

# Kalispell Public Schools

Independent Auditor's Report and  
Financial Statements

Year Ended June 30, 2021



**WIPFLI**

# Kalispell Public Schools

Year Ended June 30, 2021

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# Kalispell Public Schools

Year Ended June 30, 2021

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# Kalispell Public Schools

## Organization Board of Trustees and Officials

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### BOARD OF TRUSTEES

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Sue Corrigan	Chair
Jack Fallon	Vice Chair
Lance Isaak	Trustee
Will Hiatt	Trustee
Mark Kornick	Trustee
Rebecca Linden	Trustee
Diane Morton Stout	Trustee
Heather Asher	Trustee
Scott Warnell	Trustee
Ursula Wilde	Trustee
Kim Wilson	Trustee

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### OFFICIALS

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Micah Hill	District Superintendent
Gwyn Andersen	Director of Business Services
Travis Ahner	County Attorney
Jack Eggensperger	County Superintendent of Schools
Adele Krantz	County Treasurer

## Independent Auditor's Report

Board of Trustees  
Kalispell Public Schools  
Flathead County  
Kalispell, Montana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kalispell Public Schools (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Elementary Extracurricular Activities Fund	Unmodified
High School Interlocal Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### **Basis for Qualified Opinion on Governmental Activities**

As discussed in Note 14 to the financial statements, management of the District has not determined the District's annual other postemployment benefit (OPEB) cost, total OPEB liability and related deferred outflows and inflows of resources as of June 30, 2021 in accordance with GASB Statement No. 75. Accounting principles generally accepted in the United States require that such costs, liability and related deferred outflows and inflows, which would change the liabilities, related deferred outflows and inflows, and expenses in the statement of net position and the statement of activities, respectively be recorded. The amount by which this departure would affect the liabilities and expenses of the District's government-wide financial statements is not reasonably determinable.

### **Qualified Opinion on Governmental Activities**

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion on Governmental Activities paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Kalispell Public Schools, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Kalispell Public Schools, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

### **Change in Accounting Principal**

As discussed in Note 2 to the financial statements, in 2021 the District adopted new accounting guidance, GASB Statement 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, schedules of proportionate share of the net pension liability, and schedules of contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of reported enrollment and extracurricular funds schedules of cash receipts, disbursements and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is also not a required part of the basic financial statements.

The schedule of reported enrollment, extracurricular funds schedules of cash receipts, disbursements and changes in net position and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of reported enrollment, extracurricular funds schedules of cash receipts, disbursements and changes in net position and 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 March 22, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Billings, Montana  
March 22, 2022

# Kalispell Public Schools

## Management's Discussion and Analysis

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In conjunction with the audited financial statements for the fiscal year ending June 30, 2021, district management has prepared the management and discussion analysis (MD&A) as required by the Governmental Accounting Standards Board, Statement No. 34.

The Superintendent and the Director of Business Services of the School District prepared the MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the fiscal year ended June 30, 2021. Certain comparative information between the current year and the prior is required to be presented in the MD&A. Readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2021 are as follows:

Total assets of \$145,403,868 reflects an increase of \$3,205,041 which is mostly attributed to an increase in cash and investments, amounts due from other governments and deposits.

The district's taxes receivable balance decreased over the prior year and is currently \$984,566. The annual property tax collection was \$26,311,593 and the receivable balance is 3.7% of the annual collection, which is a very low percentage of delinquent taxes.

Total liabilities increased by \$3,674,895, which is a combination of a \$612,222 increase in current liabilities and a net increase in long-term liabilities of \$3,062,673, which is related to a decrease in bond debt and an increase in net pension liability.

Total revenues of \$93,386,596 exceeded total expenditures of \$90,542,075 by \$2,844,521. Total revenue increased by \$10,527,949 from the previous year.

Operating grant revenue increased by \$5,162,447, mostly due to federal grant funding provided under the Elementary and Secondary Emergency Relief (ESSER) sections of federal legislation addressing the Covid-19 pandemic.

Our enrollment averaged 5,845 students which is a decrease of 56 students, made up of a decrease at the elementary level of 166 students and an increase at the high school of 110 students.

The district operates a partially self-insured health insurance plan. Over the past couple of years the district has developed easily understood financial statements which are provided to the board of trustees each month. The plan continues to operate in the negative and as of June 30, 2021 had a net position of \$1,406,485. The district and employees made an agreement to share the reimbursement of that shortfall using a 70 (district) /30 (plan members) split. The district contributed their share using Interlocal Agreement funds and the employee share is being collected, on a monthly basis, from employees currently enrolled in the plan in the form of a pre-tax health insurance surcharge. The surcharge ended June 30, 2021. Going forward the district will take on the responsibility of 70% of premium increases and employees will take on the responsibility of 30% of premium increases. The district also opened an employee health clinic in an effort, to reduce primary care costs to the plan. Additional changes to the plan were made in an attempt to ensure the financial stability of the health insurance plan.



# Kalispell Public Schools

## Management's Discussion and Analysis

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### **Using This Financial Report**

The general format of this report is required by Statement No. 34 of the Governmental Accounting Standards Board (GASB). Components and purposes of the report are explained below.

### **Reporting the School District as a Whole**

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

The statement of net assets and the statement of activities provide information about the activities of the whole school district, presenting both an aggregate view of the school district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements represent how services were financed in the short term as well as, what remains for future spending. The fund financial statements also identify the school district's most significant funds with all other non-major funds represented in total in one column. In the case of School District No. 5, the general fund is by far the most significant fund.

**The Statement of Net Assets** – identifies the assets (what is owned), the liabilities (what is owed) and the net assets (resources remaining) of the school district. The statement categorizes assets into current and non-current assets and liabilities into current and long-term liabilities. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Other assets are invested in fixed or capital assets, such as land, buildings, equipment, and other property with an extended useful life.

**The Statement of Activities** – identifies the amounts of program specific and general school district revenues use to support school district's various operational functions.

### **Reporting the District's Most Significant Funds**

#### **Fund Financial Statements**

The fund statements provide detailed information about the funds used by the school district. State law and Generally Accepted Accounting Principles (GAAP) establish the fund structure of school districts. State law generally requires school districts to segregate money generated for certain specific purposes, like transportation and debt service, in separate fund accounts.

The fund statements report balances and activities of the most significant, or "major" funds separately and combine the activities of less significant funds under a single category. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the school district's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds but are combined and presented in a separate column. The financial statements also include fiduciary funds which include the student activity and endowment funds.

The major funds were the general and elementary extracurricular activities funds and the high school interlocal fund.

# Kalispell Public Schools

## Management's Discussion and Analysis

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### **Governmental Funds**

Most of the school district's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end and available for spending in future periods.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are shown for governmental funds such as the general funds, special revenue funds for transportation and school food service, and debt service and capital outlay funds.

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily be converted to cash. The governmental fund statements provide a detailed short term view of the school district's general government operations and the basic services it provides.

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

### **Proprietary Funds**

The district has in the past operated with one proprietary fund type for the purpose of operating a print center. Internal service funds are an accounting device used to accumulate and allocate costs internally among the district's various functions. The district also uses an internal service fund to account for KPS employee benefit activities.

### **Reporting the District's Trust and Fiduciary Responsibilities**

The district is the trustee, or fiduciary, for endowments and some parent organization funds. This report includes the activities in a separate Statement of Fiduciary Net Assets and Changes in Fiduciary Net Assets because the district cannot use these assets to fund its operations. The district is responsible for ensuring these assets are used for their intended purpose.

In previous years, the District's elementary and high school student extracurricular funds and a portion of the scholarship funds were accounted for as fiduciary activities, but were restated to comply with GASB Statement No. 84, Fiduciary Activities. For more information, please see Note 15: Prior Period Restatement of the Notes to Financial Statements (page 59).

### **Budget-to-Actual Comparisons**

The budgetary comparison schedules on page 60 of the audit report show how actual expenditures compared to the original and final budgeted expenditures for the general fund. There were no significant variances between the final expenditure budget and the actual expenditures.

# Kalispell Public Schools

## Management's Discussion and Analysis

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### THE DISTRICT AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. In the District, assets exceeded liabilities by \$10,294,133 as of June 30,2021.

**Table 1 - Net Position**

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>Change Inc (Dec)</u>
<b>Net Position:</b>			
Current assets	28,605,170	24,441,021	4,164,149
Capital assets -net	116,798,698	117,972,234	-959,108
Total Assets	<u>145,403,868</u>	<u>142,413,255</u>	<u>3,205,041</u>
Deferred outflow of resources	<u>12,419,715</u>	<u>7,935,273</u>	<u>4,484,442</u>
Current liabilities	7,780,370	7,168,148	612,222
Non-current liabilities	127,329,365	124,266,692	3,062,673
Total liabilities	<u>135,109,735</u>	<u>131,434,840</u>	<u>3,674,895</u>
Deferred inflow of resources	<u>1,342,662</u>	<u>1,606,979</u>	<u>-264,317</u>
Net position:			
Net investment in capital assets	48,671,976	44,233,557	4,438,419
Restricted	23,122,008	20,313,061	2,808,947
Unrestricted	-50,422,798	-47,239,909	3,182,889
Total net position	<u>21,371,186</u>	<u>17,306,709</u>	<u>4,064,477</u>

# Kalispell Public Schools

## Management's Discussion and Analysis

**Table 2 - Changes in Net Position**

	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>Change Inc (Dec)</b>
<b>Program Revenue</b>			
Charges for Services	10,169,257	7,585,934	2,583,323
Operating Grants	12,462,515	7,300,068	5,162,447
Capital Grants and Contributions	64,561	0	64,561
Total program revenue	<u>22,696,333</u>	<u>14,886,002</u>	<u>7,810,331</u>
<b>General Revenue</b>			
Property taxes levied for general purpose	26,311,593	25,535,614	775,979
County retirement distribution	6,367,528	5,956,772	410,756
State aid	36,986,550	34,813,902	2,172,648
Interest	105,374	388,444	-283,070
Other	890,428	1,261,518	-371,090
Special Items			0
Donated assets	28,790	0	28,790
Proceeds from sale of assets	0	16,395	-16,395
Total general revenue	<u>70,690,263</u>	<u>67,972,645</u>	<u>2,717,618</u>
<b>Total revenue</b>	<u><b>93,386,596</b></u>	<u><b>82,858,647</b></u>	<u><b>10,527,949</b></u>
	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>Change Inc (Dec)</b>
<b>Primary Government</b>			
Instruction:			
Regular programs	40,403,529	36,862,802	3,540,727
Special programs	3,072,267	2,573,357	498,910
Vocational programs	3,004,918	2,653,311	351,607
Adult education	0	2,847	-2,847
Traffic education	221,050	148,943	72,107
Supporting Services	17,294,081	14,966,101	2,327,980
Operations & maintenance	4,889,795	4,808,106	81,689
Student transportation	3,386,486	3,110,888	275,598
Food services	2,503,694	2,121,483	382,211
Extracurricular	2,311,098	1,702,854	608,244
Interest on long-term debt	2,236,463	2,518,323	-281,500
Debt issuance costs	56,528	55,173	1,355
Unallocated depreciation	3,193,852	2,365,011	828,841
Enterprise services	7,968,314	7,549,555	418,459
Total expenses	<u>90,542,075</u>	<u>81,438,754</u>	<u>9,103,321</u>
<b>Change in net position</b>	<u><b>2,844,521</b></u>	<u><b>1,419,893</b></u>	<u><b>1,424,628</b></u>

# Kalispell Public Schools

## Management's Discussion and Analysis

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### THE DISTRICT AS A WHOLE – GOVERNMENTAL ACTIVITIES

The district's total revenue for the fiscal year ended June 30, 2021 was \$93.3 million and the total cost of all programs and services was \$90.5 million.

District taxpayers contributed \$26.3 million of the \$70.6 million in general revenue. The remainder was financed through grants and entitlements, charges for services, operating grants and contributions, and interest earnings.

### Analysis of Financial Information

Miscellaneous programs fund. The District as a result of cash flow generated over a 15 year period through the sale of an educational program and materials, labeled Project CRISS retained \$1,130,000 after the separation of the program from the District. \$750,000 is currently held by the District in an Innovative Programs account in the high school miscellaneous fund.

