

DILLON SCHOOL DISTRICT NO. 10

**BEAVERHEAD COUNTY
DILLON, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal Year Ended June 30, 2024

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

DILLON SCHOOL DISTRICT NO. 10

BEAVERHEAD COUNTY
DILLON, MONTANA 59725

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DILLON SCHOOL DISTRICT NO. 10

BEAVERHEAD COUNTY
DILLON, MONTANA 59725

ORGANIZATION

Todd Rouse Chair
Marti Laknar Vice-Chair
Shannon Maness Trustee
Andrew Zitzer Trustee
Clarissa Sandall Trustee
Sharon Anderson Trustee
Sarah Hartman Trustee

OFFICIALS

Randy Shipman Superintendent
Kasey Swisher District Clerk
Robert Miller County Superintendent
Montana School Boards Association District Attorney

Introduction

This section of the Dillon Elementary School District Financial Statements presents the management's discussion and analysis of the financial performance during the fiscal year ending June 30, 2024. This narrative overview and analysis of the financial activities of the Dillon Elementary District includes a comparison of prior year financial statements as per compliance with Governmental Accounting Standards Board Statement #34. Readers of the management's discussion and analysis are encouraged to consider the information presented in this section as well as other areas of the financial statements.

Financial Highlights

- The Dillon Elementary District net position increased \$301,472 or 40.65% to \$1,043,177 at the close of FY 2024, mostly due to more revenue than expenses.
- Total revenues for the district were up 2.75% or \$276,645 mainly due to increases of \$324,825 or 8.2% in state revenue and \$79,872 or 3.57% in district levies.
- State sources of revenue increased 8.2% or \$324,825 in the FY 2024 and accounts for 41.5% (was 39.4% in FY 2023) of the total district revenue.
- Revenue from operating grants and contributions decreased 5.7% or \$158,043 in FY 2024 and accounts for 25.3% (was 27.5% in FY 2023) of the total district revenue.
- Revenue from district levies collected at the local level increased 3.57% or \$79,872 in FY 2024 and accounts for 22.4% (was 22.2% in FY 2023) of the total district revenue.
- Total expenses for the district were up 9.24% or \$847,310 largely due to increases of \$680,259 or 11.6% in instruction and \$93,563 or 17.8% in food services. Operation and maintenance expenses were down \$33,684 or 4.48% in FY 2024.
- The district made a payment of \$471,703 in FY 2024 on the long-term debt owed for improvement of school facilities.
- The Dillon Elementary District revenues exceeded expenses for FY 2024 by \$305,226.
- The district capital assets value increased 4.73% or \$236,484 in FY 2024 which was mostly due to a payment on long-term capital debt.
- Total assets in the district increased 1.33% or \$157,549 and total liabilities decreased \$177,893 or 1.54%.
- The total district governmental fund balances increased 19.2% or \$425,306 in FY 2024 and were \$2,639,758.
- The overall financial condition of the Dillon Elementary School District is good and continued to improve in FY 2024 with a \$301,472 or 40.65% increase in net position.

Overview of the Dillon Elementary District Financial Statements

The management's discussion and analysis report is intended to serve as an introduction to the basic financial statements of the Dillon Elementary School District. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. It also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the assets and liabilities of the Dillon Elementary District, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Dillon Elementary District is improving or deteriorating.

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

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

Fund-based Financial Statements

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

A *fund* is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The Dillon Elementary District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal

requirements. All of the funds of the Dillon Elementary District can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental funds

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

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

The Dillon Elementary District is recognized by state law and consists of the Dillon Elementary School. Major governmental funds are reported separately and all other funds are combined for this report. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, school food services fund, building reserve fund, and the miscellaneous programs fund because they were the major funds for the 2024 fiscal year. The other governmental funds are combined into a single aggregated presentation.

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

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds may include pension and employee benefit trust funds where resources are held in trust for employee benefit plans. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the programs of the Dillon Elementary District. Scholarship trusts are the most common fiduciary funds in school districts. The district has \$41,119 of fiduciary funds at the close of FY 2024.

Notes to the Financial Statements

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

Other information

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

Net Position of the District

Governmental Activities				
	FY 2024	FY 2023	Change	Percent Change
Current and Other Assets	\$2,792,663	\$2,365,740	\$426,923	18.05%
Capital Assets, net	\$9,172,808	\$9,442,182	(\$269,374)	-2.85%
Total Assets	\$11,965,471	\$11,807,922	\$157,549	1.33%
Deferred Outflow Resources	\$1,271,537	\$1,013,401	\$258,136	25.47%
Liabilities				
Current Liabilities	\$588,192	\$605,626	(\$17,434)	-2.88%
Non-current Liabilities	\$10,759,377	\$10,919,836	(\$160,459)	-1.47%
Total Liabilities	\$11,347,569	\$11,525,462	(\$177,893)	-1.54%
Deferred Inflows Resources	\$846,262	\$554,156	\$292,106	52.71%
Net Position				
Net Investment in Capital Assets	\$5,234,374	\$4,997,890	\$236,484	4.73%
Restricted	\$1,642,408	\$1,444,812	\$197,596	13.68%
Unrestricted	(\$5,833,605)	(\$5,700,997)	(\$132,608)	-2.33%
Total Net Position	\$1,043,177	\$741,705	\$301,472	40.65%

A large portion of the net position of the Dillon Elementary District at the close of FY 2024 reflects the investment by the school district in capital assets such as land, buildings, machinery, and equipment. The capital assets value increased \$236,484 or 4.73% to \$5,234,374 after depreciation and debt was subtracted in FY 2024. The capital assets of the district have related debt. The district uses these capital assets to provide educational and related services to students; and as a result, these assets are not available for future spending. The remaining portion of the district net position is made up of the restricted and unrestricted funds. The restricted category refers to funds which have restricted revenue sources, causing their fund balance to be restricted (subject to requirements on their use). The restricted funds increased \$197,596 or 13.68% in FY 2024. The unrestricted category decreased \$132,608 or 2.33% during FY 2024. The district was able to report a positive balance of net position in FY 2024. The district net position increased \$301,472 or 40.65% to \$1,043,177 during FY 2024.

DILLON SCHOOL DISTRICT NO. 10

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the year ended June 30, 2024

Governmental activities

Net position derived from governmental activities for the Dillon Elementary District increased \$301,472 during FY 2024 and was a positive \$1,043,177.

District Wide - Statement of Activities

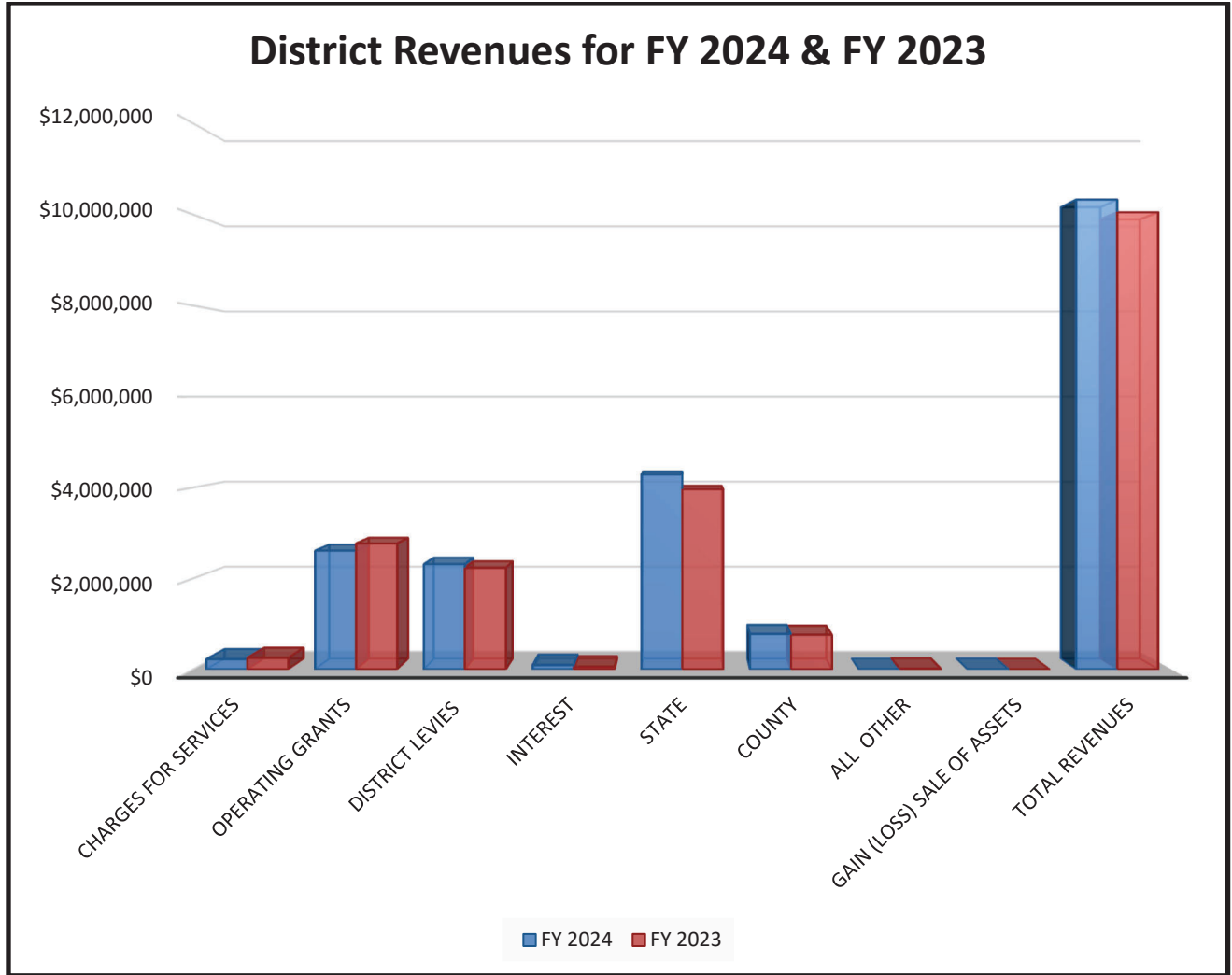
Governmental Activities				
	FY 2024	FY 2023	Change	% Change
Program revenues:				
Charges for Services	\$225,691	\$253,672	(\$27,981)	-11.03%
Operating Grants & Contributions	\$2,612,919	\$2,770,962	(\$158,043)	-5.70%
General revenues				
District Levies	\$2,314,890	\$2,235,018	\$79,872	3.57%
Investment Earnings	\$97,875	\$58,717	\$39,158	66.69%
State Revenue	\$4,286,981	\$3,962,156	\$324,825	8.20%
County	\$780,047	\$762,439	\$17,608	2.31%
All Other	\$2,343	\$14,733	(\$12,390)	-84.10%
Gain (Loss) on the Sale of Assets	\$4,966	(\$8,630)	\$13,596	157.54%
Total Revenues	\$10,325,712	\$10,049,067	\$276,645	2.75%
Expenses:				
Instruction	\$6,538,520	\$5,858,261	\$680,259	11.61%
Support Services Students	\$259,392	\$250,437	\$8,955	3.58%
Support Services Instruction	\$335,184	\$300,735	\$34,449	11.45%
General Administration	\$1,137,994	\$1,080,118	\$57,876	5.36%
Operation & Maintenance	\$717,481	\$751,165	(\$33,684)	-4.48%
Transportation	\$61,877	\$56,562	\$5,315	9.40%
Food Services	\$619,020	\$525,457	\$93,563	17.81%
Extracurricular	\$30,254	\$29,432	\$822	2.79%
Interest	\$106,829	\$115,570	(\$8,741)	-7.56%
Intergovernmental	\$8,524	-	\$8,524	100.00%
Unallocated Depreciation	\$205,411	\$205,439	(\$28)	-0.01%
Total Expenses	\$10,020,486	\$9,173,176	\$847,310	9.24%
Change in Net Position	\$305,226	\$875,891	(\$570,665)	-65.15%
Beginning Net Position	\$741,705	(\$150,291)	\$891,996	593.51%
Prior Period Adjustment	(\$3,754)	\$16,105	(\$19,859)	-123.31%
Ending Net Position	\$1,043,177	\$741,705	\$301,472	40.65%

