

CULBERTSON PUBLIC SCHOOLS
GASB 68 Notes to the Financial Statements
Prepared as of June 30, 2024 (Measurement Date)
For the Year Ended June 30, 2025 (Reporting Date)

Pension Amounts Total for Employer – Employer’s proportion of TRS and PERS pension amounts combined – 74

	The employer’s proportionate share associated with TRS	The employer’s proportionate share associated with PERS	The employer’s Total Pension Amounts
Total Pension Liability	\$11,395,222	xxx	xxx
Fiduciary Net Position	\$8,356,079	xxx	xxx
Net Pension Liability	\$3,039,143	xxx	xxx
Deferred Outflows of Resources	\$531,503	xxx	xxx
Deferred Inflows of Resources	\$437,211	xxx	xxx
Pension Expense	\$200,265	xxx	xxx

The following disclosures (76-80) should be disclosed for each pension plan – TRS and PERS – 75

Net Pension Liability - 80a, 80b, 80c, 80d, 80e, 80f

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers’ Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana’s proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2025 and June 30, 2024 (reporting dates).

	Net Pension Liability as of 6/30/2025	Net Pension Liability as of 6/30/2024	Percent of Collective NPL as of 6/30/2025	Percent of Collective NPL as of 6/30/2024	Change in Percent of Collective NPL
CULBERTSON PUBLIC SCHOOLS					
Proportionate Share	\$3,039,143	\$3,382,812	0.1622%	0.1746%	(0.0124%)
State of Montana Proportionate Share associated with employer	<u>\$1,612,007</u>	<u>\$1,827,512</u>	<u>0.0860%</u>	<u>0.0943%</u>	<u>(0.0083%)</u>
Total	\$4,651,149	\$5,210,324	0.2482%	0.2689%	(0.0207%)

At June 30, 2025, the employer recorded a liability of \$3,039,143 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period July 1, 2023 through June 30, 2024 relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2025, the employer's proportion was 0.1622 percent.

Changes in actuarial assumptions and other inputs: There have been no changes in actuarial assumptions since the previous measurement date.

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

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

Pension Expense – 80g, 80j

Pension Expense as of 6/30/2025	
CULBERTSON PUBLIC SCHOOLS Proportionate Share	\$113,556
State of Montana Proportionate Share associated with the Employer	<u>\$86,709</u>
Total	\$200,265

At June 30, 2025, the employer recognized a Pension Expense of \$200,265 for its proportionate share of the TRS' pension expense. The employer also recognized grant revenue of \$86,709 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Deferred Inflows and Outflows - 80h, 80i

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$76,889	\$0
Changes in actuarial assumptions	\$0	\$101,018
Difference between projected and actual investment earnings	\$0	\$58,649
Changes in proportion & differences between actual and expected contributions	\$197,734	\$277,545
*Contributions paid to TRS subsequent to the measurement date - FY 2025 Contributions	\$256,880	
Total	\$531,503	\$437,211

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

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

Year ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an increase or (decrease) to Pension Expense
2026	(\$235,381)
2027	\$164,417
2028	(\$32,729)
2029	(\$58,896)
2030	\$0
Thereafter	\$0

Plan Description – 76a

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

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

Summary of Benefits – 76b

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. Average final compensation (AFC) is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier (“Tier Two”), which differs from Tier One as follows:

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

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

Overview of Contributions – 76c

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

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

School District and Other Employers

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

State and University Employers

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

TRS Stand-Alone Statements – 76d

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

Actuarial Assumptions – 77

The Total Pension Liability as of June 30, 2024 is based on the results of an actuarial valuation as of July 1, 2024. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2024 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%-9.00% for Non-University Members and 4.25% for University Members
- Investment Return 7.30%
- Price Inflation 2.75%
- Postretirement Benefit Increases
 - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
 - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than 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 provision of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members
 - PUBT-2010 General Employee Mortality Table projected to 2021. Projected generationally using MP-2021.
- Mortality among service retired members
 - PUBT-2010 Retiree Mortality Table 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 Non-Safety Disabled Retiree Mortality Table projected to 2021.

*Total Wage Increases include 3.50% general wage increase assumption

Discount Rate - 78a, 78b, 78d

The discount rate used to measure the total pension liability 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 Montana Code Annotated. In addition to the contributions, the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2134. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations - 78c, 78e, 78f

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 Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	<u>3.00%</u>	-0.33%
	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 every four 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, are developed 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.

