

# Kalispell Public Schools

Independent Auditor's Report and  
Financial Statements

Year Ended June 30, 2020



**WIPFLI**

# Kalispell Public Schools

Year Ended June 30, 2020

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# Kalispell Public Schools

Year Ended June 30, 2020

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# Kalispell Public Schools

## Organization Board of Trustees and Officials

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### BOARD OF TRUSTEES

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Lance Isaak	Chair
Jack Fallon	Vice Chair
Sue Corrigan	Trustee
Will Hiatt	Trustee
Mark Kornick	Trustee
Rebecca Linden	Trustee
Diane Morton Stout	Trustee
Amy Waller	Trustee
Scott Warnell	Trustee
Ursula Wilde	Trustee
Ted Hiden	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, 2020, 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
High School Miscellaneous Fund	Unmodified
High School Debt Service Fund	Unmodified
High School Building 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, 2020 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, 2020, 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, 2020, 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.

### 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 January 28, 2021, 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  
January 28, 2021

# 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, 2020 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, 2020. 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**

The District's financial position is stable. Our cash and investments balance decreased by \$8,995,680 due to the third year of and near completion of the \$54M bond/construction project. The District's taxes receivable balance decreased slightly over the prior year and is currently \$1,126,733. The annual property tax collection was \$25,535,614 and the receivable balance is 4.4% of the annual collection, which is a very low percentage of delinquent taxes.

Total assets of \$142,413,255 reflects a decrease of \$265,194 which is mostly attributed to depreciation of capital assets.

Total revenues increased by \$1,479,198 and expenditures increased by \$6,038,340 resulting in a net decrease of \$4,559,142. Operating grant revenues decreased by \$583,530. The district continually seeks additional funding through grant opportunities. Our total revenue of \$82,858,647 exceeded total expenses of \$81,439,054 by \$1,419,593.

Our enrollment averaged out at 5,901 students which is a decrease of 26 students, making our average general fund per pupil expenditure \$6,928 and our total cost per pupil across all funds \$13,801.

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 have been verified through a very rigorous process. We believe we are in a good place with the monthly financial reporting of the self-insured health insurance plan though we continue to improve the documents as the need arises. The plan continues to operate in the negative and at year end had amassed over three years a shortfall of \$1,019,399.87. 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 fund 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 will end 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 increase. 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.

# 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 the student extracurricular fund 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.

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

The budgetary comparison schedules on page 58 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.

### **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 and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$17,306,709 as of June 30, 2020.

# Kalispell Public Schools

## Management's Discussion and Analysis

**Table 1 - Net Position**

	6/30/2020	6/30/2019	Change Inc (Dec)
<b>Net Position:</b>			
Other assets	24,441,021	32,008,085	-7,567,064
Capital assets -net	117,972,234	110,670,364	7,301,870
Total Assets	142,413,255	142,678,449	-265,194
Deferred outflow of resources	7,935,273	9,492,181	-1,556,908
Other liabilities	865,803	2,836,861	-1,971,058
Long-term liabilities	130,569,037	131,264,189	-695,152
Total liabilities	131,434,840	134,101,050	-2,666,210
Deferred inflow of resources	1,606,979	2,182,764	-575,785
Net position:			
Net investment in capital assets	44,233,557	32,349,585	11,883,972
Restricted	20,313,061	25,095,298	-4,782,237
Unrestricted	-47,239,909	-41,558,067	-5,681,842
Total net position	17,306,709	15,886,816	1,419,893

# Kalispell Public Schools

## Management's Discussion and Analysis

**Table 2 - Changes in Net Position**

	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>Change Inc (Dec)</b>
<b>Program Revenue</b>			
Charges for Services	7,585,934	8,300,140	-714,206
Operating Grants	7,300,068	7,883,598	-583,530
Total program revenue	14,886,002	16,183,738	-1,297,736
<b>General Revenue</b>			
Property taxes levied for general purpose	25,535,614	24,732,258	803,356
County retirement distribution	5,956,772	6,089,682	-132,910
State aid	34,813,902	32,843,061	1,970,841
Interest	388,444	713,179	-324,735
Other	1,261,518	814,588	446,930
Special Items			
Proceeds from sale of assets	16,395	2,943	13,452
Total general revenue	67,972,645	65,195,711	2,776,934
<b>Total revenue</b>	<b>82,858,647</b>	<b>81,379,449</b>	<b>1,479,198</b>

	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>Change Inc (Dec)</b>
<b>Primary Government</b>			
Instruction:			
Regular programs	36,862,802	31,779,258	5,083,544
Special programs	2,573,357	2,530,236	43,121
Vocational programs	2,653,311	2,965,400	-312,089
Adult education	2,847	3,255	-408
Traffic education	148,943	172,406	-23,463
Supporting Services	14,966,101	13,678,172	1,287,929
Operations & maintenance	4,808,106	4,737,827	70,279
Student transportation	3,110,888	3,482,455	-371,567
Food services	2,121,483	2,271,854	-150,371
Extracurricular	1,702,854	1,260,390	442,464
Interest on long-term debt	2,518,323	2,345,673	172,650
Debt issuance costs	55,173	94,955	-39,782
Unallocated depreciation	2,365,011	2,287,595	77,416
Enterprise services	7,549,855	7,791,238	-241,383
<b>Total expenses</b>	<b>81,439,054</b>	<b>75,400,714</b>	<b>6,038,340</b>
<b>Change in net position</b>	<b>1,419,593</b>	<b>5,978,735</b>	<b>-4,559,142</b>

# 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, 2020 was \$82.8 million and the total cost of all programs and services was \$81.4 million.

