

GALLATIN GATEWAY PUBLIC SCHOOL

GALLATIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

AUDIT REPORT

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

GALLATIN GATEWAY PUBLIC SCHOOL

GALLATIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

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GALLATIN GATEWAY PUBLIC SCHOOL

GALLATIN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2022

BOARD OF TRUSTEES

Julie Fleury
Carissa Paulson
Mary Thurber
Aaron Schwieterman
Tim Melton

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Theresa Keel
Diane Belcourt
Brittney Bateman
Matthew Henry
Marty Lambert

District Superintendent
Business Manager
District Clerk
County Superintendent
County Attorney

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Gallatin Gateway Public School
Gallatin County
Belgrade, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallatin Gateway Public School, Gallatin County, Montana as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Gallatin Gateway Public School, Gallatin County, Montana basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallatin Gateway Public School, Gallatin County, Montana, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, Gallatin Gateway Public School, Gallatin County adopted new accounting guidance, GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021, per GASB Statement No. 95). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Budgetary Comparison Information, Schedule of Changes in the Gallatin Gateway Public School's Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Gallatin Gateway Public School, Gallatin County, Montana has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 27, 2023, on our consideration of the Gallatin Gateway Public School, Gallatin County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gallatin Gateway Public School, Gallatin County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gallatin Gateway Public School, Gallatin County, Montana's internal control over financial reporting and compliance.

Derringer, Downey and Associates, CPAs, P.C.

June 27, 2023

Gallatin Gateway School District, Gallatin County, Montana
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 822,983
Taxes and assessments receivable, net	16,034
Accounts receivable - net	33,026
Due from other governments	75,429
Total current assets	\$ 947,472
Noncurrent assets	
Capital assets - land	\$ 58,361
Capital assets - depreciable, net	1,291,813
Total noncurrent assets	\$ 1,350,174
Total assets	\$ 2,297,646
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 253,161
Total deferred outflows of resources	\$ 253,161
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,550,807
LIABILITIES	
Current liabilities	
Warrants payable	\$ 68,738
Accounts payable	10,721
Current portion of compensated absences payable	129,460
Other payroll liabilities	6,118
Total current liabilities	\$ 215,037
Noncurrent liabilities	
Other post employment benefits	\$ 40,870
Noncurrent portion of compensated absences	5,535
Net pension liability	1,142,591
Total noncurrent liabilities	\$ 1,188,996
Total liabilities	\$ 1,404,033
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	\$ 394,249
Deferred inflows of resources - other	32,757
Total deferred inflows of resources	\$ 427,006
NET POSITION	
Net investment in capital assets	\$ 1,350,174
Restricted for capital projects	250,704
Restricted for debt service	6,996
Restricted for special projects	385,678
Unrestricted	(1,273,784)
Total net position	\$ 719,768
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,550,807

See accompanying Notes to the Financial Statements

Gallatin Gateway School District, Gallatin County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Changes in Net Position</u>
					<u>Services</u>
<u>Primary government:</u>					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Instructional - regular	\$ 1,156,126	\$ -	\$ 192,109	\$ 2,075	\$ (961,942)
Instructional - special education	58,970	-	25,188	-	(33,782)
Instructional - adult education	2,844	60	-	-	(2,784)
Supporting services - operations & maintenance	194,898	16,335	12,783	5,782	(159,998)
Supporting services - general	74,367	-	34,014	-	(40,353)
Supporting services - educational media services	68,149	-	-	-	(68,149)
Supporting services - central	1,679	-	-	-	(1,679)
Administration - general	242,116	-	9,500	-	(232,616)
Administration - school	401	-	-	-	(401)
Administration - business	106,453	-	-	-	(106,453)
Student transportation	60,264	870	15,038	-	(44,356)
Extracurricular	64,882	-	4,435	-	(60,447)
School food	164,224	7,496	153,066	-	(3,662)
Unallocated depreciation*	35,349	-	-	-	(35,349)
Total primary government	\$ 2,230,722	\$ 24,761	\$ 446,133	\$ 7,857	\$ (1,751,971)
General Revenues:					
				\$	
Property taxes for general purposes					747,331
Grants and entitlements not restricted to specific programs					791,106
Investment earnings					2,730
Miscellaneous (other revenue)					5,570
State technology					815
State contributions to retirement					68,881
County retirement					195,398
Student activities					56,070
Total general revenues, special items and transfers				\$	1,867,901
Change in net position				\$	115,930
Net position - beginning				\$	603,838
Net position - end				\$	719,768

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

Gallatin Gateway School District, Gallatin County, Montana
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>	<u>Bus Depreciation Reserve</u>	<u>Retirement</u>	<u>Miscellaneous Programs</u>	<u>Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Current assets:							
Cash and investments	\$ 249,410	\$ 96,909	\$ 86,790	\$ 121,973	\$ 160,825	\$ 107,076	\$ 822,983
Taxes and assessments receivable, net	10,973	620	-	-	1,188	3,253	16,034
Accounts receivable - net	-	-	-	33,026	-	-	33,026
Due from other governments	233	58	8,776	66,210	95	57	75,429
TOTAL ASSETS	<u>\$ 260,616</u>	<u>\$ 97,587</u>	<u>\$ 95,566</u>	<u>\$ 221,209</u>	<u>\$ 162,108</u>	<u>\$ 110,386</u>	<u>\$ 947,472</u>
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 68,738	-	-	-	-	-	\$ 68,738
Accounts payable	-	-	-	-	11,160	(439)	10,721
Other payroll liabilities	6,118	-	-	-	-	-	6,118
Deferred inflows of resources - other	-	-	-	32,757	-	-	32,757
Total liabilities	<u>\$ 74,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,757</u>	<u>\$ 11,160</u>	<u>\$ (439)</u>	<u>\$ 118,334</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - taxes	\$ 10,973	\$ 620	\$ -	\$ -	\$ 1,188	\$ 3,253	\$ 16,034
Total deferred inflows of resources	<u>\$ 10,973</u>	<u>\$ 620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,188</u>	<u>\$ 3,253</u>	<u>\$ 16,034</u>
FUND BALANCES							
Restricted	\$ -	\$ 96,967	\$ 95,566	188,452	149,760	107,572	\$ 638,317
Unassigned fund balance	174,787	-	-	-	-	-	174,787
Total fund balance	<u>\$ 174,787</u>	<u>\$ 96,967</u>	<u>\$ 95,566</u>	<u>\$ 188,452</u>	<u>\$ 149,760</u>	<u>\$ 107,572</u>	<u>\$ 813,104</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 260,616</u>	<u>\$ 97,587</u>	<u>\$ 95,566</u>	<u>\$ 221,209</u>	<u>\$ 162,108</u>	<u>\$ 110,386</u>	<u>\$ 947,472</u>