Major changes in district-wide governmental activities from FY 2023 to FY 2024 include:

- Total revenues for the district were up 2.75% or \$276,645 mainly due to increases of \$324,825 or 8.2% in state revenue and \$79,872 or 3.57% in district levies.
- Total expenses for the district were up 9.24% or \$847,310 largely due to increases of \$680,259 or 11.6% in instruction and \$93,563 or 17.8% in food services.
- Expenses for operation/maintenance were down 4.48% or \$33,684.
- Operating grant revenue was down \$158,043 or 5.7% in FY 2024.

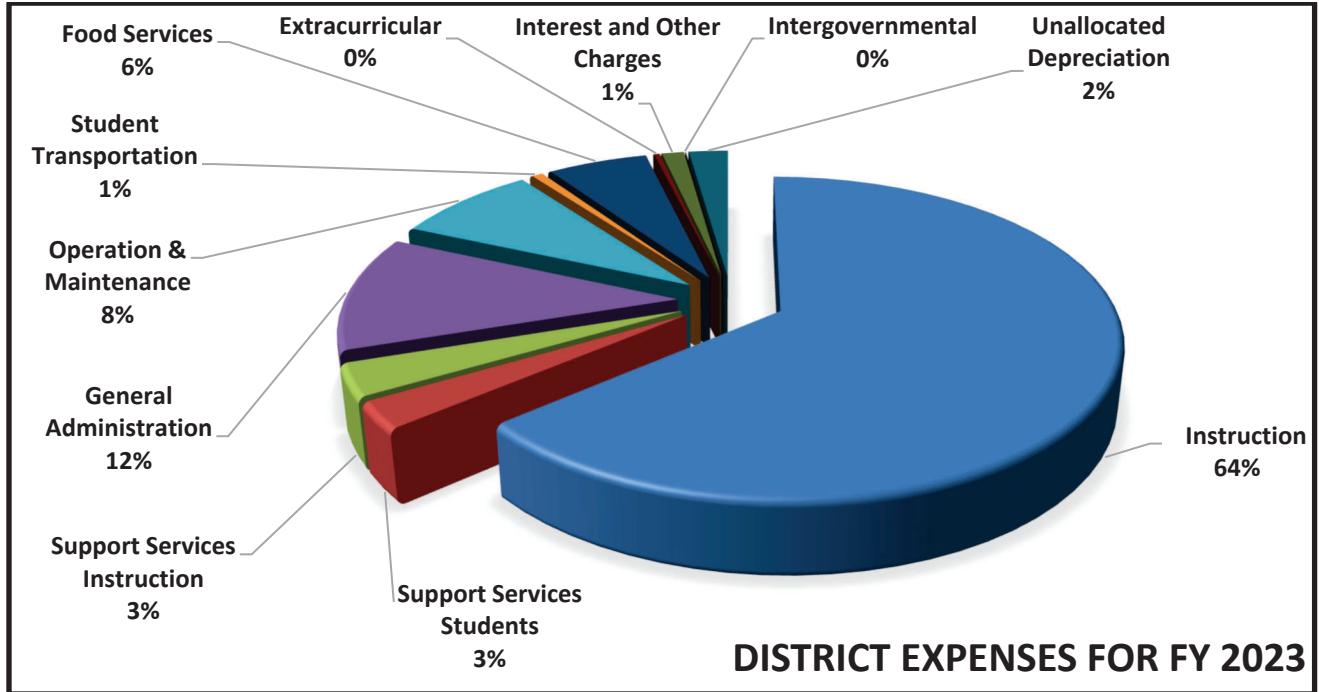
- The district had \$305,226 more revenue than expenses in FY 2024 which was down from \$875,891 more revenue than expenses in FY 2023.
- District net position was up 40.65% or \$301,472 to \$1,043,177 at the end of FY 2024.

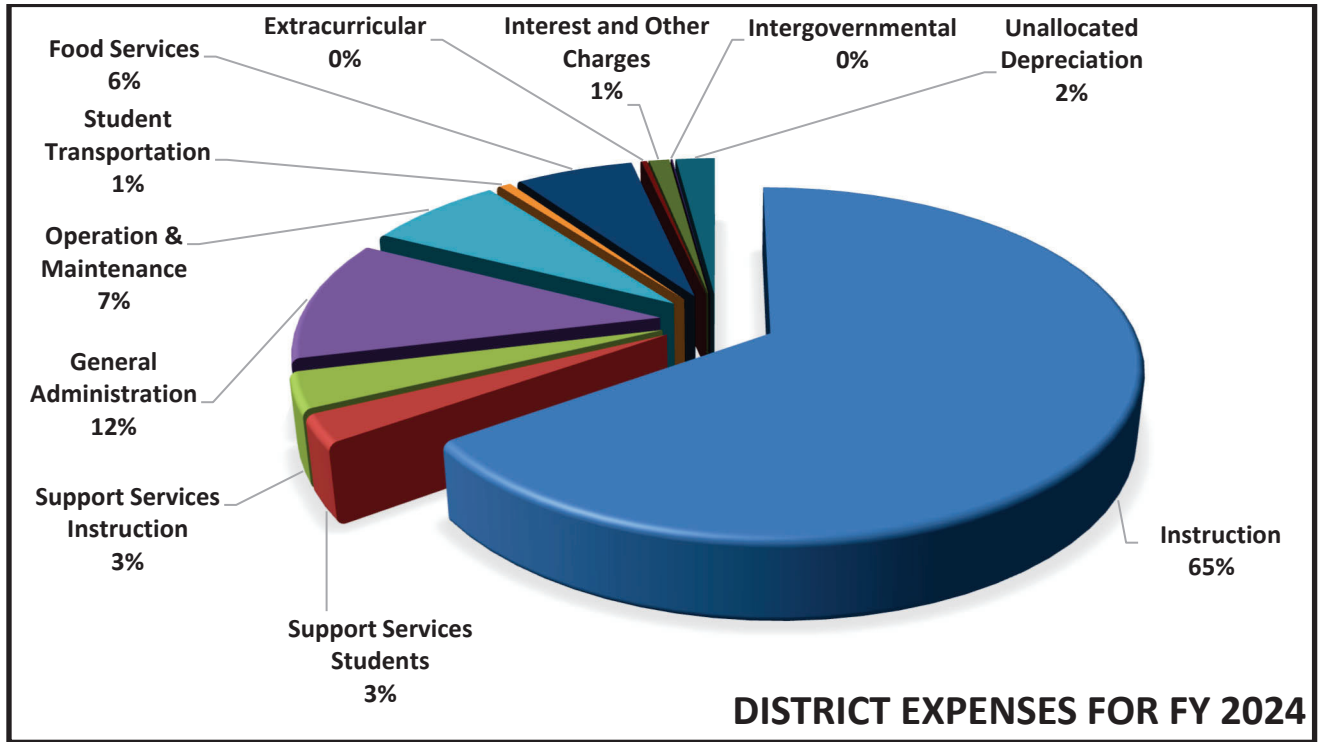
Revenue by Source for FY 2024 and FY 2023



The bar graph presented above shows that revenue from state sources was the largest source for the Dillon Elementary District in FY 2024 followed by operating grants/contributions and district levy revenue. The major changes from FY 2023 to FY 2024 were increases in state revenue, county revenue, district levy revenue, interest revenue, and total revenue. Operating grant revenue and charges for services revenue were down in FY 2024. Generally, since state law requires levied fund budgets to be “balanced,” the changes in expenditures matched the changes in the revenues of these funds.

District Expenses -The following charts present district expenses by category for FY 2023 and FY 2024. The graphs shown below illustrate the major expenditure areas, with instruction costs accounting for 64% & 65% of the district expenses, operation & maintenance accounting for 8% and 7%, general administration was 12% and 12%, and food services at 6% and 6% of the total district expenses. The major changes in FY 2024 were an increase of 1% in instruction and a 1% decrease in operation/maintenance of the total expenses.





Financial Analysis of the Government’s Funds

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

Governmental funds

The focus of the *governmental funds* of the district is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the financial requirements of the school district. In particular, *unassigned fund balance* may serve as a useful measure of the net resources available for spending at the end of the year. At the end of FY 2023, the governmental funds of the school district reported a combined ending fund balance of \$2,214,452 and at the end of FY 2024 the fund balance was \$2,639,758 which represents a 19.2% or \$425,306 increase. Approximately 28.5% or \$753,499 of the total fund balances in FY 2024 constitutes *unassigned fund balance*, which is available for spending at the discretion of the Board of Trustees. The general fund is the main operating fund of the district. At the end of FY 2023, the general fund had a balance of \$839,856 and at the close of FY 2024 the balance was \$1,061,557 which was a 26.4% increase. The general fund unassigned balance was \$753,499 for FY 2024. The total fund balances in the district increased 19.2% or \$425,306 during FY 2024.

Governmental Fund Financial Statements

Fund-based financial statements, consisting of a series of statements, provide information about the government’s major and non-major funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The governmental funds balance sheet for the FY 2024 is comprised of major funds

and all other funds. The general fund, debt service fund, school food services fund, building reserve fund, and miscellaneous programs fund were the major funds in FY 2024. The other funds category includes the remainder of the governmental district funds. The governmental balance sheet for FY 2024 demonstrates that the district is in good financial condition. The district has cash and investments in the general fund which makes up 40.2% in FY 2024 (37.9% in FY 2023) of the total fund balances. The district fund balances would seem to be strong enough to resolve any reasonable financial situation that might occur.