### Capital Assets

The District has invested almost \$156.3 million in total capital assets, including land, construction in progress, buildings, land improvements and machinery and equipment. This represents a net increase of \$2,225,646 in this past year. Several significant facilities projects were completed during the fiscal year, which contributed to the increase in depreciable assets as of June 30, 2021. Total accumulated depreciation expense increased by \$3,189,217, resulting in a net decrease in capital assets, net of depreciation of \$963,571.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2021 and June 30, 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Capital assets not being depreciated		
Land	2,391,828	1,982,141
Construction in Progress	21,754,841	58,231,857
Capital assets being depreciated		
Buildings	113,230,743	80,596,492
Land Improvements	8,235,475	4,153,948
Machinery and Equipment	10,686,449	9,109,252
Total capital assets being depreciated	132,152,667	93,859,692
Total accumulated depreciation	-39,505,101	-36,315,884
Total capital assets being depreciated, net	92,647,566	57,543,808
Total	<u>116,794,235</u>	<u>117,757,806</u>

# Kalispell Public Schools

## Management's Discussion and Analysis

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### **Debt Administration**

At June 30, 2021, the District had \$60,930,000 in general obligation bonds outstanding, of which \$5,655,000 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2021 and June 30, 2020 is presented below:

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
General Obligation Bonds	55,275,000	60,930,000
Notes Payable	675,629	716,452
QZAB Bond Outstanding	2,207,028	2,207,028
Compensated Absences	3,955,009	3,953,300
Retirement Liability	476,041	549,170
Net Pension Liability	59,961,867	50,954,544

### **Economic Factors**

Annual operating budgets for both the elementary district and the high school district remain dependent upon State aid and local voted levies. Elementary enrollment declined by 166 students which resulted in the Elementary general fund budget limit and funding calculations for the 2021-2022 fiscal year to be based on 3-year average ANB. Despite a 1.5% increase in the state funding components, funding from the state was flat.

In May 2021, the elementary voters approved an increase in the general fund over-BASE levy of \$557,158; however, due to increases in the other budgeted funds and to keep property taxes stable, the district did not impose the levy for FY2021-2022. The Elementary Technology Levy of 11.3 mills, which raises approximately \$700,000 annually was in the seventh year of the collection.

The high school enrollment increased by 110 which had a positive impact on the general fund budget limits and funding for 2021-2022. The high school district has been unable to pass a High School Building Reserve levy even after three attempts, and one attempt at a High School Technology Levy. As a result of this, the high school technology costs continue to be paid for out of the district's general fund budget. No High School levies were run.

The elementary district purchased additional land north of Kalispell for a future elementary school.

### **Contact for Additional Information**

If you have questions about this report or need additional information, contact:

Micah Hill  
District Superintendent  
(406) 751-3434  
hillm@sd5.k12.mt.us

Denise Williams  
Director of Business Services  
(406) 751-3412  
denise.williams@sd5.k12.mt.us

# Kalispell Public Schools

## Statement of Net Position

***June 30, 2021***

**Assets:**

Cash and cash equivalents	\$ 25,044,627
Restricted cash	1,182,765
Taxes receivable	984,566
Accounts receivable	24,817
Due from other governments	1,010,457
Deposits	350,608
Prepaid expenses	7,330

28,605,170

**Capital assets:**

Land	2,391,828
Construction in progress	21,754,841
Depreciable assets, net	92,866,457

Total capital assets 117,013,126

Total assets 145,618,296

**Deferred outflows of resources:**

Changes of assumptions and other inputs - OPEB	148,820
Pension contributions and related differences and changes	12,270,895

Total deferred outflows of resources \$ 12,419,715

# Kalispell Public Schools

## Statement of Net Position (Continued)

**June 30, 2021**

**Liabilities:**

Accounts payable	\$ 517,232
Other	9,629
Unearned revenue - health insurance premiums	55,513
Claims payable	634,000
Long-term liabilities:	
Due within one year:	
Bonds payable	5,655,000
Notes payable	40,823
Compensated absences	868,173
Due in more than one year:	
Bonds payable, plus unamortized bond premium	61,755,270
Notes payable	675,629
Compensated absences	3,955,009
Net pension liability	59,961,867
Retiree Liability	476,041
OPEB Liability	505,549

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Total liabilities	135,109,735
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**Deferred inflows of resources:**

Differences between expected and actual experience - OPEB	430,593
Pension related differences and changes	912,069

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Total deferred inflows of resources	1,342,662
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**Net position:**

Net investment in capital assets	48,886,404
Restricted for:	
Other fund activities	19,303,077
Debt service	500,107
Capital projects	3,318,824
Unrestricted deficit	(50,422,798)

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Total net position	\$ 21,585,614
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# Kalispell Public Schools

## Statement of Activities

For the Year Ended June 30, 2021	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants	Capital Grants and Contributions	
Primary Government:					
Instruction:					
Regular programs	\$ 40,403,529	\$ 98,248	\$ 6,201,548	\$ -	\$(34,103,733)
Special programs	3,072,267	-	2,675,693	-	(396,574)
Vocational programs	3,004,918	-	180,802	-	(2,824,116)
Traffic education	221,050	231,419	43,415	-	53,784
Supporting services	17,294,081	-	-	-	(17,294,081)
Operations and maintenance	4,889,795	-	-	64,561	(4,825,234)
Student transportation	3,386,486	6,303	770,768	-	(2,609,415)
Food services	2,503,694	181,645	2,590,289	-	268,240
Extracurricular	2,311,098	808,869	-	-	(1,502,229)
Interest on long-term debt	2,236,463	-	-	-	(2,236,463)
Debt issuance costs	56,528	-	-	-	(56,528)
Unallocated depreciation	3,193,852	-	-	-	(3,193,852)
Enterprise services	7,968,314	8,842,773	-	-	874,459
Total governmental activities	\$ 90,542,075	\$ 10,169,257	\$ 12,462,515	\$ 64,561	(67,845,742)
General revenues:					
Property taxes, levied for general purposes					26,311,593
County retirement distribution					6,367,528
State aid					36,986,550
Interest					105,374
Miscellaneous					890,428
Donated assets					28,790
Total general revenues					70,690,263
Change in net position					2,844,521
Net position, beginning of year					17,306,709
Prior period adjustment					1,434,384
Net position, beginning of year, restated					18,741,093
Net position, end of year					\$ 21,585,614

# Kalispell Public Schools

## Balance Sheet - Governmental Funds

	General Fund	Elementary Extracurricular Activities	High School Interlocal	Other Governmental Funds	Total Governmental Funds
<b>June 30, 2021</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 4,749,511	\$ 260,981	\$ 6,473,357	\$ 13,560,778	\$ 25,044,627
Restricted cash	1,182,765	-	-	-	1,182,765
Taxes receivable	449,152	-	-	535,414	984,566
Due from other funds	-	-	1,279,709	133,998	1,413,707
Due from other governments	-	-	-	1,010,457	1,010,457
Other assets	5,825	198	-	18,794	24,817
<b>Total assets</b>	<b>\$ 6,387,253</b>	<b>\$ 261,179</b>	<b>\$ 7,753,066</b>	<b>\$ 15,259,441</b>	<b>\$ 29,660,939</b>
<b>Liabilities, deferred inflows of resources and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 499,552	\$ -	\$ -	\$ 17,680	\$ 517,232
Due to other funds	-	133,998	-	-	133,998
<b>Total liabilities</b>	<b>499,552</b>	<b>133,998</b>	<b>-</b>	<b>17,680</b>	<b>651,230</b>
<b>Deferred inflows of resources:</b>					
Unavailable tax revenue	34,200	-	-	47,235	81,435
<b>Total deferred inflows of resources</b>	<b>34,200</b>	<b>-</b>	<b>-</b>	<b>47,235</b>	<b>81,435</b>
<b>Fund balances:</b>					
Restricted for:					
Other fund activities	-	127,181	7,753,066	11,402,768	19,283,015
Debt service	1,182,765	-	-	474,268	1,657,033
Capital projects	-	-	-	3,317,490	3,317,490
Unassigned	4,670,736	-	-	-	4,670,736
<b>Total fund balances</b>	<b>5,853,501</b>	<b>127,181</b>	<b>7,753,066</b>	<b>15,194,526</b>	<b>28,928,274</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,387,253</b>	<b>\$ 261,179</b>	<b>\$ 7,753,066</b>	<b>\$ 15,259,441</b>	<b>\$ 29,660,939</b>

# Kalispell Public Schools

## Reconciliation of the Balance Sheet - Governmental Funds to the Government-Wide Statement of Net Position

***Year Ended June 30, 2021***

Total fund balances, governmental funds \$ 28,928,274

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 117,008,663

Property taxes receivable that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 81,435

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities are included in the governmental activities in the statement of net position. (1,402,022)

Deferred outflows and deferred inflows of resources are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.

Deferred outflow of resources - Pension contributions and related differences and changes	12,270,895
Deferred outflow of resources - Changes of assumptions and other inputs OPEB	148,820
Deferred inflow of resources - Pension related differences and changes	(912,069)
Deferred inflow of resources - differences between expected and actual experience - OPEB	(430,593)

Some liabilities are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.

Compensated absences	(4,823,182)
Bonds payable, plus bond premium	(67,410,270)
Note payable	(716,452)
Net pension liability	(59,961,867)
Other postemployment benefits	(505,549)
Retiree liability	(476,041)

**Net position of governmental activities in the statement of net position \$ 21,800,042**

# Kalispell Public Schools

## Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds

	General Fund	Elementary Extracurricular Activities	High School Interlocal	Other Governmental Funds	Total Governmental Funds
<b>For the Year Ended June 30, 2021</b>					
<b>Revenues:</b>					
Property taxes for general purposes	\$ 11,145,889	\$ -	\$ -	\$ 15,201,478	\$ 26,347,367
Tuition	57,476	-	-	272,191	329,667
Intergovernmental:					
County	-	-	-	6,710,291	6,710,291
State	31,585,941	-	-	2,522,311	34,108,252
Federal	-	-	-	10,474,845	10,474,845
Interest on investments	22,054	-	20,849	62,471	105,374
Student transportation	-	-	-	6,303	6,303
Food services	-	-	-	181,645	181,645
Extracurricular	-	97,108	-	711,761	808,869
Other	415	-	-	890,013	890,428
<b>Total revenues</b>	<b>42,811,775</b>	<b>97,108</b>	<b>20,849</b>	<b>37,033,309</b>	<b>79,963,041</b>
<b>Expenditures:</b>					
Current:					
Instruction	27,396,993	-	131,022	11,290,565	38,818,580
Support services	9,518,225	-	713,592	6,234,723	16,466,540
Operations and maintenance	3,833,305	-	-	1,056,490	4,889,795
Student transportation	15,511	-	-	3,370,975	3,386,486
Food services	-	-	-	2,503,694	2,503,694
Extracurricular	1,330,810	69,516	17,299	893,473	2,311,098
Capital outlay	246,605	-	409,687	1,540,564	2,196,856
Debt service	52,631	-	-	7,852,315	7,904,946
<b>Total expenditures</b>	<b>42,394,080</b>	<b>69,516</b>	<b>1,271,600</b>	<b>34,742,799</b>	<b>78,477,995</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>417,695</b>	<b>27,592</b>	<b>(1,250,751)</b>	<b>2,290,510</b>	<b>1,485,046</b>
<b>Other financing sources (uses):</b>					
Insurance proceeds	-	-	-	64,561	64,561
Transfers in	-	-	1,817,283	-	1,817,283
Transfers out	(260,990)	-	-	(1,556,293)	(1,817,283)
<b>Total other financing sources and uses</b>	<b>(260,990)</b>	<b>-</b>	<b>1,817,283</b>	<b>(1,491,732)</b>	<b>64,561</b>
<b>Net change in fund balances</b>	<b>156,705</b>	<b>27,592</b>	<b>566,532</b>	<b>798,778</b>	<b>1,549,607</b>
Fund balances, beginning of year	5,696,796	-	7,186,534	13,060,953	25,944,283
Prior period adjustment	-	99,589	-	1,334,795	1,434,384
Fund balances, beginning of year, as restated	5,696,796	99,589	7,186,534	14,395,748	27,378,667
Fund balances, end of year	\$ 5,853,501	\$ 127,181	\$ 7,753,066	\$ 15,194,526	\$ 28,928,274

See accompanying notes to financial statements.