See accompanying Notes to the Financial Statements

Gallatin Gateway School District, Gallatin County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2022

Total fund balances - governmental funds	\$ 813,104
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,350,174
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	16,034
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(175,865)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,142,591)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	253,161
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(394,249)
Total net position - governmental activities	\$ <u>719,768</u>

See accompanying Notes to the Financial Statements

Gallatin Gateway School District, Gallatin County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Bus Depreciation Reserve	Retirement	Miscellaneous Programs	Building Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local revenue	\$ 531,937	\$ 30,599	\$ 266	\$ 191,720	\$ 61,545	\$ 157,296	\$ 973,363
County revenue	-	-	195,398	-	-	7,680	203,078
State revenue	853,671	-	-	-	12,005	8,008	873,684
Federal revenue	-	-	-	126,969	-	153,066	280,035
Total revenues	<u>\$ 1,385,608</u>	<u>\$ 30,599</u>	<u>\$ 195,664</u>	<u>\$ 318,689</u>	<u>\$ 73,550</u>	<u>\$ 326,050</u>	<u>\$ 2,330,160</u>
EXPENDITURES							
Instructional - regular	\$ 813,338	\$ -	\$ 101,889	\$ 109,034	\$ -	\$ 2,236	\$ 1,026,497
Instructional - special education	51,910	-	7,060	-	-	-	58,970
Instructional - adult education	2,844	-	-	-	-	-	2,844
Supporting services - operations & maintenance	143,813	-	241	10,469	17,565	18,683	190,771
Supporting services - general	50,490	-	7,445	16,432	-	-	74,367
Supporting services - educational media services	58,183	-	4,681	5,285	-	-	68,149
Supporting services - central	-	-	-	1,679	-	-	1,679
Administration - general	180,207	-	22,581	5,995	-	33,333	242,116
Administration - school	351	-	50	-	-	-	401
Administration - business	56,902	-	10,356	-	-	39,195	106,453
Student transportation	-	-	4,048	136	-	39,119	43,303
Extracurricular	15,660	-	1,516	47,706	-	-	64,882
School food	9,849	-	6,861	14	-	147,140	163,864
Capital outlay	-	-	-	8,825	30,674	-	39,499
Total expenditures	<u>\$ 1,383,547</u>	<u>\$ -</u>	<u>\$ 166,728</u>	<u>\$ 205,575</u>	<u>\$ 48,239</u>	<u>\$ 279,706</u>	<u>\$ 2,083,795</u>
Net Change in Fund Balance	<u>\$ 2,061</u>	<u>\$ 30,599</u>	<u>\$ 28,936</u>	<u>\$ 113,114</u>	<u>\$ 25,311</u>	<u>\$ 46,344</u>	<u>\$ 246,365</u>
Fund balances - beginning	\$ 172,726	\$ 66,368	\$ 66,630	\$ 75,338	\$ 124,449	\$ 61,228	\$ 566,739
Fund balance - ending	<u>\$ 174,787</u>	<u>\$ 96,967</u>	<u>\$ 95,566</u>	<u>\$ 188,452</u>	<u>\$ 149,760</u>	<u>\$ 107,572</u>	<u>\$ 813,104</u>

See accompanying Notes to the Financial Statements

Gallatin Gateway School District, Gallatin County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds \$ 246,365

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	39,499
- Depreciation expense	(58,766)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred inflows)	(18,848)
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The change in compensated absences is shown as an expense in the Statement of Activities

(70,837)

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Termination benefits, end of the year	7,374
- Post-employment benefits other than retirement liability	(2,012)

Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

(62,185)

State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

35,340

Change in net position - Statement of Activities

\$ 115,930

See accompanying Notes to the Financial Statements

GALLATIN GATEWAY PUBLIC SCHOOL
GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncements

GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021, per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

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

Primary Government

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

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

GALLATIN GATEWAY PUBLIC SCHOOL
GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

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

GALLATIN GATEWAY PUBLIC SCHOOL
GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds:

Modified Accrual

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

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

GALLATIN GATEWAY PUBLIC SCHOOL
GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Major Funds:

The District reports the following major governmental funds:

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

Bus Depreciation Reserve Fund – Authorized by Section 20-10-147, MCA for financing the replacement of buses and communication system or safety devices owned by a school district.

Retirement Fund – Authorized by Section 20-9-501, MCA for financing the employer's contribution to the Teachers' Retirement System, the Public Employees' Retirement System, Unemployment Compensation, Social Security and Medicare funded by a countywide levy for retirement.