Statement of Revenues, Expenditures, and Changes in Fund Balances

The statement of revenues, expenditures, and changes in fund balances presents revenue and expenditures in each of the major fund categories. The major fund categories in FY 2024 were the general fund, debt service fund, school food services fund, building reserve fund, and the miscellaneous programs fund. The other funds category includes all the remaining governmental funds that the district is utilizing. State revenue is the major source for the district general fund category at 72.14% (72.7% in FY 2023) of the total revenue in FY 2024 followed by the district levy revenue at 27% (26.4% in FY 2023). The major expenditure in the general fund is instruction, which makes up 67.5% (67.1% in FY 2023) of the general fund total cost for FY 2024. General administrative services followed by operation/maintenance rank 2 & 3 for general fund expenditures in FY 2024.

General Fund Budgetary Highlights

The general fund budgetary highlights for FY 2024 included \$14,602, more actual revenue than was expected in the original and final budget. The actual revenue included \$18,426 more from interest and \$3,825 less from district levies. Actual expenditures were \$87,652 less than what was expected in the original/final budget. The district had \$102,254 more actual revenue than expenditures in the general fund during FY 2024. The district did transfer \$8,164 out of the general fund in FY 2024. Due to more revenue than expenditures, a small transfer out of the general fund, a prior period adjustment of \$453, and a small change in reserve for inventory of a negative \$627, the general fund balance increased \$93,916 to \$598,481 during FY 2024.

Capital assets

The investment by the Dillon Elementary District in capital assets for governmental activities as of June 30, 2024, was \$5,234,374 after depreciation (\$323,358) and long-term capital debt of \$3,938,434 was subtracted along with added capital outlay of \$54,727. The district did make a principal payment of \$471,703 on the long-term debt in FY 2024. This investment in capital assets included land, building improvements, buildings, furniture, and equipment. The value of the capital assets for the Dillon Elementary District showed a 4.73% or \$236,484 increase in FY 2024. The increase in capital assets was mostly due to a principal payment on debt.

Long-term Liabilities

At the end of FY 2024, the district had total long-term liabilities of \$11,332,971. The district long-term liabilities included \$525,535 for compensated absences of employees, \$6,201,529 for the TRS and PERS portion of net pension liability, \$3,699,352 for capital obligations, \$239,082 premium on bonds, and Other Post-Employment Benefits (OPEB) of \$667,473.

Overall District Financial Position and Analysis

The Dillon Elementary District net position increased \$301,472 or 40.65% to \$1,043,177 at the close of FY 2024, mostly due to more revenue than expenses. Total revenues for the district were up 2.75% or \$276,645 mainly due to increases of \$324,825 or 8.2% in state revenue and \$79,872 or 3.57% in district levies. State sources of revenue increased 8.2% or \$324,825 in the FY 2024 and accounts for 41.5% (was 39.4% in FY 2023) of the total district revenue. Revenue from operating grants and contributions decreased 5.7% or \$158,043 in FY 2024 and accounts for 25.3% (was 27.5% in FY 2023) of the total district revenue. Revenue from district levies collected at the local level increased 3.57% or \$79,872 in FY 2024 and accounts for 22.4% (was 22.2% in FY 2023) of the total district revenue. Total expenses for the district were up 9.24% or \$847,310 largely due to increases of \$680,259 or 11.6% in instruction and \$93,563 or 17.8% in food services. Operation and maintenance expenses were down \$33,684 or 4.48% in FY 2024. The Dillon Elementary District revenues exceeded expenses for FY 2024 by \$305,226. The district capital assets value increased 4.73% or \$236,484 in FY 2024 which was mostly due to a payment on long-term capital debt of \$471,703. Total assets in the district increased 1.33% or \$157,549 and total liabilities decreased \$177,893 or 1.54%. The total district governmental fund balances increased 19.2% or \$425,306 in FY 2024 and were \$2,639,758. The district had total long-term liabilities of \$11,332,971. The district long-term liabilities included \$525,535 for compensated absences of employees, \$6,201,529 for the TRS and PERS portion of net pension liability, \$3,699,352 for capital obligations, \$239,082 premium on bonds, and Other Post-Employment Benefits (OPEB) of \$667,473. The overall financial condition of the Dillon Elementary School District is good and continued to improve in FY 2024 with a \$301,472 or 40.65% increase in net position. The net position at the end of FY 2024 was \$1,043,177. A large portion of the district long term liability is associated with net pension liability which reduces the district net position, but since pension liability cannot be made immediately due and payable, the district net position is much stronger than it appears.

The District's Future

The future of the district is dependent on many factors and one of the most important is student enrollment. District enrollment has increased 30 students over the last five years, with the largest increase of 53 students occurring from school year 21-22 to school year 22-23. Enrollment in the 2023-24 school year was 783 students up from 753 in the 2019-20 school year. District enrollment has varied the last five years, from a low of 688 students in the 2020-21 school year to a high of 793 students in the 2022-23 school year. The overall trend of the district enrollment has been up over the last five years. Other factors that may influence district enrollment consist of the county population trends and the percentage of the population in the county that is school age. The population of Beaverhead County has increased 5.5% or 511 people from 2020 to the 2023, while Montana has increased 4.5% over the same time-period. The percentage of the population of the county at or under 18 years of age was 16.9% in 2021 and increased to 17.5% in 2023, compared to Montana at 21.3% and 20.8% respectively. The percentage of the county population in 2019 over age 65 was 22.3% and increased to 24.2% in 2023, while Montana was 19.6% and 20.5% respectively. The county experiences a higher rate of poverty (12.9%) than the state of Montana (11.7%), which also may have an influence on the district. The district enrollment reached its highest point in the 2022-23 school year in at least the past eight years, with

a ten-student decrease in the 2023-24 school year. With the county population increasing and the percentage of school age children in the county population increasing in 2023, it would seem the school enrollment may show an increase or at the least hold steady in the near future. The district does have ongoing contracts with each of the employee groups in the district. However, during FY 2024 the district did not enter into any new agreements or contracts outside of these groups that would affect the financial position of the district. The district does not have any new litigation or ongoing litigation that might impact future district finances. There are currently no other known facts, decisions, or conditions that would have a material effect on the financial position or operations of the district. Given that the district has adequate and increasing fund balances, increasing revenues, a positive outlook for student enrollment, district revenues are exceeding expenses, decreasing long-term debt, and the lack of other negative factors, the near-term future of the district finances would seem to be positive.

Requests for Information

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



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dillon School District No. 10
Beaverhead County
Dillon, Montana 59725

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dillon School District No. 10 (School District) as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis (pages 3-13), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 50), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 51-55), and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 56-59) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Funds (page 60), the Schedule of Reported Enrollment (page 61), and the Schedule of Expenditures of Federal Awards (pages 62-63) as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Revenues, Expenses, and Balances - Student Activity Funds, the Schedule of Reported Enrollment, and the Schedule of Expenditures of Federal Awards 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 dated January 30, 2025 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
January 30, 2025

STATEMENT OF NET POSITION
 June 30, 2024

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 2,582,135
Taxes Receivable	138,307
Due from Other Governments	52,568
Inventories	19,020
Other Current Assets	<u>633</u>
Total Current Assets	<u>2,792,663</u>
Noncurrent Assets:	
Capital Assets:	
Land	29,000
Net Depreciable Assets	<u>9,143,808</u>
Total Noncurrent Assets	<u>9,172,808</u>
Total Assets	<u>11,965,471</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Employer Pension Plan Related	1,019,788
Other Postemployment Benefits Related	<u>251,749</u>
Total Deferred Outflows of Resources	<u>1,271,537</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 13,237,008</u>
LIABILITIES:	
Current Liabilities:	
Current Portion of Compensated Absences	\$ 52,451
Current Portion of Long-term Capital Obligations	486,988
Current Portion of Premium on General Obligation Bonds	34,155
Other Liabilities	<u>14,598</u>
Total Current Liabilities	<u>588,192</u>
Noncurrent Liabilities:	
Compensated Absences	473,084
Net Pension Accrual	6,201,529
Other Postemployment Benefits	667,473
Capital Debt Obligations	3,212,364
Premium on General Obligation Bonds	<u>204,927</u>
Total Noncurrent Liabilities	<u>10,759,377</u>
Total Liabilities	<u>11,347,569</u>
DEFERRED INFLOWS OF RESOURCES:	
Employer Pension Plan Related	391,552
Other Postemployment Benefits Related	<u>454,710</u>
Total Deferred Inflows of Resources	<u>846,262</u>
NET POSITION:	
Net Investment in Capital Assets	5,234,374
Restricted	1,642,408
Unrestricted (Deficit)	<u>(5,833,605)</u>
Total Net Position	<u>1,043,177</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 13,237,008</u>

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

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2024

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government Governmental Activities
GOVERNMENT OPERATIONS:				
Instructional Services	\$ 6,538,520	\$ -	\$ 2,019,337	\$ (4,519,183)
Support Services - Students	259,392	-	181,589	(77,803)
Support Services - Instructional	335,184	-	14,772	(320,412)
General Administrative Services	1,137,994	-	29,121	(1,108,873)
Operation and Maintenance Services	717,481	-	61,154	(656,327)
Transportation Services	61,877	-	-	(61,877)
School Food Services	619,020	177,425	306,946	(134,649)
Extracurricular	30,254	48,266	-	18,012
Debt Service:				
Interest and Other Charges	106,829	-	-	(106,829)
Intergovernmental	8,524	-	-	(8,524)
Unallocated Depreciation Expense *	205,411	-	-	(205,411)
Total Governmental Operations	<u>10,020,486</u>	<u>225,691</u>	<u>2,612,919</u>	<u>(7,181,876)</u>
GENERAL REVENUES:				
District Levies				\$ 2,314,890
State Equalization				2,434,332
Other State Revenues				1,852,649
County				780,047
Interest				97,875
Other				2,343
Gain (loss) on Sale of Assets				4,966
Total General Revenues				<u>7,487,102</u>
Change in Net Position				305,226
NET POSITION:				
Beginning of the Year				741,705
Prior Period Adjustments				(3,754)
End of the Year				<u>\$ 1,043,177</u>

* Excludes depreciation included in direct expenses of the various functions

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2024

	MAJOR			
	<i>Formerly Major Fund</i>			
	General	School Food Services	Miscellaneous Programs	Debt Service
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 1,042,537		\$ 205,004	\$ 141,577
Taxes Receivable	93,120		-	33,161
Due from Other Governments	-		34,336	-
Inventories	19,020		-	-
Other Current Assets	-		-	-
Total Assets	<u>1,154,677</u>		<u>239,340</u>	<u>174,738</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Total Deferred Outflows of Resources	-		-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,154,677</u>		<u>\$ 239,340</u>	<u>\$ 174,738</u>
LIABILITIES:				
Current Liabilities:				
Other Liabilities	-		-	-
Total Liabilities	-		-	-
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Property Taxes Receivable	93,120		-	33,161
Total Deferred Inflows of Resources	<u>93,120</u>		<u>-</u>	<u>33,161</u>
FUND BALANCE (DEFICITS):				
Nonspendable	19,020		-	-
Restricted	-		239,340	141,577
Assigned	289,038		-	-
Unassigned	753,499		-	-
Total Fund Balance	<u>1,061,557</u>		<u>239,340</u>	<u>141,577</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,154,677</u>		<u>\$ 239,340</u>	<u>\$ 174,738</u>