Sensitivity Analysis – 78g

	1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
The Employer's proportion of Net Pension Liability	\$4,367,999	\$3,039,143	\$1,928,871

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

Summary of Significant Accounting Policies – 79

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

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

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Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teachers Retirement System of Montana
For the Year Ended June 30
Determined as of the Measurement Date

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	0.1622%	0.1746%	0.1557%	0.1648%	0.1668%	0.1503%	0.1593%	0.1569%	0.1406%	0.1474%
Employer's proportionate share of the net pension liability associated with the Employer	\$3,039,143	\$3,382,812	\$3,062,582	\$2,729,533	\$3,751,952	\$2,897,601	\$2,955,965	\$2,646,060	\$2,569,134	\$2,422,480
State of Montana's proportionate share of the net pension liability associated with the Employer	\$1,612,007	\$1,827,512	\$1,690,097	\$1,556,905	\$2,217,333	\$1,755,394	\$1,840,863	\$1,679,804	\$1,677,005	\$1,628,996
Total	\$4,651,149	\$5,210,324	\$4,752,679	\$4,286,438	\$5,969,285	\$4,652,995	\$4,796,828	\$4,325,864	\$4,246,139	\$4,051,476
Employer's covered-employee payroll	\$2,436,982	\$2,596,702	\$2,285,700	\$2,346,874	\$2,295,809	\$2,039,848	\$2,127,195	\$2,069,932	\$1,825,447	\$1,881,861
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	124.71%	130.27%	133.99%	116.31%	163.43%	142.05%	138.96%	127.83%	140.74%	128.73%
Plan fiduciary net position as a percentage of the total pension liability	73.33%	71.75%	70.61%	75.54%	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%

CULBERTSON PUBLIC SCHOOLS
Required Supplementary Information
Schedule of Contributions
Teachers' Retirement System of Montana
For the Year Ended June 30
Determined as of the Reporting Date

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	\$256,880	\$232,273	\$253,058	\$211,942	\$217,166	\$208,269	\$183,248	\$188,783	\$181,616	\$163,967
Contributions in relation to the contractually required contributions	\$256,880	\$232,273	\$253,058	\$211,942	\$217,166	\$208,269	\$183,248	\$188,783	\$181,616	\$163,967
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$2,604,187	\$2,436,982	\$2,596,702	\$2,285,700	\$2,346,874	\$2,295,809	\$2,039,848	\$2,127,195	\$2,069,932	\$1,825,447
Contributions as a percentage of covered-employee payroll	9.86%	9.53%	9.75%	9.27%	9.25%	9.07%	8.98%	8.87%	8.77%	8.98%

CULBERTSON PUBLIC SCHOOLS
Notes to Required Supplementary Information
For the Year ended June 30, 2025

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

- For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

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

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

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

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

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three-year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members “to account for larger than average annual compensation increases observed in the years immediately preceding retirement” is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 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.

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	24 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	3.50 to 9.00 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.30 percent, net of pension plan investment expense, including inflation

CULBERTSON PUBLIC SCHOOLS
Sample Journal Entries

For Employer's Fiscal Year Ended June 30, 2025 (June 30, 2024 Measurement Date)

	<u>Debit</u>	<u>Credit</u>
Proportionate share of beginning collective net pension liability	\$3,382,812	
Proportionate share of ending collective net pension liability		\$3,039,143
 Pension expense – Employer	 113,556	 0
 Deferred outflows/inflows of resources – Difference b/w Expected and Actual Experience BEG	 0	 63,996
Deferred outflows/inflows of resources – Difference b/w Expected and Actual Experience END	76,889	0
Deferred outflows/inflows – Change of Assumptions BEG	211,333	49,070
Deferred outflows/inflows – Change of Assumptions END	0	101,018
Deferred outflows/inflows of resources –Difference b/w Actual and Expected Contributions & Change in Proportionate Share BEG	117,114	270,430
Deferred outflows/inflows of resources –Difference b/w Actual and Expected Contributions & Change in Proportionate Share END	197,734	277,545
Deferred outflows/inflows – Difference b/w Projected and Actual Investment Earnings BEG	0	7,314
Deferred outflows/inflows – Difference b/w Projected and Actual Investment Earnings END	0	58,649
Deferred outflows of resources – Employer contributions 7/1/2023 – 6/30/2024		232,273
To record current year activity	\$4,099,438	\$4,099,437
 Pension expense – Non-Employer Contributing Entity	 \$ 86,709	 \$
Revenue – State aid	\$	\$ 86,709
To record pension expense and revenue for State support		
 Deferred outflows of resources – District contributions 7/1/2024 – 6/30/2025	 \$ 256,880	
Pension expense		\$ 256,880
To record deferred outflows of resources for contributions subsequent to measurement date		