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

Building Reserve Fund – Authorized by Section 20-9-502, MCA to account for the following: 1. transfer for funds for school and student safety and security. An optional voted levy is permitted. 2. voter approved levies to raise money for future construction, equipping, or enlarging of school building, for the purchase of land or funding of INTERCAP loans for school purposes. 3. A permissive (non-voted) levy for school facility maintenance and repair, not to exceed 10.00 mills per fiscal year. Also allows for deposits and transfers and is limited to the "school major maintenance amount". Additionally, state payments of School Major Maintenance Aid are deposited to this fund. 4. A voter approved levy for transition costs associated with opening, closing, replacing, consolidating, annexing, or expanding a district.

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NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District's cash is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2022, consisted of time deposits, U.S Government bonds, and the State Short-Term Investment Pool (STIP).

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Gallatin County deposits and investments is available from Gallatin County Treasurer's office, 311 West Main Street Room 306, Bozeman, Montana 59715. Fair value approximates carrying value for investments as of June 30, 2021.

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash held at the County	\$ 864,319
Total	\$ <u>864,319</u>

NOTE 3. RECEIVABLES

Tax Receivables

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

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

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

NOTE 4. INVENTORIES

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

NOTE 5. CAPITAL ASSETS

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

Buildings	20 – 80 years
Improvements	20 – 80 years
Equipment	6 – 20 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments’ basic financial statements. In accordance with Statement No. 34, the District has not yet included the value of all infrastructure into the 2022 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

Governmental activities:

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>
	<u>July 1, 2021</u>		<u>June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 58,361	\$ -	\$ 58,361
Total capital assets not being depreciated	\$ 58,361	\$ -	\$ 58,361
Other capital assets:			
Buildings	\$ 1,799,560	\$ 39,499	\$ 1,839,059
Improvements other than buildings	123,537	-	123,537
Machinery and equipment	237,442	-	237,442
Total other capital assets at historical cost	\$ 2,160,539	\$ 39,499	\$ 2,200,038
Less: accumulated depreciation	(849,459)	(58,766)	(908,225)
Total	\$ 1,369,441	\$ (19,267)	\$ 1,350,174

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

Governmental Activities:	
Instructional – regular	\$ 1,969
Supporting services – operations and maintenance	4,127
Student transportation	16,961
School food	360
Unallocated	<u>35,349</u>
Total governmental activities depreciation expense	<u>\$ 58,766</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2021	Additions	Balance June 30, 2022	Due Within One Year
Compensated absences	\$ 64,158	\$ 70,837	\$ 134,995	\$ 129,460
Total	<u>\$ 64,158</u>	<u>\$ 70,837</u>	<u>\$ 134,995</u>	<u>\$ 129,460</u>

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

Compensated Absences

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

Teachers can accumulate a maximum of 80 annual leave days. Upon termination, teachers receive a lump sum payment for all days unused of annual leave at the current substitute teacher’s pay.

The liability associated with governmental fund-type employees is reported in the governmental-type activities.

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NOTE 7. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

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

Inactive employees or beneficiaries receiving benefit payments	1
Active employees	18
Total employees	19

Total OPEB Liability

The District's total OPEB liability of \$40,870 at June 30, 2022 was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2022.

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

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	3.37%
Average salary increase (Consumer Price Index)	8.35%
Participation rate	10.00%

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Health care cost rate trend (Federal Office of the Actuary)

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

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

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

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

Changes in the Total OPEB Liability

Balance at 6/30/2021	\$ <u>38,858</u>
Changes for the year:	
Service Cost	\$ 3,009
Restatement	<u>(997)</u>
Net Changes	\$ <u>2,012</u>
Balance at 6/30/2022	\$ <u><u>40,870</u></u>

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

	1% Decrease (2.37%)	Discount Rate (3.37%)	1% Increase (4.37%)
Total OPEB Liability \$	20,701	\$ 40,870	\$ 23,737

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trends*</u>	<u>1% Increase</u>
Total OPEB Liability \$	\$ 15,602	\$ 40,870	\$ 32,667

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

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

For the year ended June 30, 2022, the District recognized an OPEB expense of \$(2,012). The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since District records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 8. NET PENSION LIABILITY (NPL)

As of June 30, 2022, the District reported the following balances as its proportionate share of PERS and TRS pension amounts:

District's Proportionate Share Associated With:	<u>PERS</u>	<u>TRS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 170,256	\$ 972,335	\$ 1,142,591
Deferred outflows of resources*	\$ 42,198	\$ 210,963	\$ 253,161
Deferred inflows of resources	\$ 70,205	\$ 324,044	\$ 394,249
Pension expense	\$ 26,217	\$ 161,766	\$ 187,983

*Deferred outflows for PERS and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$15,139, and \$76,964, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2022.

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

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Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

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

Summary of Benefits

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or

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

Early Retirement (actuarially reduced):

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

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

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

- a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

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Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

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

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

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

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of 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.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2021, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer’s and the state of Montana’s NPL for June 30, 2022, and 2021, are displayed below. The District proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The District recorded a liability of \$170,256 and the District’s proportionate share was 0.009390 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 170,256	\$ 256,815	0.009390%	0.009734%	-0.000344%
State of Montana Proportionate Share associated with Employer	54,920	88,219	0.003029%	0.003344%	-0.000315%
Total	\$ 225,176	\$ 345,034	0.012419%	0.013078%	-0.000659%

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%

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Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2022, the District recognized a Pension Expense of \$11,328 for its proportionate share of the pension expense. The District also recognized grant revenue of \$14,889 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/22	Pension Expense as of 6/30/21
Employer Proportionate Share	\$ 11,328	\$ 48,454
State of Montana Proportionate Share associated with the Employer	14,889	14,428
Total	\$ 26,217	\$ 62,882

Recognition of Beginning Deferred Outflow

At June 30, 2022, the District recognized a beginning deferred outflow of resources for the District’s fiscal year 2021 contributions of \$14,546.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2022, the District reported its proportionate share of the Plan’s deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,817	\$ 1,232
Actual vs. Expected Investment Earnings	-	68,973
Changes in Assumptions	25,218	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	24	-
Employer contributions subsequent to the measurement date - FY22*	15,139	-
Total	<u>\$ 42,198</u>	<u>\$ 70,205</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
<u>For the Measurement Year ended June 30:</u>		
2022	\$	3,420
2023	\$	(7,890)
2024	\$	(16,659)
2025	\$	(22,018)
<u>Thereafter</u>	<u>\$</u>	<u>-</u>

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Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2020, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. 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 following table.