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

BALANCE SHEET
 GOVERNMENTAL FUNDS, continued
 June 30, 2024

	<u>MAJOR</u>		
	<i>Formerly Non-Major Fund</i>		
	Building Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 311,898	\$ 881,119	\$ 2,582,135
Taxes Receivable	1,689	10,337	138,307
Due from Other Governments	-	18,232	52,568
Inventories	-	-	19,020
Other Current Assets	-	633	633
Total Assets	<u>313,587</u>	<u>910,321</u>	<u>2,792,663</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 313,587</u>	<u>\$ 910,321</u>	<u>\$ 2,792,663</u>
LIABILITIES:			
Current Liabilities:			
Other Liabilities	-	\$ 14,598	\$ 14,598
Total Liabilities	-	<u>14,598</u>	<u>14,598</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Property Taxes Receivable	<u>1,689</u>	<u>10,337</u>	<u>138,307</u>
Total Deferred Inflows of Resources	<u>1,689</u>	<u>10,337</u>	<u>138,307</u>
FUND BALANCE (DEFICITS):			
Nonspendable	-	-	19,020
Restricted	311,898	885,386	1,578,201
Assigned	-	-	289,038
Unassigned	-	-	753,499
Total Fund Balance	<u>311,898</u>	<u>885,386</u>	<u>2,639,758</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 313,587</u>	<u>\$ 910,321</u>	<u>\$ 2,792,663</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION			
Total Fund Balance Reported Above			\$ 2,639,758
Assets and Deferred Outflows of Resources:			
Unavailable Property Taxes Receivable			138,307
Governmental Capital Assets			9,172,808
Employer Pension Plan Related Deferred Outflows of Resources			1,019,788
Other Postemployment Benefits Related			251,749
Liabilities and Deferred Inflows of Resources:			
Compensated Absences			(525,535)
Net Pension Accrual			(6,201,529)
Other Postemployment Benefits			(667,473)
Capital Debt Obligations			(3,699,352)
Premium on General Obligation Bonds			(239,082)
Employer Pension Plan Related Deferred Inflows of Resources			(391,552)
Other Postemployment Benefits Related			(454,710)
Net Position of Governmental Activities			<u>\$ 1,043,177</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2024

	MAJOR			
	<i>Formerly Major</i>			
	General	School Food Services	Miscellaneous Programs	Debt Service
REVENUES:				
District Levies	\$ 1,563,829		\$ -	\$ 561,172
Interest	48,413		-	9,004
Charges for Services	-		-	-
Other	593		1,750	-
County	-		-	-
State	4,177,096		274,432	129,300
Federal	-		1,661,996	-
Total Revenues	<u>5,789,931</u>	<u>-</u>	<u>1,938,178</u>	<u>699,476</u>
EXPENDITURES:				
Current:				
Instructional Services	3,751,561		1,768,719	-
Support Services - Students	58,767		169,998	-
Support Services - Instructional	265,125		-	-
General Administrative Services	885,325		-	-
Operation and Maintenance Services	561,071		2,527	-
Transportation Services	-		-	-
School Food Services	-		-	-
Extracurricular	-		-	-
Debt Service:				
Principal	-		1,703	470,000
Interest and Other Charges	-		1,084	139,900
Capital Outlay	38,217		-	-
Intergovernmental	-		8,524	-
Total Expenditures	<u>5,560,066</u>	<u>-</u>	<u>1,952,555</u>	<u>609,900</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>229,865</u>	<u>-</u>	<u>(14,377)</u>	<u>89,576</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	-		-	-
Fund Transfers In	-		-	-
Fund Transfers (Out)	(8,164)		-	-
Total Other Financial Sources (Uses)	<u>(8,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	221,701		(14,377)	89,576
FUND BALANCE:				
Beginning of the Year	839,856	318,294	253,717	52,001
Change within Financial Reporting Entity (Major Fund Changes)	-	(318,294)	-	-
End of the Year	<u>\$ 1,061,557</u>	<u>\$ -</u>	<u>\$ 239,340</u>	<u>\$ 141,577</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS, continued
 For the Year Ended June 30, 2024

	MAJOR		
	Building Reserve	Other Governmental Funds	Total Governmental Funds
<i>Formerly Non-Major Fund</i>			
REVENUES:			
District Levies	\$ 45,813	\$ 156,909	\$ 2,327,723
Interest	10,036	30,422	97,875
Charges for Services	-	225,691	225,691
Other	-	-	2,343
County	-	780,047	780,047
State	53,911	4,648	4,639,387
Federal	-	300,470	1,962,466
Total Revenues	<u>109,760</u>	<u>1,498,187</u>	<u>10,035,532</u>
EXPENDITURES:			
Current:			
Instructional Services	-	535,631	6,055,911
Support Services - Students	-	8,447	237,212
Support Services - Instructional	-	41,604	306,729
General Administrative Services	-	140,135	1,025,460
Operation and Maintenance Services	-	65,879	629,477
Transportation Services	-	59,379	59,379
School Food Services	-	589,886	589,886
Extracurricular	-	30,254	30,254
Debt Service:			
Principal	-	-	471,703
Interest and Other Charges	-	-	140,984
Capital Outlay	-	16,510	54,727
Intergovernmental	-	-	8,524
Total Expenditures	<u>-</u>	<u>1,487,725</u>	<u>9,610,246</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>109,760</u>	<u>10,462</u>	<u>425,286</u>
OTHER FINANCING SOURCES (USES):			
Sale of Capital Assets	-	20	20
Fund Transfers In	9,000	8,164	17,164
Fund Transfers (Out)	-	(9,000)	(17,164)
Total Other Financial Sources (Uses)	<u>9,000</u>	<u>(816)</u>	<u>20</u>
Net Change in Fund Balance	118,760	9,646	425,306
FUND BALANCE:			
Beginning of the Year		750,584	2,214,452
Change within Financial Reporting Entity (Major Fund Changes)	193,138	125,156	-
End of the Year	<u>\$ 311,898</u>	<u>\$ 885,386</u>	<u>\$ 2,639,758</u>

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

Dillon School District No. 10
 Beaverhead County
 Dillon, Montana 59725

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2024

Net Changes in Fund Balance	\$	425,306
Revenues on the Statement of Activities not Included in Governmental Funds Statement:		
Increase (Decrease) in Taxes Receivable	(12,833)	
State Pension Aid	<u>298,047</u>	285,214
Revenues Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Sale of Capital Assets	<u>20</u>	(20)
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:		
Depreciation Expense	(323,358)	
Actuarial Pension Expense	(487,857)	
Premium on Bonds	34,155	
(Increase) Decrease in Other Postemployment Benefits	(79,892)	
(Increase) Decrease in Compensated Absence Liability	<u>(79,718)</u>	(936,670)
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Capital Outlays	54,727	
Gain (Loss) on Sale of Assets	4,966	
Principal Payments on Debt	<u>471,703</u>	<u>531,396</u>
Change in net Position Reported on the Statement of Activities	\$	<u><u>305,226</u></u>

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2024

	<u>Custodial Funds</u>
	Aggregate
	Other
	Custodial
	<u>Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 42,777
Total Assets	<u>\$ 42,777</u>
LIABILITIES:	
Current Liabilities:	
Due to Individuals and Organizations	\$ 1,658
Total Liabilities	<u>1,658</u>
NET POSITION:	
Restricted For:	
School Districts	41,119
Total Net Position	<u>\$ 41,119</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2024

	<u>Custodial Funds</u>
	Aggregate
	Other
	Custodial
	<u>Funds</u>
ADDITIONS:	
Contributions from Individuals and Organizations	\$ 35,539
Total Additions	<u>35,539</u>
DEDUCTIONS:	
Distributions to Individuals and Organizations	24,391
Total Deductions	<u>24,391</u>
Change in Net Position	11,148
NET POSITION:	
Beginning of the Year	4,267
Prior Period Adjustments	25,704
End of the Year	<u>\$ 41,119</u>

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of the Dillon School District No. 10 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana (State), which conforms to Generally Accepted Accounting Principles (GAAP), as applied to governmental units. The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In fiscal year 2024, the School District adopted the following GASB Statements:

- GASB Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.
- GASB Statement No. 101 – *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after December 15, 2024.

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

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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

Services Provided: The School District provides education for kindergarten through eighth grade. The Board of Trustees is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations.

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

1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

1. b. 2. FUND ACCOUNTING

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

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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

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

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

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

Major fund determination – GASB Statement No. 34 requires the General fund be reported as a major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

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

The School District reports the following major governmental funds:

- General Fund – The General fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements, the General fund also includes the activities of the following funds since the restrictions on those funds are similar to the General fund:
 - Flexibility fund
- Miscellaneous Programs Fund – This fund is a special revenue fund established to account for local, state, and federal grants and reimbursements. Also, donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- Debt Service Fund – This fund is a debt service fund established to account for the financing needs of the School District to pay interest and principal on outstanding bonds and Special Improvement District assessments.
- Building Reserve Fund – This fund is a capital projects fund established to account for financing voter approved building or construction projects funded with School District mill levies, which includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the School District.

1. b. 3. OTHER FUND TYPES

Fiduciary Funds

- Custodial Funds report resources, not in a trust, which are held by the School District for other parties outside of School District's reporting entity. The following custodial funds are maintained by the School District.

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

-
- Aggregate Other Custodial Funds – These funds account for the assets held, the revenues received and the expenses of other governments, individuals or organizations.

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

1. c. 1 CASH AND INVESTMENTS

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

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

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

Clearing Funds – Warrants written but not redeemed are reported in the School District’s payroll and claims clearing funds. A warrant is an order by which the drawer (the person with authority to make the order) directs the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available. For financial reporting purposes clearing fund cash balances are reclassified. The *unregistered* warrants are liability payments paid to applicable vendors and the government has no further obligation (like a check) since the cash resulted in financial resources spent by the government. The cash balance relating to unredeemed warrant is just a method for the government to keep track of outstanding warrants that have not cleared the government’s financial institution. Other liabilities in the payroll clearing fund and *registered* warrants are reclassified as accruals since those amounts are liabilities of the School District.

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

1. c. 2. TAXES

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

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

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

1. c. 3. RECEIVABLES

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

1. c. 4. INVENTORIES

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

1. c. 5. CAPITAL ASSETS

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

Capital Asset Classes	Useful Life
Buildings	7-50 years
Improvements Other than Buildings	15-20 years
Machinery and Equipment	5-20 years
Right-to-use Lease Assets	5 years

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

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

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

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

Other Postemployment Benefits Liability – Deferred Outflows and Inflows – The School District recognizes a net pension liability for each OPEB liability plan participant. Changes in OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other OPEB related changes.