# Kalispell Public Schools

## Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds to Government-Wide Statement of Activities

***For the Year Ended June 30, 2021***

Net change in fund balances - total governmental funds: \$ 1,549,607

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. (3,189,217)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net position of the internal service funds is reported with in the governmental activities. 869,824

Governmental funds do not report the donated assets as revenue because it does not provide current financial resources. In contrast, the statement of activities reports the donation of an asset as revenue. Thus, the change in net position differs from the change in fund balance by the value of the donated asset. 28,790

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. (35,774)

Statement of activities report expenses that the governmental funds do not and are not reported as expenditures in the governmental funds:

Amortization of bond premium	177,407
Compensated absences expense	(2,085)
Retirement liability	73,129
Pension expense, net of state on-behalf revenue	(4,258,564)

Governmental funds report expenses that the statement of activities do not and are not reported as expenditures in statement of activities:

Capital outlays, not including capital assets under leases	2,196,856
Principal payments on debt	5,434,548

Change in net position of governmental activities \$ 2,844,521

# Kalispell Public Schools

## Statement of Net Position - Proprietary Funds

		<b>Governmental Activities</b>
		<b>Internal Service Funds</b>
<b>June 30, 2021</b>		
<b>Assets:</b>		
Deposits	\$	350,608
Prepaid expenses		7,330
Total current assets		357,938
Capital assets		
Depreciable assets, net		4,463
Total capital assets		4,463
Total assets		362,401
<b>Liabilities:</b>		
Claims payable		634,000
Unearned revenue - health insurance premiums		55,513
Due to other funds		1,279,709
Other liabilities		9,629
Total current liabilities		1,978,851
<b>Net position:</b>		
Net investment in capital assets		4,463
Unrestricted		(1,406,485)
Total net position	\$	(1,402,022)

# Kalispell Public Schools

## Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

	Governmental Activities
	Internal Service Funds
<b><i>For the Year Ended June 30, 2021</i></b>	
<b>Operating revenues:</b>	
Charges for services	\$ 8,692,542
Miscellaneous revenues	150,231
Total operating revenues	8,842,773
<b>Operating expenses:</b>	
Personal services	346,933
Contractual services	6,133,106
Supplies	15,681
Other expenses	1,472,594
Depreciation - Unallocated	4,635
Total operating expenses	7,972,949
Operating loss	869,824
Net position, beginning of year	(2,271,846)
Net position, end of year	\$ (1,402,022)

# Kalispell Public Schools

## Statement of Cash Flows - Proprietary Funds

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b><i>For the Year Ended June 30, 2021</i></b>	
<b>Cash flows from operating activities:</b>	
Cash received from providing services	\$ 8,815,345
Cash paid for:	
Payment of claims	(6,142,484)
Payment to suppliers	(1,491,885)
Payment to employees	(346,933)
Net cash from operating activities	834,043
<b>Cash flows from noncapital financing activities</b>	
Cash paid on interfund loan	(824,945)
Net cash from noncapital financing activities	(824,945)
<b>Cash flows from capital and related financing activities</b>	
Cash paid for acquisition of capital assets	(9,098)
Net cash from capital and related financing activities	(9,098)
Net change in cash	-
Cash, beginning of year	-
Cash, end of year	\$ -

### Reconciliation of operating income to net cash from operating activities

Operating loss	\$ 869,824
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation expense	4,635
Decrease (increase) in accounts receivable	229,949
Decrease (increase) in deposits	(242,639)
Decrease (increase) in prepaid expenses	(3,610)
Increase (decrease) in claims payable	(19,007)
Increase (decrease) in unearned revenue	(14,738)
Increase (decrease) in other liability	9,629
Net cash from operating activities	\$ 834,043



# Kalispell Public Schools

## Statement of Fiduciary Net Position and Changes in Fiduciary Net Position

<i>As of and for the Year Ended June 30, 2021</i>		<b>Custodial Funds</b>
<b>FIDUCIARY NET POSITION</b>		
<b>Assets:</b>		
Cash	\$	192,656
Deposits		27,969
Total assets		220,625
<b>Net position:</b>		
Held for parent teacher organizations		120,057
Held in trust for scholarships		100,568
Total net position		220,625
Total liabilities and net position	\$	220,625
<b>CHANGES IN FIDUCIARY NET POSITION</b>		
<b>Additions:</b>		
Other revenues		78,095
Contributions		15,731
Interest		749
Total additions		94,575
<b>Deductions:</b>		
Scholarships		8,100
Supplies and Materials		97,534
Total deductions		105,634
Change in net position held in trust		(11,059)
Net position, beginning of year		1,527,028
Prior period restatement		(1,295,344)
Net position, beginning restated		231,684
Net position, end of year	\$	220,625

# Kalispell Public Schools

## Notes to Financial Statements

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### **Note 1: Reporting Entity**

Kalispell Public Schools (the "District") was established under Montana law to provide educational services below the college and university level to residents of the District. The District actually consists of two separate legal entities, high school and elementary districts. Accounting records of both districts must be maintained separately per State Law because of differences in funding and tax base. Yet, both are managed by one central Board of Trustees elected by the citizens and by a central administration appointed by and responsible to the Board.

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

Flathead County provides services to the District; tax billings and cash collections all flow through the office of the County Treasurer. The County Commissioners have the legal obligation to set levy amounts to finance the budget of the District, as directed by the Board of Trustees. Despite the degree of services rendered, the District has determined that neither Flathead County nor any other outside agency meets the criteria set forth in the preceding paragraph and therefore, no other agency has been included as a component unit of the District's financial statements.

The District functions in a fiduciary capacity relating to the parent teacher organizations and scholarship funds.

### **Note 2: Summary of Significant Accounting Policies**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

# Kalispell Public Schools

## Notes to Financial Statements

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### **Note 2: Summary of Significant Accounting Policies (Continued)**

#### **Adoption of GASB Pronouncements**

During the fiscal year ended June 30, 2021, the District implemented the following GASB Pronouncements:

GASB Statement No. 84, Fiduciary Activities: As of July 1, 2020, the District implemented GASB Statement No. 84. This Statement establishes new criteria for identifying fiduciary activities that are reported in the fiduciary funds. This Statement also revised the definition and terminology used for activities that were previously classified as agency funds. The District has reclassified its extracurricular funds and some scholarship funds as special revenue funds using the GASB Statement No. 84 definitions. Note 15 prior period restatement outlines this restatement.

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

GASB Statement No. 87, Leases: Issued June 2017, the objective of this statement is to improve accounting and financial reporting for leases and enhance the relevance and consistency of information about governments' leasing activities. This statement is effective for the fiscal year ending June 30, 2022.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period: Issued June 2018, the objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period. This statement is effective for the fiscal year ending June 30, 2022.

GASB Statement No. 90, Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61: Issued August 2018, this statement seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for the fiscal year ending June 30, 2021.

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

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

GASB Statement No. 93 – Replacement of Interbank Offered Rates: Issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). Effective for the fiscal year ending June 30, 2022.

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

# Kalispell Public Schools

## Notes to Financial Statements

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### **Note 2: Summary of Significant Accounting Policies (Continued)**

(Continued)

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

GASB Statement No. 97 – Deferred Compensation Plans: Issued to increase consistency and comparability related to the reporting of fiduciary component units, as well as enhance the relevance, consistency and comparability of the accounting and financial reporting for Code Sec. 457 deferred compensation plans. Effective for the fiscal year ending June 30, 2022.

### **Basis of Presentation**

#### ***Government-Wide Financial Statements***

The statement of net position and the statement of activities show information about the overall financial position and activities of the District with the exception of the parent teacher organizations and scholarship funds. The parent teacher organization fund, which accounts for the parent/teacher activities of the District's students and the scholarship fund, which accounts for amounts contributed and disbursed for student scholarships, are reported as custodial funds in the statement of fiduciary net position and changes in fiduciary net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or the public who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

#### ***Fund Financial Statements***

The District uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types".

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds.

# Kalispell Public Schools

## Notes to Financial Statements

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### Note 2: Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

##### Governmental Funds

The District reports the following major governmental funds:

**General Fund** – The general fund is the general operating fund of the District. It accounts for resources traditionally associated with government operations which are not required to be accounted for in another fund. The District maintains the general fund to account for most of the instructional and administrative aspects of the District's operations and to account for repair and maintenance of District property.

**Elementary Extracurricular Activities Fund** - Authorized by Sections 20-9-504, MCA to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the extracurricular fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the "Student Activity Fund Accounting" guidelines.

**High School Interlocal Fund** - Authorized by Sections 20-7-457, 20-9-511, 20-7-801, and 20-9-701, MCA, for the purpose of accounting for revenues and expenditures related to an interlocal agreement between two or more school districts or other local governments.

##### Proprietary Funds

The District maintains one type of proprietary fund. The internal service funds are a group of accounts used to accumulate and allocate cost internally among the various functions of the school district. The District uses internal service funds to account for the warehousing of its art, office, custodial and nursing supplies, for collecting health insurance premiums and costs for District employees, and to pay the liability premiums of the District. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

##### Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee capacity for others and are therefore not available to support District programs. The reporting focus is on net position and changes in net position and are reported using generally accepted accounting principles similar to business in the private sector.

The District's fiduciary funds are presented in the statement of fiduciary net position and statement of changes in fiduciary net position by type (private purpose and custodial). Because by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

# Kalispell Public Schools

## Notes to Financial Statements

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### **Note 2: Summary of Significant Accounting Policies (Continued)**

#### **Basis of Accounting and Measurement Focus**

##### ***Government-Wide Financial Statements***

The government-wide financial statements and proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

##### ***Fund Financial Statements***

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District recognizes property taxes as a receivable at the time an enforceable legal claim is established and considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Those revenues susceptible to accrual are property taxes, special assessments, grants, interest revenue, and charges for services. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unavailable tax revenue as deferred inflows of resources and advances from grantors as liabilities on its government-wide statement of net position and on its balance sheet-governmental funds. Unavailable tax revenues and advances from grantors arise when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period. Advances from grantors also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to resources, the liability for advances from grantors and the deferred inflow of resources for unavailable tax revenues are removed from the balance sheet and revenue is recognized.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 2: Summary of Significant Accounting Policies (Continued)

#### Cash and Investments

Cash resources of the District for all funds other than extracurricular and scholarship funds are combined with cash resources of other districts within Flathead County to form a pool of cash that is managed by the Flathead County Treasurer. Investments of the pooled cash consist primarily of certificates of deposit and repurchase agreements. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Among the instruments which state statutes authorize the District to invest in are direct obligations of the United States government; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; in a repurchase agreement or Montana short-term investment pool. Interest income received as a result of pooling is distributed to the appropriate district utilizing a formula based on the respective district's previous month's ending balance of cash and cash equivalents. The County Treasurer then distributes interest income to each fund utilizing a formula based on the fund's previous month's ending balance cash and cash equivalents.

The District issues warrants in payment of its obligations. When the warrants are presented to the County Treasurer, the District's cash balance is reduced to pay the warrant. The cash and warrants payable for the payroll and claims clearing agency funds are netted for reporting purposes.

The cash and warrants payable in the payroll and claims clearing accounts are as follows:

<i>Year Ended June 30, 2021</i>	Payroll Clearing	Claims Clearing
Cash	\$ 257,946	\$ 352,238
Warrants payable	\$ 257,946	\$ 352,238

Information regarding the collateral and security for cash and cash equivalents is not available to the District. Montana state statute requires that collateral to secure deposits of public funds be held in direct obligations of the United States government or its agencies.

At June 30, 2021, the District's carrying amount of cash and cash equivalents held in banks was \$2,446,273. These amounts are held in demand deposit accounts, a repurchase investment account and CDARS. The balances in these accounts may exceed the federally insured limit of \$250,000 by the Federal Deposit Insurance Corporation (FDIC) in case of bank failure.

At June 30, 2021, the elementary and middle school extracurricular fund cash of \$24,650 and \$102,502 is held at Valley Bank of Kalispell, the Flathead High School extracurricular cash fund of \$333,584 is held at Glacier State Bank, and the Glacier High School extracurricular fund cash of \$554,794 is held at Three Rivers Bank of Montana. The accounts are insured by the FDIC up to \$250,000.

# Kalispell Public Schools

## Notes to Financial Statements

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### Note 2: Summary of Significant Accounting Policies (Continued)

#### Cash and Investments (Continued)

At June 30, 2021, scholarship fund cash and investments of \$72,599 is held in various CD's, stocks, and money market funds by the County Treasurer and in brokerage accounts.

#### Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from other funds' or 'due to other funds' on the balance sheet.

#### Capital Assets

Capital assets, which include land, buildings, buildings improvements, vehicles, equipment, and construction in progress are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Life
Buildings and improvements	30 - 60 years
Land improvements	30 - 60 years
Machinery and equipment	5 - 60 years

#### Compensated Absences

All full-time District employees accumulate vacation and/or sick leave hours for later use or for payment upon termination, death or retirement. Vacation and sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The compensated absences liability fund is used to pay the accumulated vacation and/or sick leave of a non-teaching employee upon termination, death or retirement. Such reserve may not exceed 30% of the District's recorded liability for accumulated sick leave and 30% of accumulated vacation leave for non-teaching or administrative employees.