GALLATIN GATEWAY PUBLIC SCHOOL
GALLATIN COUNTY, MONTANA
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Target Allocations

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

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.

1.0% Decrease	Current	1.0% Increase
<u>(6.06%)</u>	<u>Discount Rate</u>	<u>(8.06%)</u>
\$ 270,255	\$ 170,256	\$ 86,380

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.

PERS Disclosure for the defined contribution plan

Gallatin Gateway School 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.

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

Teachers Retirement System

Summary of Significant Accounting Policies

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

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

Plan Descriptions

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

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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.

Summary of Benefits

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

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

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

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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.

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

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

School District and Other Employers

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

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

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

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 972,335	\$ 1,327,156	0.0587%	0.0590%	-0.0003%
State of Montana Proportionate Share associated with Employer	554,207	783,292	0.0335%	0.0348%	-0.0013%
Total	<u>\$ 1,526,542</u>	<u>\$ 2,110,448</u>	<u>0.0922%</u>	<u>0.0938%</u>	<u>-0.0016%</u>

At June 30, 2022, the District recorded a liability of \$972,335 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2020, through June 30, 2021, relative to the total District contributions received from all of TRS' participating employers. At June 30, 2022, the District's proportion was 0.0587 percent.

Changes in actuarial assumptions and methods:

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 of return assumption was lowered from 7.34% to 7.06%

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Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2022, the District recognized a Pension Expense of \$107,774 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$53,992 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 107,774
State of Montana Proportionate Share associated with the Employer	53,992
Total	\$ 161,766

Recognition of Beginning Deferred Outflow

At June 30, 2022, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2021 contributions of \$76,663.

GALLATIN GATEWAY PUBLIC SCHOOL
GALLATIN COUNTY, MONTANA
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June 30, 2022

Recognition of Deferred Inflows and Outflows:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 15,271	\$ -
Actual vs. Expected Investment Earnings	-	307,244
Changes in Assumptions	110,715	499
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	8,013	16,301
Employer contributions subsequent to the measurement date - FY22*	76,964	-
Total	<u>\$ 210,963</u>	<u>\$ 324,044</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

<u>For the Measurement Year ended June 30:</u>	<u>Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense</u>
2023	\$ (10,675)
2024	\$ (23,448)
2025	\$ (58,426)
2026	\$ (97,496)
2027	\$ -
<u>Thereafter</u>	<u>\$ -</u>

GALLATIN GATEWAY PUBLIC SCHOOL
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Target Allocations

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Domestic Equity	30.00%	6.90%
International Equity	17.00%	7.14%
Private Equity	15.00%	9.13%
Natural Resources	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	<u>3.00%</u>	-0.33%
Total	<u>100.00%</u>	

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

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

Sensitivity Analysis

<u>1.0% Decrease</u>	<u>Current</u>	<u>1.0% Increase</u>
<u>(6.06%)</u>	<u>Discount Rate</u>	<u>(8.06%)</u>
\$ 1,444,700	\$ 972,335	\$ 578,153

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.

NOTE 10. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

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

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

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

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Bus Depreciation Reserve	\$ 96,967	Bus replacement
Retirement	95,566	Employer costs of benefits
Miscellaneous Programs	188,452	Third party grantor restrictions
Building Reserve	149,760	Future construction costs
All other aggregate	6,115	Debt service
	39,048	Pupil transportation
	13,557	Food services
	14,916	Student instructional services
	557	Vacation and sick leave payouts
	12,598	Technology upgrades and maintenance
	18,612	Adult education
	<u>2,169</u>	Future construction costs
Total	<u>\$ 638,317</u>	

NOTE 11. JOINT VENTURES

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

Special Education Cooperative

The District is a member of the Gallatin-Madison County Special Education Cooperative. The Cooperative is comprised of fourteen member districts, each of which contributes to the operating costs of providing special educational services to the participating districts. Each year each member District appoints a member to the Joint Advisory Board.

The District's contributions for the payment of the special educational services provided was \$3,001 for the fiscal year ended June 30, 2022. Separate financial statements are available from the Gallatin-Madison County Special Education Cooperative, P.O. Box 162, Belgrade, MT 59714.

GALLATIN GATEWAY PUBLIC SCHOOL
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June 30, 2022

Multidistrict Educational Cooperative

The District is cooperative agency in a interlocal agreement with Amsterdam District, Cottonwood District, and Malmborg District to collaborate and collectively pay for staff, contracted services, and purchase classroom supplies and materials to meet student needs of the participating districts. Amsterdam is the prime agency in the agreement.