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

1. c. 7. LEASE RELATED ACTIVITIES

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

- School District as Lessor – The School District recognizes a lease receivable and a deferred inflow of resources on its government-wide financial statements and fund statements. The School District initially measures these elements at the

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

present value of the payments expected to be made during the lease term. The receivable is amortized and the deferred inflow is recognized as the lease payments are made over the lease term.

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

1. c. 8. VACATION AND SICK LEAVE

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

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

Certified Employee Staff – Certified School District employees accrue at the rate of 13 days for each contracted year in the employment of the school district. These days will be added to the previous year's accumulation, bringing the total to a possible maximum of 133 sick days in any given year. Upon leaving the system, a teacher shall be entitled to be reimbursed for 1/4 of any sick days not used up to a maximum of 120 days.

Reporting – Liabilities incurred because of unused vacation and sick leave are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds. Expenses are accrued when earned on the *Statement of Activities*. At June 30, 2024, the amount expected to be paid within one year related to governmental activities amounted to \$52,451.

1. c. 9. NET POSITION AND FUND BALANCE

The *Statement of Net Position* includes the following:

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

Governmental fund financial statements include the following fund balances:

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

At June 30, 2024, fund balance components other than unassigned fund balance were as follows:

Purpose	Nonspendable	Restricted	Assigned
Instructional and Support Services	\$ 19,020	\$ 0	\$ 119,093
Operations and Maintenance	0	0	71,557
Student Transportation	0	27,184	0
Extracurricular	0	84,139	0
School Food	0	255,763	0
Third Party Grantor Restrictions	0	239,340	0
Employer Retirement Benefits	0	274,352	0
Future Technology	0	88,667	0
Future Capital Costs	0	467,179	98,388
Debt Service	0	141,577	0
Totals	\$ 19,020	\$ 1,578,201	\$ 289,038

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

1. d. OTHER

1. d. 1. USE OF ESTIMATES

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

1. d. 2. COUNTY PROVIDED SERVICES

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2024, cash and cash equivalents for governmental activities and fiduciary funds were as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 2,582,135	\$ 42,777	\$ 2,624,912

The carrying amounts of cash on hand, deposits, and investments at June 30, 2024 were as follows:

Account Type	Amount
Demand Accounts	\$ 91,620
County Investment Pool	<u>2,533,292</u>
Total	<u>\$ 2,624,912</u>

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

Custodial Credit Risk – Deposits – The cash of the extracurricular funds was held separately by the School District and, consequently, the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At June 30, 2024, the deposits in the extracurricular funds were fully covered by FDIC insurance.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2023, upon which the levy for the 2024 fiscal year was based, amounted to \$23,651,597. The tax rates assessed for the year ended June 30, 2024 to finance School District operations and applicable taxes receivable for the District were as follows:

Fund	Mill Levies	Taxes Receivable
General *	66.28	\$ 93,120
Transportation	4.51	6,902
Bus Depreciation	-	117
Technology	2.11	3,318
Debt Service *	23.67	33,161
Building Reserve *	<u>1.91</u>	<u>1,689</u>
Totals	<u>98.48</u>	<u>\$ 138,307</u>

* Denotes Major Fund

Property taxes assessed may be paid under protest and held by the County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax. Money paid under protest is accounted for by the County in a protested tax fiduciary fund until the final determination. The amount reported above includes \$32,777 of taxes paid under protest.

NOTE 4. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the School District for costs incurred but not reimbursed by third party governments. The amounts due from other governments as of June 30, 2024 were as follows:

Fund	Amount	Due From	Reason
School Food Services	\$ 493	Dillon Elementary	Collections in external account
School Food Services	17,739	Montana	School food service reimbursement
Miscellaneous Programs *	5,100	Sheridan School District	Psychology services
Miscellaneous Programs *	25,416	Montana	Grant reimbursement – Title I
Miscellaneous Programs *	<u>3,820</u>	Great Divide Education Service	Grant reimbursement – Related Services Block Grant
Total	<u>\$ 52,568</u>		

* Denotes Major Fund

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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

The schedule of changes in general capital assets for the year ended June 30, 2024 follows:

Governmental Activities	Primary Government				Balance June 30, 2024
	Balance July 1, 2023	Additions	Deletions	Adjustments/ Transfers	
<u>Non-depreciable Capital Assets:</u>					
Land	\$ 29,000	\$ 0	\$ 0	\$ 0	\$ 29,000
<u>Depreciable Capital Assets:</u>					
Buildings	12,271,891	8,983	0	0	12,280,874
Improvements Other than Buildings	1,099,447	0	0	0	1,099,447
Machinery and Equipment	561,290	58,744	(14,577)	0	605,457
Right-to-use Lease Assets *	<u>7,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,500</u>
Total Depreciable Capital Assets	13,940,128	67,727	(14,577)	0	13,993,278
Less Accumulated Depreciation For:					
Buildings	(3,603,523)	(235,776)	0	(955)	(3,840,254)
Improvements Other than Buildings	(698,732)	(43,574)	0	0	(742,306)
Machinery and Equipment	(223,247)	(42,305)	6,523	(4,734)	(263,763)
Right-to-use Lease Assets *	<u>(1,444)</u>	<u>(1,703)</u>	<u>0</u>	<u>0</u>	<u>(3,147)</u>
Total Accumulated Depreciation	<u>(4,526,946)</u>	<u>(323,358)</u>	<u>6,523</u>	<u>(5,689)</u>	<u>(4,849,470)</u>
Net Depreciable Capital Assets	<u>9,413,182</u>	<u>(255,631)</u>	<u>(8,054)</u>	<u>(5,689)</u>	<u>9,143,808</u>
Net Governmental Activities Capital Assets	<u>\$ 9,442,182</u>	<u>\$ (255,631)</u>	<u>\$ (8,054)</u>	<u>\$ (5,689)</u>	<u>\$ 9,172,808</u>

* At the beginning of the lease term both a lease liability and an intangible right-to-use lease asset were recorded at the present value of the non-financial asset. The lease conveys control of the right to use another entity's non-financial asset.

Depreciation expense charged to governmental functions was as follows:

Function	Amount
Instructional Services	\$ 24,953
General Administrative Services	10,553
Operation and Maintenance Services	72,357
Transportation Services	2,498
School Food Services	7,586
Unallocated	<u>205,411</u>
Total Depreciation Expense	<u>\$ 323,358</u>

NOTE 6. CURRENT LIABILITIES

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 7. LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2024 follows:

Governmental Activities	Balance July 1, 2023	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2024	Amounts Due within One Year
<u>Bonds and Notes Payables:</u>					
General Obligation (GO) Bonds	\$ 4,165,000	\$ 0	\$ (470,000)	\$ 3,695,000	\$ 485,000
GO Bond Premium	273,237	0	(34,155)	239,082	34,155
Special Improvement District #34	<u>1,935</u>	<u>0</u>	<u>(1,935)</u>	<u>0</u>	<u>0</u>
Total Bonds and Notes Payables	4,440,172	0	(506,090)	3,934,082	519,155
<u>Other Liabilities:</u>					
Compensated Absences *	445,817	79,718	0	525,535	52,451
Accrued Pension	5,842,728	358,801	0	6,201,529	0
Other Postemployment Benefits	790,542	0	(123,069)	667,473	0
Lease Related Liability	<u>6,056</u>	<u>0</u>	<u>(1,704)</u>	<u>4,352</u>	<u>1,988</u>
Total Other Liabilities	<u>7,085,143</u>	<u>438,519</u>	<u>(124,773)</u>	<u>7,398,889</u>	<u>54,439</u>
Governmental Activities - Long-term Debt	<u>\$ 11,525,315</u>	<u>\$ 438,519</u>	<u>\$ (630,863)</u>	<u>\$ 11,332,971</u>	<u>\$ 573,594</u>

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

7. a. **GENERAL OBLIGATION BONDS**

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

Description	Issue Date	Interest Rate	Term	Maturity Date	Amount Issued	Outstanding June 30, 2024
GO Bond Series 2010	8/18/2016	2-4%	15 years	6/15/2031	\$ 7,245,000	\$ 3,695,000

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

For the year ended June 30:	Principal	Interest	Bond Premium *
2025	\$ 485,000	\$ 125,275	\$ 34,155
2026	500,000	110,725	34,155
2027	510,000	99,475	34,155
2028	520,000	88,000	34,155
2029	540,000	67,200	34,155
2030-2031	<u>1,140,000</u>	<u>68,800</u>	<u>68,308</u>
Totals	<u>\$ 3,695,000</u>	<u>\$ 559,475</u>	<u>\$ 239,082</u>

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

7. b. **LEASE RELATED LIABILITY**

The School District engaged in lease related activities during the year. The School District recognized the changes in the lease related liability and right-to-used lease asset included in the accompanying financial statements in a systematic and rational manner over the lease term. The implicit interest rate was 1.0%.

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

The School District reported lease related liabilities and associated right-to-use assets as noted below and in the Capital Assets note above.

Description	Inception Date	Term	Rate	Book Value at June 30, 2024		
				Lease Related Liabilities	Right-to-use Lease Assets	Annual Lease Payments
Vehicle	6/21/2022	4 years	1.00%	\$ 4,352	\$ 4,352	\$ 1,704

The future minimum lease payments were as follows:

For the year ended June 30	Future Minimum Lease Payments
2025	2,787
2026	2,787
Total Future Minimum Lease Payments	5,574
Less Amount Representing Interest	(1,222)
Present Value of Minimum Lease Payments	\$ 4,352

NOTE 8. DEFERRED INFLOWS OF RESOURCES

The School District reported deferred property taxes at June 30, 2024 as follows:

Fund	Amount	Reason
General *	\$ 93,120	Taxes Receivable
Transportation	6,902	Taxes Receivable
Bus Depreciation	117	Taxes Receivable
Technology	3,318	Taxes Receivable
Debt Service *	33,161	Taxes Receivable
Building Reserve *	1,689	Taxes Receivable
Total	\$ 138,307	

* Denotes Major Fund

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 9. PRIOR PERIOD ADJUSTMENTS

The School District recorded changes in accounting principles and/or error corrections that resulted in adjustments and restatements of beginning net position and fund balances as follows:

	June 30, 2023 Fund Balance (As Previously Reported)	Changes In Major Fund Status	Error Corrections	June 30, 2023 Fund Balance (As Adjusted)
<u>Government-Wide</u>				
Governmental Activities	\$ 741,705	\$ 0	\$ (3,754)	\$ 737,951
<u>Governmental Funds</u>				
General *	\$ 839,856	\$ 0	\$ 0	\$ 839,856
School Food Services	318,294	(318,294)	0	0
Miscellaneous Programs	253,717	0	0	253,717
Debt Service	52,001	0	0	52,001
Building Reserve	0	193,138	0	193,138
Aggregate Remaining	<u>750,584</u>	<u>125,156</u>	<u>0</u>	<u>875,740</u>
Total	<u>\$ 2,214,152</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,214,152</u>
* Denotes Major Fund				
<u>Fiduciary Funds</u>				
COBRA Insurance	\$ 4,267	\$ 0	\$ 31,028	\$ 35,295
Cafeteria/Flex	<u>0</u>	<u>0</u>	<u>(5,324)</u>	<u>(5,324)</u>
	<u>\$ 4,267</u>	<u>\$ 0</u>	<u>\$ 25,704</u>	<u>\$ 29,971</u>

Changes to or within the financial reporting entity result from:

- The addition or removal of a fund that results from the movement of continuing operations within the primary government, including its blended component units.
- A change in a fund's classification as major or nonmajor.