# Kalispell Public Schools

## Notes to Financial Statements

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### **Note 2: Summary of Significant Accounting Policies (Continued)**

#### **Pensions**

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

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents an expenditure of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until that time. The District has two types of items, which arises only under accrual basis of accounting that qualifies for reporting in this category. Accordingly, the first item, pension contributions and related differences and changes, is reported in the government-wide statement of net position. This amount is deferred and recognized as an outflow of resources in the period that the plans recognize the contributions and related differences and changes. The second item, differences between expected and actual experience – OPEB, is reported in the government-wide statement of net position. This amount is deferred and recognized as an outflow of resources over the expected future working lifetime of participating employees.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable tax revenue, is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second relates to the differences and changes related to investment returns and assumptions in the Teachers Retirement System of Montana and the Montana Public Employee Retirement System is reported in the government-wide statement of net position. The amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The third item, differences between expected and actual experience – OPEB, is reported in the government-wide statement of net position. This amount is deferred and recognized as an inflow of resources over the expected working lifetime of participating employees.

#### **Fund Balances**

The Governmental Accounting Standards Board (GASB) has issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

# Kalispell Public Schools

## Notes to Financial Statements

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### Note 2: Summary of Significant Accounting Policies (Continued)

#### Fund Balances (Continued)

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires the fund balance amounts to be reported within one of the fund balance categories listed below.

**Nonspendable:** Amounts that cannot be spent because they are either (1) not in spendable form (e.g. inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact (e.g. the corpus or principal of a permanent fund).

**Restricted:** Amounts that can be spent only for a specific purpose pursuant to state law, enabling legislation, grant agreement, or donor agreement.

**Committed:** Amounts that can be used only for specific purposes determined by a formal action of the School District's Board of Trustees (the District's highest level of decision making authority).

**Assigned:** Amounts that are intended to be used by the government for specific purposes under the direction of the District Clerk by authority granted by the Board of Trustees.

**Unassigned:** This fund balance is the residual classification for the government's general fund. It is also used to report negative fund balances in other governmental funds.

It is the District's policy that for purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either assigned fund balance or committed fund balance. At June 30, 2021, there were no encumbrances.

#### Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

# Kalispell Public Schools

## Notes to Financial Statements

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### **Note 2: Summary of Significant Accounting Policies** (Continued)

#### **Use of Estimates**

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

#### **Property Taxes**

Property taxes are collected by Flathead County who remits to the District their respective share of the collections. The 2020 property tax levy, which was perfected and became a receivable in October 2020, was levied to finance District operations during the year ended June 30, 2021. The tax levy was collectible in November 2020 and May 2021. As of May 31, 2021, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Flathead County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Flathead County.

All property taxes are recognized in compliance with GASB interpretation "Property Tax Revenue Recognition in Government Funds," which states that such revenue is recorded when it becomes measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

#### **Subsequent Events**

Management has evaluated the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2021. Management has performed this evaluation through March 22, 2022, the date the financial statements were available to be issued, and determined that no subsequent events requiring adjustment or disclosure have occurred.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 3: Capital Assets

Governmental activities capital asset balances and activity less internal service fund balances for the year ended June 30, 2021, were as follows:

<b>Governmental Activities</b>	<b>Balance 7/1/2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers/ Adjustments</b>	<b>Balance 6/30/2021</b>
Capital assets, not being depreciated:					
Land	\$ 1,982,141	\$ 409,687	\$ -	\$ -	\$ 2,391,828
Construction in progress	58,231,857	791,116	-	(37,268,132)	21,754,841
Total capital assets, not being depreciated	60,213,998	1,200,803	-	(37,268,132)	24,146,669
Capital assets, being depreciated:					
Land improvements	4,153,948	68,855	-	4,012,672	8,235,475
Buildings and improvements	80,596,492	286,986	-	32,347,265	113,230,743
Machinery and equipment	9,109,252	669,002	-	908,195	10,686,449
Total capital assets, being depreciated	93,859,692	1,024,843	-	37,268,132	132,152,667
Accumulated depreciation:					
Land improvements	(2,508,921)	(201,559)	-	-	(2,710,480)
Buildings and improvements	(28,088,949)	(2,278,805)	-	-	(30,367,754)
Machinery and equipment	(5,718,014)	(708,853)	-	-	(6,426,867)
Total accumulated depreciation	(36,315,884)	(3,189,217)	-	-	(39,505,101)
Total capital assets, being depreciated, net	57,543,808	(2,164,374)	-	37,268,132	92,647,566
Governmental activities capital assets, net	\$ 117,757,806	\$ (963,571)	\$ -	\$ -	\$ 116,794,235

Depreciation expense was charged to the functions of the District as follows:

Unallocated depreciation	\$ 3,189,217
Total depreciation expense	\$ 3,189,217

# Kalispell Public Schools

## Notes to Financial Statements

### Note 3: Capital Assets (Continued)

Internal service fund capital asset balances and activity for the year ended June 30, 2021, were as follows:

Internal Service Fund	Balance 7/1/2020	Additions	Deletions	Transfers/ Adjustments	Balance 6/30/2021
Capital assets, not being depreciated:					
Construction in progress	214,428	-	-	\$ (214,428)	-
Total capital assets, not being depreciated	214,428	-	-	(214,428)	-
Capital assets, being depreciated:					
Land improvements	-	-	-	-	-
Buildings and improvements	-	9,098	-	214,428	223,526
Machinery and equipment	-	-	-	-	-
Total capital assets, being depreciated	-	9,098	-	214,428	223,526
Accumulated depreciation:					
Land improvements	-	-	-	-	-
Buildings and improvements	-	(4,635)	-	-	(4,635)
Machinery and equipment	-	-	-	-	-
Total accumulated depreciation	-	(4,635)	-	-	(4,635)
Total capital assets, being depreciated, net	-	4,463	-	-	4,463
Internal service fund capital assets, net	\$ 214,428	\$ 4,463	\$ -	\$ -	\$ 218,891

Depreciation expense was \$4,635 for the year ended June 30, 2021.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 4: Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The summary of activity in bonds payable (including current maturities) is as follows as of June 30, 2021:

	Bonds Payable 7/1/2020	Debt Issued	Debt Retired	Bonds Payable 6/30/2021	Due Within One Year	Due in More Than One Year
General Obligation Bonds:						
2013 elementary series; 2.0% to 2.5% variable interest rate; final maturity July 1, 2025	\$ 4,660,000	\$ -	\$ (1,035,000)	\$ 3,625,000	\$ 1,065,000	\$ 2,560,000
2013 high school series; 0.7% to 3.0% variable interest rate; final maturity July 1, 2025	8,770,000	\$ -	\$ (1,005,000)	\$ 7,765,000	\$ 1,855,000	\$ 5,910,000
2016 high school refunding series; 1.44% interest rate; final maturity July 1, 2025	3,855,000	\$ -	\$ (1,320,000)	\$ 2,535,000	\$ 615,000	\$ 1,920,000
2016 elementary series; 4.02% interest rate; final maturity July 1, 2037	21,045,000	\$ -	\$ (885,000)	\$ 20,160,000	\$ 920,000	\$ 19,240,000
2016 high school series; 2.25% to 5.0% variable interest rate; final maturity July 1, 2037	23,970,000	\$ -	\$ (1,000,000)	\$ 22,970,000	\$ 1,045,000	\$ 21,925,000
2018 elementary series; 3.0% to 5.0% variable interest rate; final maturity July 1, 2039	1,905,000	\$ -	\$ (70,000)	\$ 1,835,000	\$ 75,000	\$ 1,760,000
2018 high school series; 3.0% to 5.0% variable interest rate; final maturity July 1, 2039	2,120,000	\$ -	\$ (80,000)	\$ 2,040,000	\$ 80,000	\$ 1,960,000
<b>Total</b>	<b>\$ 66,325,000</b>	<b>\$ -</b>	<b>\$ (5,395,000)</b>	<b>\$ 60,930,000</b>	<b>\$ 5,655,000</b>	<b>55,275,000</b>
Unamortized bond premium						4,273,242
<b>Total bond payable plus unamortized bond premium</b>						<b>\$ 59,548,242</b>

At June 30, 2021, the annual cash flow requirements for all bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 5,655,000	\$ 2,250,207	\$ 7,905,207
2023	5,810,000	2,082,631	7,892,631
2024	5,625,000	1,885,166	7,510,166
2025	5,815,000	1,696,063	7,511,063
2026	2,490,000	1,505,684	3,995,684
2027 - 2031	14,020,000	5,941,512	19,961,512
2032 - 2036	17,075,000	2,895,621	19,970,621
2037 - 2039	4,440,000	196,000	4,636,000
<b>Total</b>	<b>\$ 60,930,000</b>	<b>\$ 18,452,884</b>	<b>\$ 79,382,884</b>

# Kalispell Public Schools

## Notes to Financial Statements

### Note 4: Long-Term Debt (Continued)

In 2016, the District issued new General Obligation Bonds in the elementary and high school totaling \$23,365,000 and \$26,630,000. These GO Bonds were issued with a premium totaling \$2,051,190 in the Elementary and \$2,337,820 in the high school and have been added to the outstanding bonds payable balance. These premiums will be amortized over the life of the bonds using the effective interest method. At June 30, 2021, the annual amortization was \$78,944.

In 2018, the District issued new General Obligation Bonds in the elementary and high school totaling \$1,917,000 and \$2,136,000. These GO Bonds were issued with a premium totaling \$205,511 in the Elementary and \$169,080 in the high school and have been added to the outstanding bonds payable balance. These premiums will be amortized over the life of the bonds using the effective interest method. At June 30, 2021, the annual amortization was \$98,463.

At June 30, 2021, the annual amortization requirements for recognition of bond premiums are as follows:

Year Ending June 30,	Premium Amortization
2022	\$ 172,612
2023	218,991
2024	312,801
2025	338,588
2026	319,959
2027 - 2031	1,228,245
2032 - 2036	1,321,055
2037 - 2041	361,351
Total	\$ 4,273,602

On October 24, 2013, the qualified electors of the District authorized the issuance and sale of school building bonds in the principal amounts of up to \$2,207,028 for the purpose of energy conservation. The bonds are designated "Taxable General Obligation School Building Bonds, Series 2013 Qualified School Construction Bonds (Tax Credit Bonds)" and shall mature on June 15, 2028 in the principal amount of \$2,207,028 and shall bear interest at a rate of 0.00% per annum.

To provide for the payment of the principal amount of the Bonds at maturity, the District, shall, on June 15 in each fiscal year, commencing on June 15, 2014 and ending on June 15, 2028, deposit with the Treasurer for credit to the Debt Service Account for the bonds a payment which, together with the investment earnings on the Debt Service Account on hand on such date, will equal the sinking fund payment for that fiscal year. Set forth in the following table is the sinking fund payment schedule for the bonds.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 4: Long-Term Debt (Continued)

Year Ending June 30,	Sinking Fund Payments
2022	\$ 146,477
2023	146,477
2024	146,477
2025	146,477
2026	146,477
2027 - 2028	291,878
Total	\$ 1,024,263

Pursuant to the Sinking Fund Agreement, the Treasurer will maintain the sinking fund payments, and investment earnings thereon, in a separate account within the Debt Service Account to be applied to the payment of the principal of the Bonds. As of June 30, 2021, the account balance of the sinking fund was \$1,182,765.

The District is subject to Montana Code Annotated which limits the amount of indebtedness to the greater of:

1. 100% of the taxable value of property subject to taxation by the District as ascertained by the last assessment for property taxes, or
2. 100% of the statewide Facility Guaranteed Mill Value per ANB multiplied by 1,000, multiplied by the number of students enrolled in a particular district (based on the current year average number of students belonging "ANB").

As of June 30, 2021, the statutory debt limit for the District was as follows:

	Elementary	High School
Statutory debt limit	\$ 125,849,840	\$ 285,958,990
Outstanding debt	25,620,000	35,310,000
Remaining debt capacity	\$ 100,229,840	\$ 250,648,990



# Kalispell Public Schools

## Notes to Financial Statements

### Note 4: Long-Term Debt (Continued)

The summary of activity in notes payable (including current maturities) is as follows as of June 30, 2021:

	Notes Payable 7/1/2020	Debt Issued	Debt Retired	Notes Payable 6/30/2021	Due Within One Year	Due in More Than One Year
Notes Payable:						
2020 elementary intercap loan; 1.00% to 3.37% variable interest rate; final maturity February 15, 2035	\$ 229,618	\$ -	\$ (12,012)	\$ 217,606	\$ 12,399	\$ 205,207
2020 high school intercap loan; 1.00% to 3.37% variable interest rate; final maturity February 15, 2035	526,382	\$ -	\$ (27,536)	\$ 498,846	\$ 28,424	\$ 470,422
Total	\$ 756,000	\$ -	\$ (39,548)	\$ 716,452	\$ 40,823	\$ 675,629

At June 30, 2021, the annual cash flow requirements for all notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 40,823	\$ 46,066	\$ 86,889
2023	42,210	45,942	88,152
2024	43,645	45,824	89,469
2025	45,127	45,710	90,837
2026	46,662	13,115	59,777
2027 - 2031	258,198	188,280	446,478
2032 - 2036	239,967	180,122	420,089
Total	\$ 716,632	\$ 565,059	\$ 1,281,691

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2021:

	7/1/2020	Additions	Reductions	6/30/2021	Due Within One Year	Due in More Than One Year
Compensated absences payable	\$ 4,821,097	\$ 2,085	\$ -	\$ 4,823,182	\$ 868,173	\$ 3,955,009
Qualified zone academy bonds	2,207,028	-	-	2,207,028	-	2,207,028
Bonds payable	66,325,000	-	(5,395,000)	60,930,000	5,655,000	55,275,000
Notes payable	756,000	-	(39,548)	716,452	40,823	675,629
Net pension liability	50,954,544	9,007,323	-	59,961,867	-	59,961,867
Retirement liability	549,170	-	(73,129)	476,041	-	476,041
Other postemployment benefits	505,549	-	-	505,549	-	505,549
Total	\$126,118,388	\$ 9,009,408	\$ (5,507,677)	\$129,620,119	\$ 6,563,996	\$123,056,123

Payments on bonds and notes payable are made by the debt service funds. The compensated absences liability will be liquidated by the several of the governmental funds.