NOTE 12. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

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

NOTE 13. RISK MANAGEMENT

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

Insurance Policies:

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

Insurance Pools:

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

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Gallatin Gateway School District, Gallatin County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 516,441	\$ 516,441	\$ 531,890	\$ 15,449
State revenue	820,130	820,131	820,130	(1)
Amounts available for appropriation	\$ 1,336,571	\$ 1,336,572	\$ 1,352,020	\$ 15,448
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 759,866	\$ 759,866	\$ 765,343	\$ (5,477)
Instructional - special education	53,457	53,457	51,910	1,547
Instructional - adult education	200	200	2,844	(2,644)
Supporting services - operations & maintenance	145,960	145,960	139,801	6,159
Supporting services - general	64,640	64,640	50,490	14,150
Supporting services - educational media services	44,378	44,378	55,594	(11,216)
Administration - general	182,559	182,559	180,207	2,352
Administration - school	-	-	351	(351)
Administration - business	69,261	69,261	56,902	12,359
Extracurricular	20,324	20,324	15,660	4,664
School food	-	-	9,819	(9,819)
Total charges to appropriations	\$ 1,340,645	\$ 1,340,645	\$ 1,328,921	\$ 11,724
Net change in fund balance			\$ 23,099	
Fund balance - beginning of the year			\$ 140,313	
Fund balance - end of the year			\$ 163,412	

Gallatin Gateway School District, Gallatin County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

Bus Depreciation Reserve				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS	
			(BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Local revenue	\$ 29,822	\$ 29,822	\$ 30,599	\$ 777
Amounts available for appropriation	\$ 29,822	\$ 29,822	\$ 30,599	\$ 777
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	\$ 96,190	\$ 96,190	\$ -	\$ 96,190
Total charges to appropriations	\$ 96,190	\$ 96,190	\$ -	\$ 96,190
Net change in fund balance			\$ 30,599	
Fund balance - beginning of the year			\$ 66,368	
Fund balance - end of the year			\$ 96,967	

Gallatin Gateway School District, Gallatin County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	<u>Retirement</u>			
	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>(BUDGETARY</u> <u>BASIS) See Note A</u>	<u>WITH FINAL</u> <u>BUDGET</u>
RESOURCES (INFLOWS):				
Local revenue	\$ 250	\$ 250	\$ 266	\$ 16
County revenue	195,398	195,398	195,398	-
Amounts available for appropriation	<u>\$ 195,648</u>	<u>\$ 195,648</u>	<u>\$ 195,664</u>	<u>\$ 16</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 116,573	\$ 116,573	\$ 101,889	\$ 14,684
Instructional - special education	16,735	16,735	7,060	9,675
Instructional - adult education	3,400	3,400	-	3,400
Supporting services - operations & maintenance	850	850	241	609
Supporting services - general	15,725	15,725	7,445	8,280
Supporting services - educational media services	6,250	6,250	4,681	1,569
Administration - general	24,100	24,100	22,581	1,519
Administration - school	36	36	50	(14)
Administration - business	16,402	16,402	10,356	6,046
Student transportation	5,603	5,603	4,048	1,555
Extracurricular	2,825	2,825	1,516	1,309
School food	10,066	10,066	6,861	3,205
Total charges to appropriations	<u>\$ 218,565</u>	<u>\$ 218,565</u>	<u>\$ 166,728</u>	<u>\$ 51,837</u>
Net change in fund balance			<u>\$ 28,936</u>	
Fund balance - beginning of the year			<u>\$ 66,630</u>	
Fund balance - end of the year			<u>\$ 95,566</u>	

Gallatin Gateway School District, Gallatin County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

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

	General	Bus Depreciation Reserve	Retirement
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,352,020	\$ 30,599	\$ 195,664
Combined funds (GASBS 54) revenues	33,588		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$ 1,385,608	\$ 30,599	\$ 195,664
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,328,921	\$ -	\$ 166,728
Combined funds (GASBS 54) expenditures	33,541		
- Encumbrances reported at the beginning of the year	21,085	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,383,547	\$ -	\$ 166,728

Note B

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

Gallatin Gateway Public School
Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability						
Service Cost	\$ 3,009	\$ 2,824	\$ 2,824	\$ 2,053	\$ 2,053	\$ -
Change in assumptions	<u>(997)</u>	<u>-</u>	<u>1,983</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	2,012	2,824	4,807	2,053	2,053	-
Total OPEB Liability - beginning	38,858	36,034	31,227	29,174	24,942	24,942
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,179</u>	<u>-</u>
Total OPEB Liability - ending	<u>\$ 40,870</u>	<u>\$ 38,858</u>	<u>\$ 36,034</u>	<u>\$ 31,227</u>	<u>\$ 29,174</u>	<u>\$ 24,942</u>
Covered-employee payroll	\$ 813,685	\$ 768,723	\$ 768,723	\$ 718,322	\$ 718,322	\$ 466,451
Total OPEB liability as a percentage of covered -employee payroll	5%	5%	5%	4%	4%	5%

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

Gallatin Gateway Public School, Gallatin County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 202