9. a. **ERROR CORRECTIONS**

The School District recorded error corrections that resulted in adjustments to and restatements of beginning net position and fund net position as follows:

Governmental Funds and Governmental Activities

Fund	Amount	Reason
<u>Governmental Activities</u>		
Capital Assets	(5,689)	To correct capital assets balances
Capital Liabilities	<u>1,935</u>	To correct long-term debt balance
Total Governmental Activities	<u>\$ (3,754)</u>	

Fiduciary Funds

Fund	Amount	Reason
COBRA Insurance	\$ 31,028	To correct for accumulated errors
Cafeteria/Flex	<u>(5,324)</u>	To correct for accumulated errors
Total Fiduciary Funds	<u>\$ 25,704</u>	

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 10. INTERFUND OPERATING TRANSFERS

The School District recorded interfund transfers during the year ended June 30, 2024 as follows:

<u>Operating Fund - In</u>	<u>Amount</u>	<u>Operating Fund - Out</u>	<u>Purpose</u>
Compensated Absences	\$ 8,164	General *	To fund compensated absences
Building Reserve *	9,000	Transportation	School safety transfer
Total	<u>\$ 17,164</u>		

* Denotes Major Fund

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

11. a PLAN DESCRIPTION

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

11. b FUNDING POLICY

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

11. c BENEFITS PROVIDED

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

11. d EMPLOYEES COVERED BY BENEFIT TERMS

As of June 30, 2024, the measurement date, the plan's participants were comprised of:

Active employees	49
Inactive employees (may include spouses)	1

11. e TOTAL OPEB LIABILITY

The School District's total OPEB liability amounted to \$667,473 at June 30, 2024. The liability was measured as of June 30, 2024 and was determined by an Actuarial valuation as of that date.

11. f ASSUMPTIONS AND OTHER INPUTS

The School District obtained an Actuarial valuation to determine the OPEB liability. Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 20% of plan participants would elect to continue coverage after retirement.

The total OPEB liability at June 30, 2024 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average salary increases	3.50%
Discount rate	4.11%
Retiree's share of benefit related costs	100.00%
Healthcare cost trend rate	7.06% down to 4.00%

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

11. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance July 1, 2023	\$ 790,542
Changes for the Year:	
Service Cost (OPEB Expense)	68,353
Interest	35,301
Changes of Benefit Terms	(432,584)
Changes in Assumptions or Other Inputs	229,623
Benefit Payments	<u>(23,762)</u>
Net Changes	<u>(123,069)</u>
Balance June 30, 2024	<u>\$ 667,473</u>

Changes in benefit terms and assumptions and other inputs are composed of the following:

- Changes assumptions about the discount rate, expected salary increases, and the cost of healthcare.
- Changes in employee demographics.

11. h. SENSITIVITY ANALYSIS

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

	Discount Rate		
	(4.34%)		
	1.0% Decrease	Current	1.0% Increase
Total OPEB Liability	\$ 723,467	\$ 667,473	\$ 614,667

	Healthcare Cost Trend Rate		
	1.0% Decrease	Current	1.0% Increase
Total OPEB Liability	\$ 583,257	\$ 667,473	\$ 769,918

11. i. OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2024, the School District reported \$(123,069) in expense related to OPEB.

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 432,584
Changes of Assumptions	<u>251,749</u>	<u>22,129</u>
Total	<u>\$ 251,749</u>	<u>\$ 454,710</u>

NOTE 12. ENCUMBRANCES

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

Fund	Amount
General *	\$ 289,038
Transportation	821
School Food Services	43,986
Miscellaneous Programs *	4,586
Total	\$ 338,432

* Denotes Major Fund

NOTE 13. RISK MANAGEMENT

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

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

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

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

NOTE 14. EMPLOYEE RETIREMENT SYSTEM

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

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

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

Teachers’ Retirement System	Montana Public Employee Retirement Administration
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	100 N. Park Avenue Suite 200
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154
www.trs.mt.gov	www.mpera.mt.gov

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

The Montana Public Employee Retirement Administration (MPERA) and the TRS prepare their 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, and information about the fiduciary net position and additions to and

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and TRS. For this purpose, 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 when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value.

Investments are reported at fair value. MPERA and TRS adhere to all applicable GASB statements.

14. b. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

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

The Defined Benefit 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 State Legislature.

14. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

Service Retirement:

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

Early Retirement:
(actuarially reduced)

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

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

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

- GABA starts on both benefits in January after receiving the original and the new benefit for 12 months.

Vesting: 5 years of membership service

- Member’s Highest Average Compensation (HAC):
- Hired prior to July 1, 2011:
 - HAC during any consecutive 36 months.
 - Hired on or after July 1, 2011:
 - HAC during any consecutive 60 months.

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

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

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

14. b. 2. OVERVIEW OF CONTRIBUTIONS

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

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

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

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
2024	7.900%	7.900%	9.170%	9.070%	0.100%	8.800%	0.370%
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

2010-2011	6.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%	7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%	6.900%	6.800%	0.100%	6.800%	0.100%

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

2. Employer contributions to the system:

- a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions, including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer Contributions:

- a. Special Funding - 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.
 - i. The State contributed 0.10% of the members' compensation on behalf of local government entities.
 - ii. The State contributed 0.37% of the members' compensation on behalf of school district entities.
 - iii. The State contributed a Statutory Appropriation from the General Fund amounting to \$34,979,900.

14. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2023 was determined by taking the results of the June 30, 2023 actuarial valuation and applying standard roll forward procedures. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following:

- Investment Return (net of admin expenses) 7.30%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0.00% to 4.80%
- Postretirement Benefit Increases:
 - GABA. After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of all other adjustments to the member's benefit:
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 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
 - *Mortality among contributing members* -PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
 - *Mortality among disabled members* - PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
 - *Mortality among beneficiaries* - PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
 - *Mortality among healthy retirees* - PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2023 valuation, were developed in the five-year experience study for the period ending 2021. However, the current long-term rate of return is based on analysis in the experience study, without consideration for the administrative expenses analysis shown in the experience study.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

14. b. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed 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 2127. 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.

14. b. 5. TARGET ALLOCATIONS

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2023, is based on analysis in the experience study report dated May 2, 2022 without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

14. b. 6. DEFINED CONTRIBUTION PLAN

The School District contributed to the State of Montana Public Employees’ Retirement System Defined Contribution Retirement Plan (Defined Contribution plan) for employees that have elected the Defined Contribution plan. The Defined Contribution plan is administered by the Montana Public Employees’ Retirement Board (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 Defined Benefit plan and have a 12-month window during which they may choose to remain in the Defined Benefit plan or join the PERS- Defined Contribution Retirement Plan (Defined Contribution plan) by filing an irrevocable election. Members may not be participants of both the *Defined Benefit* and *Defined Contribution* retirement plans.

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

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

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 Defined Contribution plan.

At the plan level for the measurement period ended June 30, 2022, the Defined Contribution plan employer did not recognize any net pension liability or pension expense for the Defined Contribution plan. Plan level non-vested forfeitures for the 344 employers that have participants in the PERS-DCRP totaled \$1,409,309.

14. c. TEACHERS' RETIREMENT SYSTEM

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

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

14. c. 1. SUMMARY OF BENEFITS

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

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

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

14. c. 2. OVERVIEW OF CONTRIBUTIONS

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

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

	Members	Employers	General fund	Total employee and employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2024 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

14. c. 3. ACTUARIAL ASSUMPTIONS

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

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

Mortality:

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

14. c. 4. DISCOUNT RATE

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

14. c. 5. TARGET ALLOCATIONS

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

The long-term expected rate of return on pension plan investments of 7.30% is reviewed as part of regular experience studies prepared for the System about every five years. The current long-term rate of return is based on analysis in the experience study report dated May 3, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

14. d. SENSITIVITY ANALYSIS

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

As of measurement date	1.0% Decrease (6.30%)	Current Discount Rate (7.30%)	1.0% Increase (8.30%)
PERS			
Net Pension Liability	\$ 3,525,082,234	\$ 2,440,353,916	\$ 1,530,363,754
School District's Net Pension Liability	912,603	631,779	396,193
TRS			
Net Pension Liability	2,737,017,492	1,937,462,857	1,268,911,200
School District's Net Pension Liability	7,868,281	5,569,750	5,647,821

14. e. NET PENSION LIABILITY

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

The TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2023, and 2022, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

At June 30, 2024, the employer recorded a liability for its proportionate share of the NPL as noted below:

As of measurement date	NPL		Percent of Collective NPL		Change in Percent of Collective NPL
	as of 6/30/23	as of 6/30/22	as of 6/30/23	as of 6/30/22	
<u>PERS</u>					
School District Proportionate Share	\$ 631,779	\$ 617,098	0.025889%	0.025952%	(0.000063)%
State of Montana Proportionate Share associated with Employer	<u>196,859</u>	<u>206,315</u>	<u>0.008067%</u>	<u>0.008676%</u>	<u>(0.000609)%</u>
Totals	<u>\$ 828,638</u>	<u>\$ 832,413</u>	<u>0.033956%</u>	<u>0.034628%</u>	<u>(0.000672)%</u>
<u>TRS</u>					
School District Proportionate Share	\$ 5,569,750	\$ 5,225,630	0.2875%	0.2657%	0.0218%
State of Montana Proportionate Share associated with Employer	<u>3,010,038</u>	<u>2,885,100</u>	<u>0.1554%</u>	<u>0.1467%</u>	<u>0.0087%</u>
Totals	<u>\$ 8,579,788</u>	<u>\$ 8,110,730</u>	<u>0.4429%</u>	<u>0.4124%</u>	<u>0.0305%</u>

The NPL was measured as of June 30, 2023, and the TPL used to calculate the net pension liability was determined by an actuarial valuation as of:

- PERS – June 30, 2023
- TRS – July 1, 2023

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

14. f. PENSION EXPENSE

At June 30, 2024, the employer recognized a pension expense and grant revenue as noted below:

(as of measurement date)	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
<u>PERS</u>		
School District's Proportionate Share	\$ 78,669	\$ 66,691
Employer Grant Revenue – Montana Proportionate Share with the Employer	<u>18,468</u>	<u>21,385</u>
Totals	<u>\$ 97,137</u>	<u>\$ 88,076</u>
<u>TRS</u>		
School District's Proportionate Share	\$ 591,773	\$ 433,883
State of Montana Proportionate Share associated with the Employer	<u>279,579</u>	<u>238,573</u>
Totals	<u>\$ 871,352</u>	<u>\$ 672,456</u>

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

14. g. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2024, the employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

	PERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 25,163	\$ 0	\$ 105,369	\$ 0
Changes in actuarial assumptions	0	22,534	80,793	347,957
Difference between projected and actual investment earnings	1,603	0	12,042	0
Changes in proportion and differences between actual and expected contributions	0	0	306,601	21,061
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,953	0	0	0
Contributions paid subsequent to the measurement date –FY 2024 Contributions *	43,773	0	436,492	0
Totals	<u>\$ 78,492</u>	<u>\$ 22,534</u>	<u>\$ 941,296</u>	<u>\$ 369,018</u>

* Amounts reported as deferred outflows of resources related to pensions resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2025.

