	320
Total pass-through Montana Department of Public Health and Human Services			435,598	270,345	322,799	389,369	203,775
U.S. DEPARTMENT OF AGRICULTURE							
Pass-through Montana Office of Public Information							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):	10.553	N/A		0	151,854	151,854	0
National School Lunch Program							
Cash Assistance:							
School Breakfast Program	10.553	N/A		0	1,107,356	1,341,840	(234,484)
National School Lunch Program	10.555	N/A		0	2,472,854	2,956,232	(483,378)
Summer Food Service Program	10.559	N/A		0	297,983	327,872	(29,889)
Total Child Nutrition Cluster				0	4,030,047	4,777,798	(747,751)

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Helena School District #1
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Grantors Number	Program or Award Amount	Cash/ (Accrued) or Deferred Revenue at 7/1/2021	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued or (Deferred) Revenue at 6/30/2022
School Fresh Fruit and Vegetable Program	10.582	N/A		0	84,345	84,345	0
After School Snack Program	10.558	N/A		0	42,405	42,405	0
School Nutrition Equipment Assistance	10.579	0487SY2019EG	3,600	0			0
USDA NSLP Supply Chain Assistance Funds FFY 2022	10.555		126,880	0	126,880		126,880
SNP Emergency Operational Funds-COVID 19	10.555		74,626	0	74,626	74,626	0
Total U.S Department of Agriculture			0	0	4,156,797	4,979,174	(747,751)
TOTAL FEDERAL ASSISTANCE			\$28,453,329	(\$3,930,121)	\$19,500,937	\$21,137,111	(\$4,885,346)

Helena School District No. 1

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Helena School District #1 under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Helena School District #1.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 – Indirect Cost Rate

Helena School District #1 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Subrecipients

The District does not have any subrecipients or subrecipient expenditures.

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*

Board of Trustees
Helena School District No.1
Helena, Montana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Helena School District No.1 (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wipfli LLP

Billings, Montana
March 28, 2023

**Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

Board of Trustees
Helena School District No.1
Helena, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Helena School District No.1's (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Helena School District No.1's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Helena School District No.1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of Helena School District No.1 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Helena School District No.1's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Helena School District No.1's federal programs

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Helena School District No.1's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Helena School District No.1's compliance with the requirements of the major federal programs as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Helena School District No.1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Helena School District No.1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Helena School District No.1's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Wipfli LLP

Billings, Montana
March 28, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness

_____ yes X no

Significant deficiency

_____ yes X no

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weakness

_____ yes X no

Significant deficiency

_____ yes X no

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with (2 CFR 200.516(a)) the Uniform Guidance?

_____ yes X no

Identification of major programs:

AL Number(s)

Name of Federal Program or Cluster

10.553, 10.555, 10.559

Child Nutrition Cluster

84.425D

Elementary and Secondary School

84.425U

American Rescue Plan - Elementary and
Secondary School Emergency Relief (ARP
-----)

84.425W

American Rescue Plan - Elementary and
Secondary School Emergency Relief -
Homeless Children and Youth)

Dollar threshold used to distinguish between
Type A and Type B programs:

 \$750,000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2022

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted

Section IV – Auditees Summary Schedule of Prior Audit Findings

None noted