	<u>PERS</u> <u>2022</u>	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.009390%	0.009734%	0.008942%	0.008732%	0.010785%	0.008589%	0.008036%	0.008708%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 170,256	\$ 256,815	\$ 186,920	\$ 182,259	\$ 210,046	\$ 146,296	\$ 112,336	\$ 108,509
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 54,920	\$ 88,219	\$ 66,279	\$ 66,839	\$ 9,595	\$ 6,837	\$ 5,279	\$ 5,072
Total	<u>\$ 225,176</u>	<u>\$ 345,034</u>	<u>\$ 253,199</u>	<u>\$ 249,098</u>	<u>\$ 219,641</u>	<u>\$ 153,133</u>	<u>\$ 117,615</u>	<u>\$ 113,581</u>
Employer's covered payroll	\$ 171,126	\$ 168,577	\$ 152,344	\$ 148,338	\$ 138,246	\$ 106,350	\$ 96,965	\$ 101,992
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	99.49%	152.34%	122.70%	122.87%	151.94%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>TRS</u> <u>2022</u>	<u>TRS</u> <u>2021</u>	<u>TRS</u> <u>2020</u>	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.0587%	0.0590%	0.0588%	0.0552%	0.0534%	0.0553%	0.0566%	0.0576%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 972,335	\$ 1,327,156	\$ 1,132,990	\$ 1,024,848	\$ 900,459	\$ 1,010,369	\$ 929,872	\$ 885,950
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 554,207	\$ 783,292	\$ 687,142	\$ 641,648	\$ 571,780	\$ 661,572	\$ 629,878	\$ 609,412
Total	<u>\$ 1,526,542</u>	<u>\$ 2,110,448</u>	<u>\$ 1,820,132</u>	<u>\$ 1,666,496</u>	<u>\$ 1,472,239</u>	<u>\$ 1,671,941</u>	<u>\$ 1,559,750</u>	<u>\$ 1,495,362</u>
Employer's covered payroll	\$ 836,024	\$ 812,086	\$ 797,608	\$ 737,508	\$ 704,400	\$ 717,904	\$ 722,359	\$ 726,030
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	116.30%	163.43%	142.05%	138.96%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

Gallatin Gateway Public School, Gallatin County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022

	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 15,139	\$ 14,546	\$ 14,310	\$ 12,690	\$ 12,164	\$ 11,198	\$ 8,599	\$ 7,728
Contributions in relation to the contractually required contributions	\$ 15,139	\$ 14,546	\$ 14,310	\$ 12,690	\$ 12,164	\$ 11,198	\$ 8,599	\$ 7,728
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 176,035	\$ 171,129	\$ 168,577	\$ 152,344	\$ 148,338	\$ 138,246	\$ 106,350	\$ 96,965
Contributions as a percentage of covered payroll	8.60%	8.50%	8.49%	8.33%	8.20%	8.10%	8.09%	7.97%

	TRS 2022	TRS 2021	TRS 2020	TRS 2019	TRS 2018	TRS 2017	TRS 2016	TRS 2015
Contractually required contributions	\$ 76,964	\$ 76,663	\$ 73,724	\$ 80,196	\$ 67,374	\$ 66,413	\$ 62,242	\$ 91,033
Contributions in relation to the contractually required contributions	\$ 76,964	\$ 76,663	\$ 73,724	\$ 80,196	\$ 67,374	\$ 66,413	\$ 62,242	\$ 91,033
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 828,574	\$ 836,024	\$ 812,086	\$ 797,608	\$ 737,508	\$ 704,400	\$ 717,904	\$ 722,359
Contributions as a percentage of covered payroll	9.29%	9.17%	9.08%	10.05%	9.14%	9.43%	8.67%	12.60%

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

**Gallatin Gateway Public School, Gallatin County, Montana Notes to
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022**

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

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

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

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

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

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

**Gallatin Gateway Public School, Gallatin County, Montana Notes to
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022**

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

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

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

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

2017 Legislative Changes

Working Retiree Limitations – for PERS

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

Refunds

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

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

**Gallatin Gateway Public School, Gallatin County, Montana Notes to
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022**

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions.

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

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

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

**Gallatin Gateway Public School, Gallatin County, Montana Notes to
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022**

Teachers' Retirement System of Montana (TRS)

Changes of Benefit Terms:

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

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

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

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

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

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

**Gallatin Gateway Public School, Gallatin County, Montana Notes to
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022**

- Disability Retirement: A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- Guaranteed Annual Benefit Adjustment (GABA):
If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded, and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

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

Changes in actuarial assumptions and other inputs:

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

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

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

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

**Gallatin Gateway Public School, Gallatin County, Montana Notes to
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022**

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

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

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

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
 - The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

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

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

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members “to account for larger than average annual compensation increases observed in the years immediately preceding retirement” is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- 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.

**Gallatin Gateway Public School, Gallatin County, Montana Notes to
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2022**

- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to “retain membership in the System” are covered by the \$500 death benefit after termination.

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

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

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

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

- Mortality among disabled members was updated to the following:

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

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

Method and assumptions used in calculations of actuarially determined contributions:

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

SUPPLEMENTAL INFORMATION

**Gallatin Gateway Public School
Gallatin County, Montana
Schedule of Enrollment/ANB Schedule
For the Fiscal Year Ended June 30, 2022**

Students Grade K – 8

Full-Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	18	18	0
Grades 1-6	97	97	0
Grades 7-8	37	37	0
Spring Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	19	19	0
Grades 1-6	101	101	0
Grades 7-8	40	40	0

Part Time Students:

Fall Enrollment-El District	Per MAEFAIRS 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	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	0	0	0	0	0	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0
Spring Enrollment-El District	Per MAEFAIRS Reports 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	0	0	0	0	0	0	0	0	0
K-Full	0	0	0	0	0	0	0	0	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	0	0	0	0	0	0	0	0

Gallatin Gateway Public School
Gallatin County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2022

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Ending Balance
Class of 2020	\$ 225	\$ -	\$ -	\$ 225
Class of 2021	(2,157)	-	-	(2,157)
Class of 2022	1,303	-	40,731	(39,428)
Class of 2023	1,312	-	-	1,312
Class of 2024	(85)	-	-	(85)
Student Council	474	145	60	559
Volleyball	354	-	480	(126)
Girls Basketball	(280)	500	822	(602)
Boys Basketball	(856)	-	190	(1,046)
Wrestling	355	750	-	1,105
Cheerleading	210	-	-	210
Track	1,416	977	-	2,393
Athletic Scholarship Fund	70	-	-	70
Interest	-	95	-	95
Yearbooks	-	730	-	730
Class of 2025	-	-	578	(578)
Class of 2028	-	13,633	-	13,633
Miscellaneous	-	7	-	7
Contributions and Donations	-	30,221	-	30,221
Student Activities	-	9,107	526	8,581
Total	\$ <u>2,341</u>	\$ <u>56,165</u>	\$ <u>43,387</u>	\$ <u>15,119</u>

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

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

To the Board of Trustees
Gallatin Gateway Public School
Gallatin County
Belgrade, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin Gateway Public School, Gallatin County, Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Gallatin Gateway Public School's basic financial statements and have issued our report thereon dated June 27, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as item(s) 2022-001 through 2022-005.