# Kalispell Public Schools

## Notes to Financial Statements

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### Note 5: Employee Benefit Pension Plans

#### Teachers' Retirement System of Montana

##### *a. Summary of Significant Accounting Policies*

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

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

##### *b. Plan Description*

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

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

##### *c. Summary of Benefits*

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

# Kalispell Public Schools

## Notes to Financial Statements

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### **Note 5: Employee Benefit Pension Plans (Continued)**

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

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

#### ***d. Overview of Contributions***

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

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

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

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

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

#### e. TRS Stand-Alone Statements

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

# Kalispell Public Schools

## Notes to Financial Statements

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### Note 5: Employee Benefit Pension Plans (Continued)

#### *f. Actuarial Assumptions*

The Total Pension Liability as of June 30, 2020, is based on the results of an actuarial valuation date of July 1, 2020. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total wage increases\* 3.25% - 7.76% for Non-University Members and 4.25% for University Members
- Investment return 7.34%
- Price inflation 2.40%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for the at least 3 years, the retirement allowance will be increased by 1.5% on January 1<sup>st</sup>.
  - 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 provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males and Females: RP-2000 Healthy Combined Mortality Table Projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members
  - For Males: RP 2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table for Males, set back two years, with mortality improvements projected by Scale BB to 2022.

\*Total wage increases include 3.25% general wage increase assumption

#### *g. Discount Rate*

The discount rate used to measure the total pension liability was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

#### h. Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return*
Domestic Equity	30.00 %	6.19 %
International Equity	16.00 %	6.92 %
Private Equity	14.00 %	10.37 %
Natural Resources	4.00 %	3.43 %
Real Estate	9.00 %	5.74 %
Core Fixed Income	20.00 %	1.57 %
Non-Core Fixed Income	5.00 %	3.97 %
Cash	2.00 %	0.11 %
	<u>100.00 %</u>	

The long term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2020 OSADI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.34%.

#### i. Sensitivity Analysis

	1% Decrease 6.34%	Current Discount Rate	1% Increase 8.34%
District's portion of Net Pension Liability	69,077,984	51,880,991	37,492,880

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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

#### j. Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective net pension liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the state of Montana's proportionate share of the collective net pension liability that is associated with the employer. The following table displays the amounts and the percentages of net pension liability for the fiscal years ended June 30, 2021 and June 30, 2020 (reporting dates).

	Net pension liability as of 6/30/2021	Net pension liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
District Proportionate Share	\$ 51,880,991	\$ 4,440,312	2.3064 %	2.3028 %	0.0036 %
State of Montana Proportionate Share associated with the District	30,681,337	26,882,040	1.3639 %	1.3941 %	(0.0302)%
Total	\$ 82,562,328	\$ 31,322,352	3.6703 %	3.6969 %	(0.0266)%

At June 30, 2021, the District recorded a liability of \$51,880,991 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2021, the District's proportion was 2.3064 percent.

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

- The discount rate was lowered from 7.50% 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%.

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

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

**Change in proportionate share:** There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability.

#### k. Pension Expense

	Pension Expense as of 6/30/2021
District Proportionate Share	\$ 7,070,582
State of Montana Proportionate Share associated with the District	4,065,156
Total	\$ 11,135,738

At June 30, 2021, the District recognized pension expense of \$11,135,738 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$4,065,156 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

#### l. Deferred Inflows and Outflows

At June 30, 2021, the District reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	502,931	-
Changes in actuarial assumptions	2,717,242	59,665
Difference between projected and actual investment earnings	3,634,491	-
Changes in Proportion & Differences between actual and expected contributions	299,872	167,147
*Contributions paid to TRS subsequent to the measurement date - FY 2021 contributions	3,217,032	-
Total	10,371,568	226,812

\*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, 2022.



# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

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
2022	2,393,727
2023	1,964,023
2024	1,657,818
2025	912,154
2026	-
Thereafter	-

### Montana Public Employee Retirement System

#### a. Summary of Significant Accounting Policies

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

#### b. General Information about the Pension Plan

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

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

# Kalispell Public Schools

## Notes to Financial Statements

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### Note 5: Employee Benefit Pension Plans (Continued)

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

#### Service retirement

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

#### Early Retirement

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

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

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

#### Member's highest average compensation (HAC)

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

# Kalispell Public Schools

## Notes to Financial Statements

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### Note 5: Employee Benefit Pension Plans (Continued)

#### Compensation Cap

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

#### Monthly benefit formula

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

#### Guaranteed Annual Benefit Adjustment (GABA)

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

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

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

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

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

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

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

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rate.
2. Employer contribution to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contribution rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions:
  - a. Special Funding
    - i. The State contributed 0.1% of members' compensation on behalf of local government entities.
    - ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
    - iii. The State contributed a Statutory Appropriation from the General Fund of \$33,951,150.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2020 and 2019, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$8,080,876 and the employer's proportionate share was 0.306301 percent.

As of measurement date	Net pension liability as of 6/30/2020	Net pension liability as of 6/30/2019	Percent of Collective NPL 6/30/2020	Percent of Collective NPL 6/30/2019	Change in Percent of Collective NPL
District proportionate share	\$ 8,080,876	\$ 6,551,232	0.306301 %	0.313409 %	(0.007108)%
State of Montana proportionate share associated with the District	2,800,803	2,342,201	0.106163 %	0.112050 %	(0.005887)%
Total	\$ 10,881,679	\$ 8,893,433	0.412464 %	0.425459 %	(0.012995)%

*Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the TPL.*

- 1. The discount rate was lowered from 7.65% to 7.34%*
- 2. The investment rate of return was lowered from 7.65% to 7.34%*
- 3. The inflation rate was reduced from 2.75% to 2.40%*

*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 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.*

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

*Pension Expense:* At June 30, 2020, the employer recognized a Pension Expense of \$885,232 for its proportionate share of the Plan's pension expense. The employer also recognized grant revenue of \$458,049 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the employer.

<b>As of measurement date</b>	<b>Pension Expense as of 6/30/2020</b>
District proportionate share	\$ 885,232
District grant revenue - state of Montana proportionate share for the District	458,049
<b>Total</b>	<b>\$ 1,343,281</b>

*Recognition of Deferred Inflows and Outflows:* At June 30, 2020, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Expected vs. actual experience	130,442	231,044
Projected investment earnings vs actual investment earnings	699,732	-
Changes in assumptions	559,570	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	454,213
*District contributions subsequent to the measurement date	509,583	-
<b>Total</b>	<b>1,899,327</b>	<b>685,257</b>

\*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, 2022.

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

<b>For the Measurement Year ended June 30:</b>	<b>Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) in pension expense</b>
2021	(111,297)
2022	396,472
2023	244,492
2024	174,819
Thereafter	-

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

*Actuarial Assumptions:* The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

Investment return (net of admin expense)	7.34%
Admin expense as % of payroll	0.30%
General wage growth*	3.50%
*includes inflation at	2.40%
Merit increases	0.00% to 4.80%
Postretirement Benefit Increases	
1. Guaranteed Annual Benefit Adjustment (GABA) each January	
• After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.	
• Members hired prior to July 1, 2007	3.00%
• Members hired between July 1, 2007 & June 30, 2013	1.50%
• Members hired on or after July 1, 2013	1.50%
• For each year PERS is funded at or above 90%	
• The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%	0.00%
• 0% whenever the amortization period for PERS is 40 years or more	
Mortality	
• Contributing members, service retired members & beneficiaries	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males
• Disabled members	RP-2000 Combined Mortality Tables, with no projections

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the Survey of *Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2020 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 5: Employee Benefit Pension Plans (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	2.0 %	0.11 %
Domestic Equity	30.0 %	6.19 %
International Equity	16.0 %	6.92 %
Private Investments	14.0 %	10.37 %
Natural Resources	4.0 %	3.43 %
Real Estate	9.0 %	5.74 %
Core Fixed Income	20.0 %	1.57 %
Non-Core Fixed Income	5.0 %	3.97 %
Total	100.0 %	

**Discount Rate:** The discount rate used to measure the TPL was 7.34%. 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 2123. 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.

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:** The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.34%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
District's net pension liability	11,122,847	8,080,876	5,525,641

#### d. PERS Disclosure for the Defined Contribution Plan

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



# Kalispell Public Schools

## Notes to Financial Statements

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### Note 5: Employee Benefit Pension Plans (Continued)

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

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

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

At the plan level for the measurement period ended June 30, 2020, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 329 employers that have participants in the PERS-DCRP totaled \$775,195.

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

### Note 6: Risk Management

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

**Insurance Policies:** Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liability. Employee medical insurance is provided as described in the paragraph below. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

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

# Kalispell Public Schools

## Notes to Financial Statements

### Note 6: Risk Management (Continued)

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

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

Self-Insurance: The District provides medical insurance coverage for its employees via a partially self-insured plan administered by First Choice Health. It provides medical and dental benefits and is operated as an internal service fund. Rates are determined in consultation with the administrator based on past claim experience plus an administrative fee. The rates include a premium for a commercial "stop-loss" policy for when any one claimant exceeds \$115,000 in covered charges during a year.

A reconciliation of claims payable at June 30, 2021 is as follows:

	2021	2020
Beginning claims payable 2020	\$ 653,007	\$ 602,000
Add: claims incurred	7,814,841	6,483,817
Less: claims paid	(7,833,848)	(6,432,810)
Ending claims payable 2021	\$ 634,000	\$ 653,007

The COVID -19 pandemic has impacted and could further impact the District's operations and the operations of the District's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the District's operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the District's constituents, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the District may continue to experience adverse impacts to its operations as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the District cannot reasonably estimate the impact at this time.

# Kalispell Public Schools

## Notes to Financial Statements

### Note 7: Due From Other Governments

Due from other governments at June 30, 2021 consists of amounts owed to the District from other governmental entities. These consist of the following:

	Elementary	High School	Total
Miscellaneous programs fund	\$ 933,567	\$ 76,890	\$ 1,010,457
Total	\$ 933,567	\$ 76,890	\$ 1,010,457

### Note 8: Interfund Receivables and Payables

For the year ended June 30, 2021 there was \$1,279,709 in outstanding interfund receivable and payable between high school interlocal agreement fund and the self-insurance fund to fund cash deficits. Furthermore, at year-end there was \$133,998 in outstanding receivable and payable between the aggregate remaining fund and the student activity fund to fund transportation provided by the District to the student activity fund.

### Note 9: Interfund Transfers

For the year ended June 30, 2021, the District made resource transfers of \$260,990 from the general fund and \$1,556,293 from the aggregate remaining funds to the high school interlocal agreement fund pursuant to Montana Code Annotated Section 20-9-704. The interlocal agreement fund was established in order to pay for expenditures incurred for the general operation and maintenance across both the elementary and high school districts.

### Note 10: Non-Monetary Transactions

The District received \$129,522 in USDA Commodities during the 2020–2021 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the fund receiving the commodities.

### Note 11: Joint Ventures

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

Kalispell Public Schools has an interlocal cooperative agreement between Kalispell elementary school district and the high school district to perform any services, activities, and undertakings of the participating districts or other public agencies and to provide for the joint funding and operation and maintenance of all participating districts or other public agencies upon the terms and conditions as may be mutually agreed to by the districts subject to the conditions of section 20-3-363, MCA.

# Kalispell Public Schools

## Notes to Financial Statements

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### Note 11: Joint Ventures (Continued)

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating districts will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host district. Each district electing to participate agrees to provide fiscal responsibility to the host district which includes a participation fee based on ANB. Each district is charging a fee for each student participating in the program.