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

Year Ended June 30	PERS	TRS
	Amount of Deferred Outflows (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense	
2024	\$ (8,748)	\$ (43,872)
2025	(12,591)	(247,263)
2026	37,358	384,131
2027	(3,835)	42,790
Thereafter	0	0

14. h. EMPLOYER’S PROPORTION OF PENSION AMOUNTS

	PERS	TRS	Employer’s Total Pension Amounts
	Employer’s Proportionate Share	Employer’s Proportionate Share	
Total Pension Liability	\$ 2,423,395	\$ 19,716,016	\$ 22,139,411
Fiduciary Net Position	<u>1,791,616</u>	<u>14,146,266</u>	<u>15,937,882</u>
Net Pension Liability	631,779	5,569,750	6,201,529
Deferred Outflows of Resources	78,492	941,296	1,019,788
Deferred Inflows of Resources	22,534	369,018	391,552
Pension Expense	97,137	871,352	968,489

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2024

NOTE 15. SPECIAL EDUCATION COOPERATIVE

The School District is a member of the Great Divide Education Service Cooperative (the Cooperative), a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of the School District, and the financial statements of the Cooperative are not included in the School Districts' financial statements. The Cooperative's financial statements are audited separately from those of the School District. All revenue received, including federal, state, or other types of grant payments, and the financial support provided by each of the Cooperative's members are deposited into the Cooperative's funds, which are maintained in the custody of the Powell County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the state and federal portion of any participating member School District's budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative's financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the fiscal management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

DILLON SCHOOL DISTRICT NO. 10

SCHEDULE OF FUNDING PROGRESS
 Other Postemployment Benefits Other Than Pensions
 For the year ended June 30, 2024

CHANGE IN LIABILITY

Fiscal Year End	Service Cost (a)	Interest (b)	Changes in Benefit Terms (c)	Changes in Assumptions or Other Inputs (d)	Benefit Payments (e)	Net Change in Total OPEB Liability Sum of (a) to (e)=(f)	Total OPEB Liability Beginning (g)	Total OPEB Liability Ending (f)+(g)=(h)
6/30/18	\$ 123,375	\$ 57,374	\$ 0	\$ (40,137)	\$ (29,894)	\$ 110,718	\$1,359,168	\$1,469,886
6/30/19	120,671	55,669	0	31,424	(64,704)	143,060	1,469,886	1,612,946
6/30/20	781,487	59,188	(322,252)	(456,225)	(57,343)	(698,484)	1,612,946	914,462
6/30/21	75,882	34,662	0	11,434	(28,666)	93,313	914,462	1,007,774
6/30/22	70,312	24,473	(134,917)	(216,330)	(27,505)	(283,967)	1,007,774	723,807
6/30/23	67,483	31,810	0	(9,548)	(23,010)	66,735	723,807	790,542
6/30/24	68,353	35,301	(432,584)	229,623	(23,762)	(123,069)	790,542	667,473

PAYROLL RATIO

Fiscal Year End	Covered Employee Payroll (i)	Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)
6/30/18	\$ 2,071,459	70.96%
6/30/19	2,154,317	74.87%
6/30/20	2,530,211	36.14%
6/30/21	2,593,466	38.86%
6/30/22	2,458,790	29.40%
6/30/23	2,538,700	31.10%
6/30/24	2,723,827	24.50%

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

DILLON SCHOOL DISTRICT NO. 10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 (Determined as of the measurement date)
 For the year ended June 30, 2024

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30:	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)	State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Percent- age of the Total Pen- sion Liability
2014	0.034163%	\$ 425,673	\$ 19,899	\$ 445,571	\$ 400,109	111.22%	79.87%
2015	0.031866%	445,440	20,931	466,371	384,492	115.85%	78.40%
2016	0.031419%	535,175	25,012	560,187	389,047	137.56%	74.71%
2017	0.030368%	591,460	27,015	618,475	389,281	151.94%	73.75%
2018	0.024695%	515,413	189,013	704,426	419,488	122.87%	73.47%
2019	0.025924%	541,898	196,719	738,617	441,688	122.69%	73.85%
2020	0.023319%	615,193	217,934	833,127	403,823	152.34%	68.90%
2021	0.024773%	449,190	148,686	597,876	449,984	99.82%	79.91%
2022	0.025952%	617,098	206,315	823,413	466,396	132.31%	73.66%
2023	0.025889%	631,779	196,859	828,638	496,170	127.33%	73.93%

TEACHERS' RETIREMENT SYSTEM

Year Ended June 30:	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)	State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)	Total (a)+(b)=(c)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)	Plan Fiduciary Net Position as a Percent- age of the Total Pen- sion Liability
2014	0.2527%	\$ 3,887,983	\$ 2,665,379	\$ 6,553,362	\$ 3,186,189	122.03%	70.36%
2015	0.2652%	4,357,613	2,924,322	7,281,935	3,385,175	128.73%	69.30%
2016	0.2620%	4,786,679	3,121,588	7,908,267	3,401,104	140.74%	66.69%
2017	0.2632%	4,438,582	2,817,622	7,256,204	3,472,373	127.83%	70.09%
2018	0.2590%	4,806,557	2,990,055	7,796,612	3,458,922	138.96%	69.09%
2019	0.2641%	5,092,224	3,083,975	8,176,199	3,584,841	142.05%	68.64%
2020	0.2674%	6,014,078	3,555,192	9,569,270	3,679,995	163.43%	64.95%
2021	0.2677%	4,434,325	2,529,696	6,964,021	3,812,762	116.30%	75.54%
2022	0.2657%	5,225,630	2,885,100	8,110,730	3,900,042	133.99%	70.61%
2023	0.2875%	5,569,750	3,010,038	8,579,788	4,275,428	130.27%	71.75%

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

DILLON SCHOOL DISTRICT NO. 10

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
 (Determined as of the reporting date)
 For the year ended June 30, 2024

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required Contributions (a)	Plan Choice Rate Required Contribution (b)	Contributions in Relation to Contractually Required Contributions (c)	Contribution Deficiency (Excess) (a)+(b)- (c)=(d)	Employer's Covered Payroll (e)	Contributions as a Percentage of Covered Payroll ((a)+(b)/(e))
2015	\$ 30,644	\$ 0	\$ 30,644	\$ 0	\$ 384,492	7.97%
2016	31,457	0	31,457	0	389,047	8.09%
2017	31,532	0	31,532	0	389,281	8.10%
2018	34,398	0	34,398	0	419,488	8.20%
2019	36,789	0	36,789	0	441,688	8.33%
2020	34,278	0	34,278	0	403,823	8.49%
2021	38,779	0	38,779	0	449,984	8.62%
2022	40,561	0	40,561	0	466,396	8.70%
2023	43,534	0	43,534	0	496,170	8.77%
2024	43,773	0	43,773	0	497,420	8.80%

TEACHERS' RETIREMENT SYSTEM

Year Ended June 30:	Contractually Required Contributions (a)	Contributions in Relation to Contractually Required Contributions (b)	Contribution Deficiency (Excess) (a)-(b)=(c)	Employer's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (a)/(d)
2015	\$ 329,911	\$ 329,911	\$ 0	\$ 3,385,175	9.75%
2016	306,776	306,776	0	3,401,104	9.02%
2017	339,222	339,222	0	3,472,373	9.77%
2018	346,807	346,807	0	3,458,922	10.03%
2019	343,113	343,113	0	3,584,841	9.57%
2020	350,980	350,980	0	3,679,995	9.54%
2021	396,173	396,173	0	3,812,762	10.39%
2022	416,408	416,408	0	3,900,042	10.68%
2023	424,094	424,094	0	4,275,428	9.92%
2024	436,492	436,492	0	4,465,517	9.77%

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS
(As of Measurement Date)
For the year ended June 30, 2024

NOTE 1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Changes of Benefit Terms

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

2017:

Working Retiree Limitations – for PERS

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

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

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% 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
Mortality (Active Participants)	PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
Mortality (Disabled Retirees)	PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward one year for both males and females.
Mortality (Contingent Survivors)	PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
Mortality (Health Retirees)	PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
(As of Measurement Date)
For the year ended June 30, 2024

The actuarial assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

NOTE 2. TEACHERS' RETIREMENT SYSTEM

CHANGES OF BENEFIT TERMS

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

Changes in actuarial assumptions and other inputs:

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

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

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

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

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

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

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

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

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

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

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

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

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
 SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)
 (As of Measurement Date)
 For the year ended June 30, 2024

benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).

- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 of 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to “retain membership in the System” are covered by the \$500 death benefit after termination.

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

- Assumed rate of inflation was reduced from 3.50% to 3.25%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- Assumed real wage growth was reduced from 1.00% to 0.75%.
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.

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

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

Method and assumptions used in calculations of actuarially determined contributions:

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Budget and Actual
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2024

	General			Flexibility		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,567,654	\$ 1,567,654	\$ 1,563,829	\$ -	\$ -	\$ -
Interest	21,617	21,617	40,043	-	-	8,370
Other	-	-	-	-	-	593
State	4,177,095	4,177,095	4,177,096	-	-	-
Total Revenues	<u>5,766,366</u>	<u>5,766,366</u>	<u>5,780,968</u>	<u>-</u>	<u>-</u>	<u>8,963</u>
EXPENDITURES:						
Current:						
Instructional Services			3,758,600			-
Support Services - Students			57,608			1,159
Support Services - Instructional			264,795			-
General Administrative Services			892,452			-
Operation and Maintenance Services			584,154			24,306
Capital Outlay			121,105			-
Total Expenditures	<u>5,766,366</u>	<u>5,766,366</u>	<u>5,678,714</u>	<u>190,539</u>	<u>190,539</u>	<u>25,465</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>102,254</u>	<u>(190,539)</u>	<u>(190,539)</u>	<u>(16,502)</u>
OTHER FINANCING SOURCES (USES):						
Fund Transfers (Out)			(8,164)			-
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>(8,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>94,090</u>	<u>(190,539)</u>	<u>(190,539)</u>	<u>(16,502)</u>
FUND BALANCE:						
Beginning of the Year			504,565			190,539
Change in Reserve for Inventory			(627)			-
Prior Period Adjustments			453			-
End of the Year			<u>\$ 598,481</u>			<u>\$ 174,037</u>

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

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the year ended June 30, 2024

NOTE 1. BUDGETS

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

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

All annual appropriations lapsed at fiscal year-end, unless Dillon School District No. 10 (School District) elected to encumber supplies and personal property ordered but not received at year end.