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. We consider the deficiencies described below to be significant deficiencies as identified as item 2022-006.

2022-001 Student Activity Internal Control

Condition:

We noted weaknesses in the receipting and disbursing processes related to student activity accounts. We also noted the posting to the accounting system did not always identify the student account the revenue related. The receivables recorded did not identify the student activity the receivable related when posted into accounting. Finally, several student activity accounts were negative and the entire fund reported a negative balances per accounting system.

Context:

We chose a sample of receipts and disbursements and tested for specific internal control procedures were functioning based on inquiry of the control systems. We schedule the student activity by account and compared to recorded and reported amounts.

Criteria:

Internal control procedures regarding the receipting and disbursing processes to ensure the safeguarding of assets and proper reporting.

Effect:

Internal control procedures were not always followed for the receipting and disbursing processes. The accounting system did not include a project identifier when recording receivables or cash and the sources and functions established for the individual accounts was not always followed when posting revenues and expenditures. Several student activity accounts were negative at year end and the entire fund reported a negative balance of \$651.

Miscellaneous Programs fund accounts receivable and revenues related to student activities of \$9,465 was not supported by documentation.

Cause:

Control procedures established were not adequate.

Recommendation:

We recommend the following internal control procedures be put in place to ensure the safeguarding of assets related to student activity funds.

1. Preprinted, prenumbered receipts should be issued for all collections.
2. Fund raisers should be supported by documentation to ensure a proper accounting of all monies received and to be able to determine if all monies collected were turned in for receipt and deposit such as the following:
 - a. Preprinted, prenumbered tickets to be used for raffles and gates. If tallies are used, the tallies should be totaled and multiplied by the price of the ticket and reconciled to the monies turned in for deposit and receipt.

- b. Reconciliation forms which calculate the number of tickets sold by including the first and last ticket number sold and the ticket price, which should reconcile to the monies turned in for receipt and deposit.
 - c. Reconciliation forms should be dated and signed by the person collecting the monies.
 - d. Concessions sales should be supported by a cash register tape or if a cash register is not used, a beginning and ending inventory count to show the total sold and calculate the sales based on the sales amounts. Then reconcile to the monies received and turned in for receipt and deposit.
 - e. All disbursements, including credit card charges, should have a supervisory staff approval on an invoice and/or claim form.
 - f. All checks should be signed by two authorized personnel.
 - g. Checks should not be issued to cash.
3. The posting of revenues and receivables for student activity should be identified by specific account rather than interest, miscellaneous or contribution and donations revenue accounts. Project reporter codes should be established to post all activity including cash and receivables.
 4. Transfers should be made between accounts or from General fund to cover negative balances in the individual student activity accounts and the student activity fund overall.
 5. Procedures should be put in place to ensure the cash balance of the fund is not exceeded.

2022-002 Cash Reconciliation (Repeated 2021-001)

Condition:

The District made an error in performing the cash reconciliation with the County. In addition, the cash did not reconcile by \$5,971.

Context:

When reviewing the adjusting journal entries for June 2022 we noted a one sided cash entry which increased cash and created a liability. Upon further review, we noted the entry was made to balance cash to the County. We also compared the County cash balance to the District's reported cash balances.

Criteria:

Cash reconciliation procedures should identify reconciling items which are listed and then verified cleared in subsequent months.

Effect:

Cash and payroll liabilities were overstated \$41,336 in the Payroll fund which is combined with the General fund in accordance with GASB requirements for financial statement presentation. This has been corrected for the audit report.

In addition, the cash per the County was \$5,971 more than the District and the difference was not identified.

Cause:

Rather than show reconciling items, the District recorded a journal entry to agree cash to the County. The District was not properly reconciling cash.

Recommendation:

The District should show the reconciling items of any payables which have not cleared the County and then verify these items cleared in subsequent months. Internal control procedures should be implemented which reconciles cash monthly to the County identifying any reconciling items, This reconciliation should be reviewed by supervisory personnel to verify the cash balances and the reconciling items are valid.

2022-003 Accounts Payable

Condition:

We noted an accounts payable recorded in the General fund at year end but subsequently the invoice was paid from the Building Reserve fund.

Context:

We reviewed a sample of invoices paid after year end to determine if any unrecorded accounts payable were noted and also traced the accounts payable recorded to subsequent payment.

Criteria:

Internal control procedures regarding the recording expenditures in the proper funds.

Effect:

overstated accounts payable and expenditures in the General fund and understated accounts payable and expenditures in the Building Reserve fund \$11,160. This has been corrected for the audit report.

Cause:

Control procedures established were not adequate.

Recommendation:

The District should establish closing procedures to ensure payables are recorded in the proper funds.

2022-004 Management's Discussion and Analysis

Condition:

The District did not prepare and Management's Discussion and Analysis(MD & A).

Context:

We requested the MD&A for testing and inclusion in the audit report.