The Flathead County High School District entered into an interlocal agreement with Flathead Valley Community College (FVCC) in which the parties will develop a college program called Running Start for motivated and college ready high school students. This program will allow qualified Flathead County High School students to take college classes through FVCC which may count as high school credit and/or college credit. In addition, the District and the College have agreements for C.N.A., Construction Trades and Vocational Class through the College. FVCC is the designated prime agency for administering the agreement.

### Note 12: Contingent Liabilities

The District participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. Such grantor audits of these programs, if any, for or including the year ended June 30, 2021, have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements for those programs if audited by grantor agencies will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is subject to various claims and legal proceedings covering a wide range of matters. Management believes that any liability that may ultimately result from the resolution of those matters will not have a material adverse effect on the financial condition or results of operation of the District.

### Note 13: Tax Abatements

The District's property tax revenue is subject to tax abatement agreements entered into by Flathead County. Under the Montana Code Annotated, Title 15, Chapter 24, Part 14, the localities may grant property tax abatements to new or expanding industries. In the first 5 years, qualifying expansions must be taxed at 50% of their taxable value. Each year thereafter, the percentage must be increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be taxed at 100% of its taxable value. Property taxes abated by this section are subject to recapture if the ownership does not add at least \$50,000 worth of qualifying improvements or modernized processes within the first two years in which these benefits are provided. For the fiscal year ended June 30, 2021, the District's portion of the property taxes abated by Flathead County totaled \$1,101 as follows:

Company	Amount
R Thompson Farms LLC	\$ 1,101
Total	\$ 1,101

# Kalispell Public Schools

## Notes to Financial Statements

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### **Note 14: Other Postemployment Benefits (OPEB)**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, is an accounting and financial reporting requirement for employers to measure and report the cost and liabilities associated with other (than pension) postemployment benefits (OPEB).

The District provides 18 to 36 months optional post-employment health care benefits in accordance with Public Law 99-272, known as the Consolidated Omnibus Budget Reconciliation Act (COBRA), to the following employees and dependents who elect to continue and pay administratively established premiums: (1) employees who were covered by the District health insurance plan at the time they discontinued employment, and (2) spouses or other dependents who lose dependent eligibility. At June 30, there were no individuals who elected to have COBRA coverage through the District.

In accordance with section 2-18-704, MCA, the District also provides optional post-employment health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement policy and (2) surviving dependents of deceased employees. Retirement eligibility differs by retirement system. Administratively established premiums vary from \$360 to \$1,766 depending on the coverage selected. The District acts as a secondary payor for retired Medicare-eligible claimants. As of June 30, two retirees and one dependent(s) were covered for health care benefits.

The District previously implemented the requirements of GASB Statement 75. However, the District decided not to obtain a new actuarial valuation. Valuations are required every two years, and the most recent measurement date was June 30, 2018. The statement of net position reflects balances for the OPEB liability, deferred outflows, and deferred inflows as of the June 30, 2018 measurement date. Without a new valuation, the annual OPEB cost and net OPEB obligation as of June 30, 2021 cannot be determined. The remaining disclosures required by GASB Statement 75 have also been excluded as a result.

### **Note 15: Prior Period Restatement**

GASB Statement No. 84, *Fiduciary Activities* establishes standards of accounting and financial reporting for fiduciary activities. It was determined that the District's elementary and high school student extracurricular funds and a portion of the scholarship funds did not meet the criteria to be reported as a fiduciary activity. Therefore, the District reclassified the elementary and high school student extracurricular funds and a portion of the scholarship funds totaling \$1,434,384 previously reported in an private purpose trust fund to the District's special revenues funds and governmental activities as a result of implementing GASB Statement No. 84. Additionally, the District increased its custodial funds net position by \$139,040 to record prior years changes in net position that were not recorded due to the agency funds assets equaling liabilities.

## **Required Supplementary Information**

# Kalispell Public Schools

## Budgetary Comparison Schedule

<i>For the Year Ended June 30, 2021</i>		<b>General Fund</b>		
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Property taxes	\$ 11,210,872	\$ 11,353,439	\$ 11,145,889	
Tuition	60,000	60,000	57,476	
Intergovernmental revenues:				
State	31,443,374	31,443,374	31,585,941	
Interest on investments	72,187	72,187	22,054	
Other revenue	-	-	415	
 Total revenues before reappropriations	 42,786,433	 42,929,000	 42,811,775	
 Budgeted reappropriations	 58,051	 58,051		
 Total revenues and reappropriations	 42,844,484	 42,987,051		
 <b>Expenditures:</b>				
Current:				
Instruction	42,844,484	42,987,051	27,396,993	
Supporting services	-	-	9,518,225	
Operations and maintenance	-	-	3,833,305	
Student transportation	-	-	15,511	
Extracurricular	-	-	1,330,810	
Capital outlay	-	-	246,605	
Debt service	-	-	52,631	
 Total expenditures	 42,844,484	 42,987,051	 42,394,080	
 Excess (deficiency) of revenues over expenditures	 \$ -	 \$ -	 417,695	
 <b>Other Financing Sources (Uses):</b>				
Operating transfers in (out)			(260,990)	
 Total other financing sources (uses)			 (260,990)	
 Excess (deficiency) of revenues and other sources over expenditures			 156,705	
 Fund balance, beginning (Non-GAAP budgetary basis)			 5,696,796	
 Fund balance, ending (Non-GAAP budgetary basis)			 5,853,501	
 Adjustments to generally accepted accounting principals				
Current year encumbrances included in expenditures			-	
 Fund balance, ending (GAAP basis)			 \$ 5,853,501	

See independent auditor's report.  
See accompanying notes to this schedule.

# Kalispell Public Schools

## Notes to Budgetary Comparison Schedule

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### 1) Budgetary Process

State Law requires that the District adopt budgets for certain funds, generally those supported by property taxes. Budgeted and non-budgeted funds are as follows:

Fund	Budgeted	Non-Budgeted
Governmental Funds:		
General Funds:		
General	X	
Metal Mines		X
Flex Fund	X	
Transportation	X	
Bus Depreciation	X	
School Food Services		X
Tuition	X	
Retirement	X	
Miscellaneous Programs		X
Adult Education	X	
Traffic Education		X
Compensated Absences		X
Impact Aid		X
Technology	X	
Interlocal		X
Debt Service	X	
Building		X
Building Reserve	X	
Endowment		X
Fiduciary Funds:		
Extracurricular		X
Scholarships		X
Miscellaneous Trust		X

### 2) Budgets

The District's budget is prepared on the modified accrual basis of accounting, including encumbrances, which results in the accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States (modified accrual). The District's accounting records are maintained on the basis of cash receipts and disbursements during the year. At year end, certain adjustments are made to the District's accounting records to reflect the basis of accounting described above. Reported budget amounts represent the originally adopted budget. Total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each year. The results of operations, on the budget basis of accounting, described above, are presented in the budgetary comparison schedule to provide a meaningful comparison of actual results with the budget.



# Kalispell Public Schools

## Notes to Budgetary Comparison Schedule

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General fund budgets are based on the State of Montana's Foundation Program, which is based primarily on enrollment. Budgets of other funds are based on expected revenues and expenditures. Budgeted fund expenditures are limited by State Law to budgeted amounts which may be amended for emergencies as defined by State Law. Budget authority may be transferred between expenditure classifications within the same fund.

**a. Budgetary policy follows:**

1. By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property to the County Superintendent of Schools.
2. Before the second Monday in August, the County Superintendent estimates revenue by fund and provides this information to the Board of Trustees prior to the final budget meeting.
3. On the second Monday in August, the Board of Trustees must meet to legally adopt the final budget. This budget is adopted consistent with the District's basis of accounting, except for encumbrances discussed below.
4. Upon adoption of the final budget, expenditures and operating transfers are limited to the total fund budget. Unexpended and unencumbered appropriations lapse at year end. Under State Law and District Policy, management may amend the budget without seeking Board approval as long as the total individual fund budget is not exceeded.
5. Individual fund budgets may only be increased with Board approval, in a manner prescribed by State Law (MCA 20-9-161 through MCA 20-9-166).

Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if unperformed purchase orders or contracts in process at year-end were completed. They do not constitute expenditures or liabilities and will not until performance is essentially complete. The encumbrances have been reported as an assignment of fund balance of the balance sheet – governmental funds. Because inclusion of these obligations is required for budgetary purposes, they have been included in expenditures in the budgetary comparison schedule. The difference between this basis of presentation and GAAP basis is reconciled on the face of this statement.

# Kalispell Public Schools

## Schedule of Proportionate Share of the Net Pension Liability Teacher's Retirement System of Montana

Determined as of the Measurement Date

	2021	2020	2019	2018	2017
District's proportion of the net pension liability	2.3064 %	2.3028 %	2.2509 %	2.2422 %	2.2124 %
District's proportionate share of the net pension liability associated with the District	51,880,991	44,403,312	41,778,775	37,804,696	40,417,148
State of Montana's proportionate share of the net pension liability associated with the District	30,681,337	26,882,040	25,949,411	23,996,858	26,332,455
Total	82,562,328	71,285,352	67,728,186	61,801,554	66,749,603
District's covered payroll	31,746,226	31,256,032	30,065,117	29,573,449	28,793,021
District's proportionate share of the net pension liability as a percentage of its covered payroll	163.42 %	142.06 %	138.96 %	127.83 %	140.37 %
Plan fiduciary net position as a percentage of the total pension liability	64.95 %	68.64 %	69.09 %	70.09 %	66.69 %

	2016	2015
District's proportion of the net pension liability	1.9640 %	2.0854 %
District's proportionate share of the net pension liability associated with the District	32,268,723	32,091,716
State of Montana's proportionate share of the net pension liability associated with the District	21,607,338	21,980,918
Total	53,876,061	54,072,634
District's covered payroll	27,317,549	26,299,029
District's proportionate share of the net pension liability as a percentage of its covered payroll	118.12 %	122.03 %
Plan fiduciary net position as a percentage of the total pension liability	69.30 %	70.36 %

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

# Kalispell Public Schools

## Schedule of Contributions

### Teacher's Retirement System of Montana

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**Determined as of the Reporting Date**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required contributions	3,217,032	3,126,195	3,097,289	2,932,784	2,880,970
Contributions in relation to the contractually required contributions	3,217,032	3,126,195	3,097,289	2,932,784	2,880,970
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	34,392,499	31,746,226	31,256,032	30,065,117	29,573,449
Contributions as a percentage of covered payroll	9.35 %	9.85 %	9.91 %	9.75 %	9.74 %

	<b>2016</b>	<b>2015</b>
Contractually required contributions	2,688,049	2,397,954
Contributions in relation to the contractually required contributions	2,688,049	2,397,954
Contribution deficiency (excess)	0	0
District's covered payroll	28,793,021	27,317,549
Contributions as a percentage of covered payroll	9.34 %	8.78 %

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

# Kalispell Public Schools

## Notes to Required Supplementary Information

### Teachers Retirement System of Montana

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#### ***Changes of Benefit Terms:***

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

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

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

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

# Kalispell Public Schools

## Notes to Required Supplementary Information

### Teachers Retirement System of Montana (Continued)

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

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

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

The following changes were adopted in 2020:

- The discount rate was lowered from 7.5% to 7.34%.
- The investment rate of return assumption was lowered 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.

# Kalispell Public Schools

## Notes to Required Supplementary Information

### Teachers Retirement System of Montana (Continued)

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- 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 assumption were adopted in 2015:

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

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

- Assumed rate of inflation was reduced from 3.50% to 3.25%.
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00 % to 0.75%
- Investment return assumption was changed from net investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

# Kalispell Public Schools

## Notes to Required Supplementary Information Teachers Retirement System of Montana (Continued)

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- 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	31 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent , net of pension plan investment expense, and including inflation

# Kalispell Public Schools

## Schedule of Proportionate Share of the Net Pension Liability Montana Public Employees Retirement System

Determined as of the Measurement Date

	2020	2019	2018	2017	2016
District's proportion of the net pension liability (percentage)	0.306301 %	0.313409 %	0.307123 %	0.403642 %	0.411158 %
District's net pension liability (amount)	8,080,876	6,551,232	6,410,101	7,861,440	7,003,438
State's net pension liability (amount)	2,800,803	2,342,201	2,374,626	384,185	327,310
Total	10,881,679	8,893,433	8,784,727	8,245,625	7,330,748
District's covered payroll	5,304,143	5,339,436	5,236,533	5,175,460	5,091,166
District's proportionate share as a percent of covered payroll	152.35 %	122.70 %	122.41 %	151.90 %	137.56 %
Plan fiduciary net position as a percent of total pension liability	68.90 %	73.85 %	73.47 %	73.75 %	74.41 %

	2015	2014
District's proportion of the net pension liability (percentage)	0.386458 %	0.403503 %
District's net pension liability (amount)	5,402,190	5,027,685
State's net pension liability (amount)	253,848	235,027
Total	5,656,038	5,262,712
District's covered payroll	4,663,023	4,750,310
District's proportionate share as a percent of covered payroll	115.85 %	105.84 %
Plan fiduciary net position as a percent of total pension liability	78.40 %	79.87 %

The amounts presented for each fiscal year were determined as of June 30, the measurement date. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



# Kalispell Public Schools

## Schedule of Contributions

### Montana Public Employees Retirement System

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**Determined as of the Reporting Date**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required DB contributions	509,336	450,265	444,759	427,804	419,110
Contributions in relation to the contractually required contributions	509,336	450,265	444,759	427,804	419,110
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	5,992,189	5,304,143	5,339,436	5,236,533	5,175,460
Contributions as a percent of covered payroll	8.50 %	8.49 %	8.33 %	8.17 %	8.10 %

	<b>2016</b>	<b>2015</b>
Contractually required DB contributions	411,654	371,646
Plan choice rate required contributions	9,176	18,211
Contributions in relation to the contractually required contributions	420,830	389,857
Contribution deficiency (excess)	0	0
District's covered payroll	5,091,166	4,663,023
Contributions as a percent of covered payroll	8.27 %	8.36 %

The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

# Kalispell Public Schools

## Notes to Required Supplementary Information

### Montana Public Employees Retirement System

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#### ***Changes of Benefit Terms:***

The following changes to the 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.