1. a. GENERAL BUDGET POLICIES

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

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

1. b. BUDGET OPERATIONS

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

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

NOTE 2. FUND BALANCE RECONCILIATION

The fund balance of the General fund was reported on the *Statement of Revenue, Expenditures, and Changes in Fund Balances* in accordance with GAAP and was different from those on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual due to the reserve for encumbrances. The difference was as follows:

	<u>General</u>
End of the Year (GAAP)	\$ 887,520
Current-year Encumbrances	<u>(289,038)</u>
End of the Year (Budget)	<u>\$ 598,481</u>

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (continued)
 For the year ended June 30, 2024

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

NOTE 3. BUDGET AMENDMENTS

The original budgets were not amended so the original budget and the final budget are the same.

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

	<u>Sub-funds</u>		<u>Total General Fund</u>
	<u>General</u>	<u>Flexibility</u>	
REVENUES:			
District Levies	\$1,563,829	\$ -	\$ 1,563,829
Interest	40,043	8,370	48,413
Other	-	593	593
State	<u>4,177,096</u>	<u>-</u>	<u>4,177,096</u>
Total Revenues	<u>5,780,968</u>	<u>8,963</u>	<u>5,789,931</u>
EXPENDITURES:			
Current:			
Instructional Services	3,751,561	-	3,751,561
Support Services - Students	57,608	1,159	58,767
Support Services - Instructional	265,125	-	265,125
General Administrative Services	885,325	-	885,325
Operation and Maintenance Services	536,765	24,306	561,071
Capital Outlay	<u>38,217</u>	<u>-</u>	<u>38,217</u>
Total Expenditures	<u>5,534,601</u>	<u>25,465</u>	<u>5,560,066</u>
Excess (Deficiency) of Revenues			
Over Expenditures	246,367	(16,502)	229,865
OTHER FINANCING SOURCES (USES):			
Fund Transfers (Out)	<u>(8,164)</u>	<u>-</u>	<u>(8,164)</u>
Total Other Financial Sources (Uses)	<u>(8,164)</u>	<u>-</u>	<u>(8,164)</u>
Net Change in Fund Balance	238,203	(16,502)	221,701
FUND BALANCE:			
Beginning of the Year	<u>649,317</u>	<u>190,539</u>	<u>839,856</u>
End of the Year - GAAP Basis	887,520	174,037	<u>\$ 1,061,557</u>
Less Current Year Encumbrances	<u>(289,038)</u>	<u>-</u>	
End of the Year - Budget Basis	<u>\$ 598,482</u>	<u>\$ 174,037</u>	

DILLON SCHOOL DISTRICT NO. 10

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (continued)
For the year ended June 30, 2024

In the General sub-funds combining schedule above, the General and Flexibility funds are added together to get to the aggregate General fund shown as a major fund on the *Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds*. The Flexibility fund is maintained as a separate fund for accounting purposes. However, for external financial reporting purposes, it is added to the General fund because it, like the General fund, has an unassigned fund balance.

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

DILLON SCHOOL DISTRICT NO. 10

SCHEDULE OF REVENUES, EXPENSES, AND BALANCES
 STUDENT ACTIVITY FUNDS
 For the year ended June 30, 2024

Activity	Beginning Balance 7/1/2023	Revenues	Expenses	Transfers	Ending Balance 6/30/2024
DMS - LOCK FEES	\$ 1,951	\$ 440	\$ -	\$ (336)	\$ 2,055
FCS SEW KITS	(2)	2,979	2,979	-	(2)
REFEREES/GYM ACTIVITIES	3,404	3,612	4,939	-	2,077
CLASSROOM GRANTS	96	6,500	5,018	-	1,578
DMS PLANNERS	1,143	1,100	-	-	2,243
DMS/PV MUSIC	2,909	4,441	1,844	-	5,506
DMS - STUDENT ACTIVITIES	654	3,961	3,032	-	1,583
ENRICHMENT ACCOUNT	324	-	-	-	324
LIBRARY COMBINED	965	256	170	-	1,051
MBI ACCOUNT	3,815	-	-	-	3,815
MEAL CHARGE DONATIONS	3,708	-	-	-	3,708
PV ACTIVITIES (BIRCH CREEK)	1,665	7,959	5,015	136	4,745
STUDENT NEEDS	3,401	15	213	-	3,203
TECHNOLOGY FEES	35,036	9,785	2,843	-	41,978
STUDENT COUNCIL/T.E.A.M.	1,773	1,939	387	200	3,525
HOPE SQUAD	2,041	500	218	-	2,323
UNIFORM/FOOTBALL FUND	1,012	-	-	-	1,012
ACH PAYMENT FEES	26	525	368	-	183
YEARBOOK ACCOUNT	2,206	4,254	3,228	-	3,232
Total	<u>\$ 66,127</u>	<u>\$ 48,266</u>	<u>\$ 30,254</u>	<u>\$ -</u>	<u>\$ 84,139</u>

DILLON SCHOOL DISTRICT NO. 10

SCHEDULE OF REPORTED ENROLLMENT
For the year ended June 30, 2024

Fall Enrollment – October 2023									
	Full-time Students			Part-time Students					
	Reported	Audited	Variance	Less Than				Audited	Variance
				180 hours	360 hours	540 hours	720 hours		
<u>Elementary</u>									
Kindergarten	89	89	0	0	0	0	0	0	0
Grade 1 - 6	512	512	0	0	0	0	0	0	0
Grade 7 - 8	<u>177</u>	<u>177</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>0</u>
Total	<u>778</u>	<u>778</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>0</u>

Spring Enrollment – February 2024									
	Full-time Students			Part-time Students					
	Reported	Audited	Variance	Less Than				Audited	Variance
				180 hours	360 hours	540 hours	720 hours		
<u>Elementary</u>									
Kindergarten	93	93	0	0	0	0	0	0	0
Grade 1 - 6	505	505	0	0	0	0	0	0	0
Grade 7 - 8	<u>176</u>	<u>176</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>3</u>	<u>4</u>	<u>0</u>
Total	<u>774</u>	<u>774</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>3</u>	<u>4</u>	<u>0</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
School Breakfast Program	10.553	N/A	\$ -	\$ 36,654
National School Lunch Program (Donated Food) (fn2)	10.555	N/A	-	54,616
National School Lunch Program	10.555	N/A	-	190,144
National School Lunch Program (Supply Chain)	10.555	N/A	-	31,776
Summer Food Service Program for Children	10.559	N/A	-	41,896
Total Child Nutrition Cluster			-	355,086
Total U.S. Department of Agriculture			\$ -	\$ 355,086
U.S. DEPARTMENT OF EDUCATION				
PASSED THROUGH GREAT DIVIDE EDUCATION COOPERATIVE:				
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	\$ -	\$ 247,388
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	-	12,930
Total Special Education Cluster			\$ -	\$ 260,318
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Title I Grants to Local Education Agencies	84.010	001-0005-31-2023	\$ -	\$ 5,414
Title I Grants to Local Education Agencies	84.010	001-0005-31-2024	-	272,931
Student Support and Academic Enrichment Program	84.424	001-0005-52-2022	-	
Rural Education	84.358	001-0005-99-2024	-	14,625
Education Stabilization Fund - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	001-0005-92-2021	-	31,163
Education Stabilization Fund - ESSER Fund	84.425D	001-0005-92-2021	8,524	8,524
Education Stabilization Fund - American Rescue Plan (ARP)-ESSER	84.425U	001-0005-93-2021	-	402,793
Education Stabilization Fund - ARP-ESSER	84.425U	001-0005-93-2021	-	260,419
Total Education Stabilization Fund			-	300,106
Total U.S. Department of Education			\$ -	\$ 1,556,293
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance (PRNS)	93.243	001-0005-38-2023	\$ -	\$ 101,116
Substance Abuse and Mental Health Services - PRNS	93.243	001-0005-38-2024	-	347,673
Total U.S. Department Health and Human Service			\$ -	\$ 448,789
Total Federal Financial Assistance			\$ -	\$ 2,060,062

The accompanying notes to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS are an integral part of this schedule.

DILLON SCHOOL DISTRICT NO. 10

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2024

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Dillon School District No. 10 (School District) under programs of the federal government for the fiscal year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as used in the governmental financial statements. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The School District did not utilize an indirect cost rate as allowed under *Uniform Guidance*.

NOTE 4. FOOTNOTES

Fn1 – No separate funds or accounts maintained; the School District assumes first in first out for program money.

Fn2 – The value of commodities (revenues, expenses or inventory) are not displayed in the basic financial statements.

N/A – Not applicable/available.



STROM & ASSOCIATES, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dillon School District No. 10
Beaverhead County
Dillon, Montana 59725

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dillon School District No. 10 (School District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
January 30, 2025



STROM & ASSOCIATES, P.C.
Certified Public Accountants

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE *UNIFORM GUIDANCE*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dillon School District No. 10
Beaverhead County
Dillon, Montana 59725

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Dillon School District No. 10 (School District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2024. The School District's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance requirements of law, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



STROM & ASSOCIATES, PC
Billings, Montana
January 30, 2025

DILLON SCHOOL DISTRICT NO. 10

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

A. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

1. The auditor, Strom & Associates, PC, has issued an unmodified opinion on Dillon School District No. 10 (School District)’s financial statements as of and for the year ended June 30, 2024.
2. Our audit did not identify any material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit did not identify any significant deficiencies relating to internal controls over financial reporting and its operation.
4. Our audit did not identify any noncompliance which was material to the financial statements.

Federal Awards

5. Our audit did not identify any material weaknesses relating to internal controls over federal programs.
6. Our audit did not identify any significant deficiencies in internal controls over federal programs.
7. The auditor, Strom & Associates, PC, has issued an unmodified opinion on the School District’s compliance with major federal awards programs as of and for the year ended June 30, 2024.
8. The audit disclosed no audit findings which are required to be reported under section 200.516 of *Uniform Guidance*.
9. The major programs for the School District for the year ended June 30, 2024 were:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.425D/U	Education Stabilization Fund

10. The threshold used to distinguish between Type A and Type B programs was \$750,000. The School District had no Type A programs.
11. The School District did not qualify as a low-risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Prior year findings/status

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2024.

2023-001 – Unreported Cash Balances	Implemented
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Current year findings

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

DILLON SCHOOL DISTRICT NO. 10

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the year ended June 30, 2024

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Prior year findings/status

The audit disclosed no findings or questioned costs relating to federal awards as defined in section 200.516 of *Uniform Guidance* for the prior fiscal year.

Current year findings

The audit disclosed no findings or questioned costs relating to federal awards as defined in section 200.516 of *Uniform Guidance* for the fiscal year ended June 30, 2024.