Criteria:

GASB 34 paragraph 6 stated "The minimum requirements for management's discussion and analysis (MD&A), basic financial statements, and required supplementary information other than MD&A are:

a. Management's discussion and analysis. MD&A, a component of RSI, should introduce the basic financial statements and provide an analytical overview of the government's financial activities.”

Effect:

The District reporting package did not include the minimum requirements by not including an MD&A.

Cause:

The District did not prepare an MD&A.

Recommendation:

The District should complete the MD&A annually.

2022-005 Accounting Internal Control

Condition:

We noted the revenues have not been posted in the accounting system that were collected by the County during fiscal year 2023.

Context:

We were reviewing for subsequent events and noted minimal revenues posted to the accounting system.

Criteria:

Internal control procedures regarding the recording of transactions should be timely and accurate.

Effect:

Cash appears negative in the accounting system and the budget to actual revenue report indicates more budgeted revenue has not been received.

Cause:

Control procedures established were not adequate.

Recommendation:

The District should establish procedures to ensure timely posting of revenues and reconciliation of balances to the County. Monthly budget to actual revenue and expenditure reports should be provided to the superintendent and the board for review and oversight.

2022-006 Compensated Absences Liability

Condition:

The Compensated Absences Liability was overstated for the certified staff.

Context:

We compared the liability to prior periods and noted a large increase. We then compared the calculation to the prior fiscal year, reviewed the certified negotiated agreement to determine the terms of annual leave payment on termination.

Criteria:

Internal control procedures regarding the calculation of compensated absences liability to ensure accurate calculation according to the teachers negotiated agreement.

Effect:

overstated compensated absences liability payable and expenditures in the Government-wide Governmental opinion unit of approximately \$55,700.

Cause:

The accounting system accrual report was used for all staff when calculating the compensated absences liability which had been set up to calculate based on the certified staff hourly rates and not the substitute rate documented in the negotiated agreement.

Recommendation:

The District should amend the accounting system for annual leave accrual for certified staff to ensure the compensated absences liability is properly calculated and reported.

Compliance and Other Matters

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

Gallatin Gateway Public School's Response to Findings

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

Purpose of this Report

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

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

June 27, 2023

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

To the Board of Trustees
Gallatin Gateway Public School
Gallatin County
Belgrade, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Cash Reconciliation	Repeated

Denning, Downey and Associates, CPAs, P.C.

June 27, 2023



GALLATIN GATEWAY SCHOOL
PO BOX 265, GALLATIN GATEWAY, MT 59730

Contact Person:

Kelly Henderson

406-763-4415

super@gallatingatewayschool.com

Expected Completion Date of Corrective Action Plan:

September 1, 2023

CORRECTIVE ACTION PLAN

FINDING 2022-001 Student Activity Internal Control

Response:

We will develop and implement a policy and checklist focusing on the recommendations for internal control of student activity funds.

1. Preprinted, pre numbered receipts should be issued for all collections.
2. Fundraisers should be supported by documentation to ensure a proper accounting of all monies received and to be able to determine if all monies collected were turned in for receipt and deposit such as the following:
 - a. Preprinted, pre numbered tickets to be used for raffles and gates. If tallies are used, the tallies should be totaled and multiplied by the price of the ticket and reconciled to the monies turned in for deposit and receipt.
 - b. Reconciliation forms which calculate the number of tickets sold by including the first and last ticket number sold and the ticket price, which should reconcile to the monies turned in for receipt and deposit.
 - c. Reconciliation forms should be dated and signed by the person collecting the monies.
 - d. Concessions sales should be supported by a cash register tape or if a cash register is not used, a beginning and ending inventory count to show the total sold and calculate the sales based on the sales amounts. Then reconcile to the monies received and turned in for receipt and deposit.
 - e. All disbursements, including credit card charges, should have a supervisory staff approval on an invoice and/or claim form.
 - f. All checks should be signed by two authorized personnel.
 - g. Checks should not be issued to cash.

3. The posting of revenues and receivables for student activity should be identified by specific account rather than interest, miscellaneous or contribution and donations revenue accounts. Project reporter codes should be established to post all activity including cash and receivables. Each activity or club will be assigned an accounting code from USFR to ensure proper fund allocation. The balances will be monitored monthly with the Activity Director and Business Manager.
4. Transfers should be made between accounts or from the General fund to cover negative balances in the individual student activity accounts and the student activity fund overall.
5. Procedures should be put in place to ensure the cash balance of the fund is not exceeded.

FINDING 2022-002 Cash Reconciliation

Response: Cash will be reconciled monthly with the County providing reconciling items. The Business Manager will complete the reconciliation to include a list of items not cleared from the county report. This will be reviewed with the superintendent by the end of the first Friday of every month. The items not cleared each month will be followed and tracked. Timely communication with and from the county will be expected to ensure all items are reconciled.

FINDING 2022-003 Accounts Payable

Response: All payables and receivables will be coded properly to the fund using the USFR Chart of Accounts. To reduce the use of journal entries, each payable and receivable will be coded initially with journal entries needing a signature from the superintendent.

FINDING 2022-004 Management's Discussion and Analysis

Response: This will be completed in a timely manner and deadlines met for the process.

FINDING 2022-005 Accounting Internal Control

Response: The District will establish procedures to ensure timely posting of revenues and reconcile balances with the County. Month budget to actual revenue and expenditure reports will be due to the superintendent for review by the 2nd Wednesday of each month. A schedule of payables and receivables will be developed to ensure timely access to fund reimbursements (Medicaid, Federal Grant Funds, etc.).

FINDING 2022-006 Compensated Absences Liability

Response: There was an error in the calculation for the Compensated Absences in BMS. We are currently working to correct this with BMS. If we cannot correct it with BMS, we will establish a spreadsheet with the proper formulas and calculations.