# Kalispell Public Schools

## Notes to Required Supplementary Information

### Montana Public Employees Retirement System (Continued)

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#### *Changes in Actuarial Assumptions and Methods*

#### **Method and assumptions used in calculation of actuarially determined contributions**

The following actuarial assumptions were adopted from the June 2019 actuarial valuation:

General wage growth*	3.50%
Investment rate of return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin expense as % of payroll	0.30%

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

## **Supplementary Information**

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# Kalispell Public Schools

## Elementary Extracurricular Fund

### Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2020	Receipts	Disbursements	Transfers	Net Position June 30, 2021
EDG/TOYOTA/ INCOME	481	609	133	0	957
EDG BANK FEES	38	0	57	0	(19)
SA/EDG/ACT/DIST TRAN	10	0	0	0	10
SA/EDG/ACT/FLDTRP/FLDTRP	0	0	0	0	0
SA/EDG/ACT/HARDSHIP	594	50	391	0	253
SA/EDG/ACT/MUSIC	(238)	0	0	0	(238)
EDG/YEARBOOK	1,105	167	0	0	1,272
SA/EDG/ACT/LIB/BKFAIR	0	0	0	0	0
SA/EDG/MUSIC	0	21	0	0	21
ELR/TOYOTA/ INCOME	0	537	0	0	537
SA/ELR/ACT/LIB/BKFR	1,000	0	0	0	1,000
02/STUDENT STOR	2,165	2,073	1,124	0	3,114
SA/ELR/ACT/TOYOTA	0	472	0	0	472
ELR BANK FEES	38	0	57	0	(19)
SA/ELR/ACT/ANNUAL	685	0	0	0	685
HED/TOYOTA/ INCOME	0	537	0	0	537
SA/HED/ACT/ART/ORIG WORKS	124	2,328	0	0	2,452
SA/HED/ACT/ANNUAL	137	492	0	0	629
SA/HED/ACT/PRIN	0	0	0	0	0
SA/HED/ACT/LIB/BKFR	110	0	0	0	110
SA/HED/ACT/MUSIC	808	0	0	0	808
SA/HED/ACT/HEADPHONES	995	0	96	0	899
SA/HED/ACT/TOYOTA/TOYOTA	0	120	0	0	120
HED BANK FEE	38	0	57	0	(19)
SA/PET/ACT/MUSIC ELEM	(5)	0	0	0	(5)
SA/PECT/ACT/STDSTR	3,633	5,124	4,161	0	4,596
SA/PERT/ACT/FIELD TRIP	1,041	0	0	0	1,041
SA/PET/ACT/LIB/BKFR	2,245	177	0	0	2,422
PET BANK FEES	38	0	59	0	(21)
PET/TOYOTA	0	537	0	0	537
SA/PET/ACT/TOYOTA/TOYOTA	0	248	0	0	248
SA/PTR/ACT/PETSVC	0	299	257	0	42
SA/PET/ACT/ANNUAL	93	534	403	0	224
SA/RSL/ACT/LIB/BKFR	20	0	0	0	20
SA/RSL/ACT/MUSIC	4	75	79	0	0
RUS/DISTRICT TRANSFER	0	0	0	0	0
RUS BANK FEES	39	0	57	0	(18)
RUS/TOYOTA/ INCOME	0	537	11	0	526
SA/RSL/ACT/TOYOTA	0	100	0	0	100
SA/RKN/ACT/LIB	141	0	0	0	141
SA/RKN/ACT/MUSELEM/REC	27	213	240	0	0
SA/RKN/ACT/FIELD TRIP	117	0	0	0	117
RKN BANK FEE	38	0	57	0	(19)
SA/RKN/ACT/TOYOTA	0	537	45	0	492
Z-ALT ATT CTR	(300)	0	0	0	(300)
TOTAL	15,221	15,787	7,284	0	23,724

# Kalispell Public Schools

## Middle School Extracurricular Fund

### Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2020	Receipts	Disbursements	Transfers	Net Position June 30, 2021
ACT ADM/FUNDRAISER	11,041	9,476	6,982	0	13,535
ACTIVITIES ADMN	4,598	490	1,093	0	3,995
ANNUAL	8,125	11,485	8,258	0	11,352
ART	1,917	2,796	1,792	0	2,921
AVALANCHE	484	48	0	0	532
BAND	10,301	2,490	1,958	0	10,833
BANK FEES	(1,218)	826	2,083	0	(2,475)
CHOIR	3,207	1,010	4,250	0	(33)
DC TRIP	564	0	0	0	564
DRAMA	6,168	4,966	4,779	0	6,355
FACS	5,466	8,934	9,421	0	4,979
KM/FHS/GHS 2024	3,742	0	3,742	0	0
FHS/GHS 2025	0	26	0	0	26
HEALTH ENHANCEM	2,793	10,591	11,535	0	1,849
KINTLA	547	0	0	0	547
LIBRARY	1,683	65	503	0	1,245
MATH COUNTS	625	540	595	0	570
MY VOICE	2,493	0	176	0	2,317
ORCHESTRA	15,217	1,864	2,618	0	14,463
PTARMIGAN	201	20	114	0	107
TECH ED	1,214	4,345	2,486	0	3,073
TEXTS-GENRAL	0	85	0	0	85
TUITION	4,700	21,386	191	0	25,895
TOTAL	83,868	81,443	62,576	0	102,735

# Kalispell Public Schools

## Glacier High School Extracurricular Fund

### Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2020	Receipts	Disbursements	Transfers	Net Position June 30, 2021
ACT ADMIN	30	2,008	814	(30)	1,194
ART ACTIVITIES	3,476	0	108	0	3,368
CHEER	6,268	2,935	2,712	3,506	9,997
NATL HONOR SOC	5,346	775	472	0	5,649
ALPINE SKI CLUB	1,083	0	0	0	1,083
JOURNALISM	419	0	0	0	419
LIBRARY	4,848	580	214	0	5,214
ART	11,801	10,005	4,057	0	17,749
PEP BAND	0	0	0	3,000	3,000
BAND	17,303	12,723	7,781	4,362	26,607
ORCHESTRA	5,012	2,193	1,169	1,783	7,819
CHOIR	18,193	6,265	4,386	2,310	22,382
SPEECH	11,367	3,985	10,372	3,622	8,602
DRAMA	8,602	13,719	5,908	2,760	19,173
STUDENT COUNCIL	6,135	5,678	4,680	0	7,133
DIST MUSIC FEST	11,334	0	10,000	0	1,334
ACT ADMIN	4,205	364	9,274	13,030	8,325
ASTRONOMY CLUB	1,732	0	0	0	1,732
OUTSIDE CLUBS/FUND-B	5,059	0	169	3,250	8,140
SCIENCE CLUB	590	1,955	1,664	0	881
SPANISH CLUB	1,596	1,120	1,180	0	1,536
YEARBOOK	(7,968)	24,344	17,474	0	(1,098)
SOCIAL SCIENCES	2,007	0	0	0	2,007
BPA	497	450	458	0	489
DECA	13,477	1,688	1,174	0	13,991
UPWARD BOUND	1,368	0	0	0	1,368
SPEECH CLUB	(305)	2,055	2,740	0	(990)
GUIDANCE/EXAM FEES	0	94	0	0	94
HEALTH ENHANCE	5,664	1,463	2,439	227	4,915
SPEC ED BUS	2,814	0	0	0	2,814
FRENCH CLUB	1,527	2,013	3,070	0	470
MATH TECHNOLOGY	6,020	1,318	4,588	0	2,750
TOYOTA DISTRICT SALES	0	8	0	0	8
SPONSOR/DONATION	6,853	3,660	1,908	0	8,605
GSA CLUB-GHS	555	0	0	0	555
STRENGTH & COND	7,723	750	6,210	0	2,263
VO-TECH	2,682	7,624	3,854	0	6,452
TSA	(1,441)	2,328	798	0	89
AG ED	1	60	0	0	61
WOLFPACK CLUB	279	0	0	0	279
PRO-START	1,161	0	0	0	1,161
FIN HARDSHIP/FUND-B	15,364	0	0	3,250	18,614
PROGRAM SALES	15,490	1,280	(550)	0	17,320
CLOSE UP	841	0	0	0	841
CROSSTOWN CRAZE	2,708	1,837	0	0	4,545
BENEVOLENCE/FUNDRAISER	0	555	500	0	55
STUDENT STORE	39,387	66,969	54,153	(3,614)	48,589
SUBTOTAL	241,103	182,801	163,776	37,456	297,584

# Kalispell Public Schools

## Glacier High School Extracurricular Fund

### Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2020	Receipts	Disbursements	Transfers	Net Position June 30, 2021
BALANCE FROM PREVIOUS PAGE	241,103	182,801	163,776	37,456	297,584
DISTRICT TRANSFERS	(426)	0	0	426	0
TEXTBOOK FINES	5	833	0	0	838
TUITION	0	870	0	0	870
BOOSTER CLUB	65,390	61,150	1,096	(65,000)	60,444
BANK FEES	2,165	815	4,695	(1,280)	(2,995)
ACTIVITIES	93,023	0	9,321	(19,191)	64,511
BBBALL	904	3,394	2,683	6,877	8,492
GBBALL	6,634	3,381	2,590	3,605	11,030
XCOUNTRY	980	2,245	5,169	4,001	2,057
FOOTBALL	5,268	22,839	55,107	26,557	(443)
GOLF	806	1,922	3,498	6,119	5,349
TENNIS	3,754	2,785	3,941	4,928	7,526
WRESTLING	281	8,490	12,356	11,041	7,456
BTRACK	4,067	3,650	9,280	9,328	7,765
GTRACK	2,434	2,960	8,589	9,295	6,100
VOLLEYBALL	7,482	7,285	13,384	9,918	11,301
SOFTBALL	7,422	1,915	10,195	7,379	6,521
BSOC	719	4,295	6,491	5,443	3,966
SWIM	5,213	2,284	1,083	3,652	10,066
INTRAMURALS	989	0	0	400	1,389
ATHLETIC TRAINING	3,525	0	6,128	6,650	4,047
GSOC	2,551	2,776	6,060	5,561	4,828
ATH REV	73,792	0	179	(73,165)	448
SPEC OLYMPICS	4,362	1,560	1,534	0	4,388
TOTAL	532,443	318,250	327,155	0	523,538



# Kalispell Public Schools

## Flathead High School Extracurricular Fund

### Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2020	Receipts	Disbursements	Transfers	Net Position June 30, 2021
ACTIVITIES ADMN	27,086	1,040	24	(22,970)	5,132
ART ACTIVITIES	8,560	0	60	0	8,500
CHEER	3,082	8,195	4,007	0	7,270
NATL HONOR SOC	804	330	807	0	327
ALPINE SKI CLUB	337	0	0	0	337
LIBRARY	1,741	1,851	1,700	0	1,892
ART	1,421	13,144	8,592	0	5,973
PEP BAND	2,978	0	0	3,000	5,978
BAND	(944)	14,497	9,669	0	3,884
FUND-ORCHESTRA	(230)	6,681	292	0	6,159
FUND-CHOIR	18,999	14,213	20,418	0	12,794
SPEECH	14,373	12,426	11,239	0	15,560
DRAMA CLUB	18,394	11,358	7,724	0	22,028
STUDENT COUNCIL	1,332	7,625	6,736	0	2,221
DIST MUSIC FEST	2,908	14,940	1,988	0	15,860
ACT ADMIN	(14,571)	3,496	10,269	14,571	(6,773)
OUTSIDE CLUBS/FUND-B	1,288	200	1,308	0	180
SCIENCE CLUB	(11,652)	50	58	0	(11,660)
SPANISH CLUB	933	0	0	0	933
YEARBOOK	13,085	32,680	19,203	0	26,562
MOCK TRIAL	(200)	0	0	0	(200)
NEWSPAPER	(264)	0	0	0	(264)
MUN	(1,064)	0	0	0	(1,064)
BPA	1,473	1,891	2,309	0	1,055
DECA	(19,895)	26,368	21,057	0	(14,584)
FCCLA	(890)	86	0	0	(804)
SPEECH-NSDA	(222)	0	127	0	(349)
GUIDANCE DEPT	34	1,382	1,258	0	158
HEALTH ENHANCE	(5,226)	0	0	0	(5,226)
HOSA	(407)	2,860	2,281	0	172
ESS/FUNDRAISER	684	0	0	0	684
FRENCH CLUB	2,738	304	869	0	2,173
MATH TECHNOLOGY	2,912	811	0	0	3,723
HE/MAN SHE-RA BOOK CLUB	0	900	771	0	129
TOYOTA	(1,429)	96	0	0	(1,333)
SPONSOR/POSTER	(198)	0	0	0	(198)
VO-TECH	10,735	12,262	10,093	0	12,904
VO-AG	9,273	11,540	8,370	0	12,443
BRAVES CLUB	999	1,090	558	0	1,531
PRO START	6,038	0	0	0	6,038
FIN HARDSHIP/FUND-B	900	310	0	0	1,210
ASIAN CULTURE	2,467	0	26	0	2,441
GUITAR CLASS	(68)	345	0	0	277
BUS/INFRO MULTIMEDIA	1,495	375	0	0	1,870
SPORTS MEDICINE	1,635	210	0	0	1,845
SSRC	1,629	0	0	0	1,629
SUBTOTAL	103,073	203,556	151,813	(5,399)	149,417

# Kalispell Public Schools

## Flathead High School Extracurricular Fund

### Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2020	Receipts	Disbursements	Transfers	Net Position June 30, 2021
BALANCE FROM PREVIOUS PAGE	103,073	203,556	151,813	(5,399)	149,417
IB GENERAL	3,827	36,106	34,886	0	5,047
CROSTOWN CRAZE/DONATION	2,581	1,837	0	0	4,418
SCIENCE TRIP	15,747	204	536	0	15,415
STUDENT STORE	30,582	58,351	39,343	(16,071)	33,519
TEXTBOOK FINES	714	49	781	0	(18)
TUITION	10,008	(10,008)	0	0	0
BANK FEES	(222)	12,242	3,807	54	8,267
ACTIVITIES	21,904	0	0	(8,904)	13,000
BBBALL	6,111	5,716	14,260	4,350	1,917
GBBALL	4,139	1,630	12,807	4,350	(2,688)
XCOUNTRY	3,030	11,884	19,427	1,816	(2,697)
FOOTBALL	22,563	17,185	50,888	20,325	9,185
GOLF	6,821	3,100	2,704	3,900	11,117
TENNIS	6,483	1,596	3,646	3,000	7,433
WRESTLING	(394)	13,100	8,252	7,850	12,304
BTRACK	7,311	4,842	4,700	5,475	12,928
GTRACK	9,529	6,795	8,559	5,473	13,238
VOLLEYBALL	4,058	7,255	11,519	6,250	6,044
SOFTBALL	4,813	6,877	7,871	4,550	8,369
BSOC	6,655	7,330	7,173	6,050	12,862
SWIM	4,910	1,128	1,561	1,750	6,227
INTRAMURALS	400	0	0	400	800
ATHLETIC TRAINING	1,618	199	4,679	6,650	3,788
GSOC	6,749	3,385	11,305	0	(1,171)
ACT ADMIN/ACT TICKET	55,772	0	288	(51,595)	3,889
DISTRICT TRANSFER	274	0	0	(274)	0
TOTAL	<u>339,056</u>	<u>394,359</u>	<u>400,805</u>	<u>0</u>	<u>332,610</u>

# Kalispell Public Schools

## Schedule of Reported Enrollment

### Students Grade K-8:

#### Full-Time Students:

<b>Fall Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Kindergarten Half Day	0	0	0
Kindergarten Full Day	337	337	0
Grades 1-6	1,843	1,843	0
Grades 7-8	702	702	0
<b>Spring Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Kindergarten Half Day	0	0	0
Kindergarten Full Day	346	346	0
Grades 1-6	1,881	1,881	0
Grades 7-8	714	714	0

#### Part-Time Students:

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

# Kalispell Public Schools

## Schedule of Reported Enrollment (Continued)

### Students Grade 9-12:

#### Full-Time Students:

<b>Fall Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Grade 9-12	2,950	2,950	0
19-year olds included	8	8	0
Job Corps	3	3	0
Youth challenge	4	4	0
<b>Spring Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Grade 9-12	2,808	2,808	0
19-year olds included	4	4	0
Job Corps	2	2	0
Youth challenge	2	2	0
Early Graduates	97	97	0

#### Part-Time Students:

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

# Kalispell Public Schools

## Schedule of Expenditures of Federal Awards

Federal Grantor/Pass Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Disbursements or Expenditures
U.S. Department of Education			
<i>Passed through Montana Office of Public Instruction</i>			
Covid - 19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D	15031912020	1,302,905
Covid - 19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D	15031912021	73,059
Total AL 84.425D			<u>1,375,964</u>
Title 1 Grants to Local Educational Agencies	84.010	0503103121	<u>1,335,191</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	0150310772021	1,379,816
Special Education - Preschool Grants	84.173	0150310772021	39,407
Total Special Education Cluster			<u>1,419,223</u>
Supporting Effective Instruction	84.367	1503101421	280,706
Education for Homeless Children and Youth	84.196	N/A	28,069
Career and Technical Education - Basic Grants to States	84.048	150311821	180,802
Student Support and Academic Enrichment	84.424A	N/A	60,786
Total Passed through Montana Office of Public Instruction			<u>4,680,741</u>
<i>Passed through Montana Department of Public Health and Human Services</i>			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	N/A	125,899
Total Passed through Montana Department of Public Health and Human Services			<u>125,899</u>
<i>Passed through Missoula County Public Schools</i>			
English Language Acquisition State Grants	84.365	N/A	2,724
Total Passed through Missoula County Public Schools			<u>2,724</u>
Total Department of Education			<u>4,809,364</u>

See independent auditor's report.  
See accompanying notes to this schedule.

# Kalispell Public Schools

## Schedule of Expenditures of Federal Awards (Continued)

Federal Grantor/Pass Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Disbursements or Expenditures
<b>U.S. Department of Treasury</b>			
Covid -19 - Corona Virus Relief Fund	21.019	N/A	2,995,491
Total Department of Treasury			<u>2,995,491</u>
<b>U.S. Department of Agriculture</b>			
<i>Passed through Montana Office of Public Instruction</i>			
Fresh Fruits and Vegetable Program	10.582	N/A	67,155
Child Nutrition Cluster			
Cash Assistance:			
National School Lunch Program	10.555	N/A	29,404
Noncash Assistance			
National School Lunch Program (Commodities)	10.555	N/A	129,522
Total National School Lunch Program			<u>158,926</u>
School Breakfast Program	10.553	N/A	3,155
Summer Food Services Program for Children	10.559	N/A	2,358,794
Total Child Nutrition Cluster			<u>2,520,875</u>
Total Department of Agriculture			<u>2,588,030</u>
Total Federal Financial Assistance			<u><u>10,392,885</u></u>

See independent auditor's report.

See accompanying notes to this schedule.

# Kalispell Public Schools

## Notes to Schedule of Expenditures of Federal Awards

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### **Note 1: Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Kalispell Public Schools and is presented on the modified accrual basis of accounting including encumbrances. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule differ from amounts presented in or used in the preparation of the financial statements.

### **Note 2: Nonmonetary Transactions**

The District received \$129,522 in USDA Commodities during the 2020-2021 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

### **Note 3: Indirect Cost Rate**

The District has elected to not use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

### **Note 4: Subrecipients**

The District does not have any subrecipients or subrecipient expenditures.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Kalispell Public Schools  
Flathead County  
Kalispell, Montana

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kalispell Public Schools (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2022, which includes a qualified opinion on the governmental activities due to the District not determining the annual other postemployment benefit (OPEB) cost and net OPEB liability as of June 30, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-002.

## **Kalispell Public Schools' Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Kalispell Public Schools' responses and, accordingly, we express no opinion on the responses.

## **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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Billings, Montana  
March 22, 2022

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

Board of Trustees  
Kalispell Public Schools  
Flathead County  
Kalispell, Montana

### **Report on Compliance for Each Major Federal Program**

We have audited Kalispell Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of each of its major federal programs for the year ended June 30, 2021. Kalispell Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Kalispell Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kalispell Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Kalispell Public Schools' compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of 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, 2021.

## Report on Internal Control Over Compliance

Management of Kalispell Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kalispell Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kalispell Public Schools' 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Wipfli LLP

Billings, Montana

March 22, 2022

# Kalispell Public Schools

## Schedule of Findings and Questioned Cost

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:	Qualified	Government activities
	Unmodified	General fund
	Unmodified	Elementary extracurricular activities fund
	Unmodified	High school interlocal fund
	Unmodified	Aggregate remaining fund information

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☐ Yes ☒ No

Noncompliance material to financial statements noted?

☒ Yes ☐ No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ No

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

Unmodified

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

☐ Yes ☒ No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.425D	Education Stabilization Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

# Kalispell Public Schools

## Schedule of Findings and Questioned Costs (Continued)

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### Section II - Financial Statement Findings

#### 2021-001      OPEB

**Criteria or Specific Requirement:** The Governmental Accounting Standards Board's (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions require that governments with more than 100 employees that provide other postemployment benefits obtain biannually an actuarial study to determine the government's other postemployment benefit liability (OPEB). For governments with fewer than 100 employees, a calculation using the specified alternative method measurement in place of an actuarial study may be performed.

**Condition:** The District did not obtain an actuarial valuation to determine its OPEB liability and related expense as of June 30, 2021.

**Context:** We inquired of District management to determine if the required valuation had been completed and were informed that it had not been performed.

**Effect:** The governmental activities liabilities; net position, and expenses are misstated.

**Cause:** The District did not see the benefit in obtaining the valuation in relation to the cost of the valuation.

**Auditor's Recommendation:** The District should engage an actuarial firm to determine the OPEB liability and expense every other year as required by GASB Statement No. 75, which became effective for fiscal year 2018.

**View of Responsible Official:** Previously the District has paid approximately \$5,000 for an actuarial valuation and it showed the balance as an asset. Since the implied costs to the health insurance plan for retirees cannot be an asset, the liability was set to zero. It seems like a waste of resources to spend approximately \$5,000 for this valuation and then in the end have the liability set at zero. This has left the Trustees questioning the validity of this GASB requirement. More work has been done on the processes for actually arriving at accurate information. The District Clerk will engage the Trustees in a discussion about the need for this report. It will ultimately be up to the Trustees to authorize the expenditure of funds for this purpose.

# Kalispell Public Schools

## Schedule of Findings and Questioned Costs (Continued)

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### 2021-002      Budget

**Criteria or Specific Requirement:** Montana statute MCA 20-9-133(2) requires that money of the District may not be used to pay expenditures made, liabilities incurred or warrants in excess of the final budget established for each budgeted fund.

**Condition:** At June 30, 2021, the District had overspent the elementary retirement fund budget by \$120,176.

**Context:** We compared the District's actual expenditures for each budgeted fund to ensure that that budgeted funds were not overspent.

**Effect:** The District is in violation of Montana statute MCA 20-9-133(2).

**Cause:** The District did not properly monitor its elementary retirement fund expenditures during the year.

**Auditor's Recommendation:** We recommend that the District monitor budgeted expenditures and compare them against actual expenditures on a regular basis to ensure budgetary authority is available for expenditures.

**View of Responsible Official:** The District will monitor budgeted expenditures and will not exceed budget authority. The Retirement Fund can be particularly challenging especially during this pandemic when we hired additional staff after the budget was adopted to assist in carrying out the responsibilities of the District. Legitimate retirement expenditures will continue to be recorded in the retirement fund.

# **Kalispell Public Schools**

## **Schedule of Findings and Questioned Costs (Continued)**

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### **Section III - Federal Award Findings and Questioned Costs - None**

### **Section IV - Auditees Summary Schedule of Prior Year Audit Findings**

**Finding 2020-001 - Not Implemented**

Restated as 2021-001

**Finding 2020-002 - Not Implemented**

Restated as 2021-002

**Finding 2020-003 - Implemented**