District taxpayers contributed \$25.5 million of the \$67.9 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

As of June 30, 2020, the District has invested \$154 million in capital assets including land, buildings, construction in progress, and machinery and equipment. This represents a net increase of \$9,204,685 in this past year. Total accumulated depreciation expense increased by \$2,117,243.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2020 and June 30, 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Capital Assets not being depreciated		
Land	1,982,141	1,734,361
Construction in Progress	58,231,857	50,576,009
Other Capital Assets:		
Buildings and Improvements	80,596,492	80,551,454
Land Improvements	4,153,948	4,019,603
Machinery and Equipment	9,109,252	7,987,578
Total other Capital Assets at historical cost	<u>154,073,690</u>	<u>144,869,005</u>
Less Accumulated Depreciation	<u>-36,315,884</u>	<u>-34,198,641</u>
Total	<u><u>117,757,806</u></u>	<u><u>110,670,364</u></u>

# Kalispell Public Schools

## Management's Discussion and Analysis

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### **Debt Administration**

At June 30, 2020, the District had \$66,325,000 in general obligation bonds outstanding, of which \$5,395,000 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2020 and June 30, 2019 is presented below:

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
General Obligation Bonds	66,325,000	71,543,300
Notes Payable	756,000	0
QZAB Bond Outstanding	2,207,028	2,207,028
Compensated Absences	4,821,097	3,710,275
Retirement Liability	549,170	538,710
Net Pension Liability	50,954,544	48,188,876

### **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 was basically level again for fiscal year 2020 and the high school enrollment decreased by 24 students.

Kalispell Public Schools brought to a close a \$54M bond/capital project across the elementary and high school. A new elementary school, Rankin Elementary, was built as part of the project and opened in the Fall of 2018. The remaining elementary work which included three new gymnasiums, a multi-purpose room and a front entrance were completed during the 2020 school year. The elementary district also purchased additional land north of Kalispell for a future elementary school.

The high school projects include an additional gymnasium and additional classroom space along with addressing a variety of deferred maintenance items at Flathead High School; as well as remodeling at the Linderman Education Center and the Agriculture Education Center along with minimal deferred maintenance at Glacier High School. Purchases of property for additional parking space near Flathead High is an ongoing portion of the high school project.

No elementary levies were run. The Elementary Technology Levy of 11.3 mills, which raises approximately \$700,000 annually was in the sixth year of the collection.

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.

Kalispell Public Schools was closed on Monday, March 16, 2020 by order of the Governor of the State of Montana, due to the Coronavirus Pandemic. All employees will be paid. However, the Governor's declaration did not go so far as to negate the required hours of instruction per state law, MCA 20.9.806 (2). Kalispell Public Schools staff spent a week preparing for remote instruction of students and finished the school year using the remote instruction model.

# Kalispell Public Schools

## Management's Discussion and Analysis

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### **Contact for Additional Information**

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

Micah Hill  
District Superintendent  
(406) 751-3434  
hillm@sd5k.12.mt.us

Gwyn Andersen  
Director of Business Services  
(406) 751-3412  
anderseng@sd5.k12.mt.us

# Kalispell Public Schools

## Statement of Net Position

**June 30, 2020**

**Assets:**

Cash and cash equivalents	\$ 21,032,651
Restricted cash	1,035,215
Taxes receivable	1,126,733
Accounts receivable	237,193
Due from other governments	818,244
Due from fiduciary fund	39,700
Other assets	39,596
Deposits	107,969
Prepaid expenses	3,720

24,441,021

**Capital assets:**

Land	1,982,141
Construction in progress	58,446,285
Depreciable assets, net	57,543,808

Total capital assets 117,972,234

Total assets 142,413,255

**Deferred outflows of resources:**

Changes of assumptions and other inputs - OPEB	148,820
Pension contributions and related differences and changes	7,786,453

Total deferred outflows of resources \$ 7,935,273



# Kalispell Public Schools

## Statement of Net Position (Continued)

**June 30, 2020**

**Liabilities:**

Accounts payable	\$ 121,416
Advances from grantors	21,129
Unearned revenue - health insurance premiums	70,251
Claims payable	653,007
Long-term liabilities:	
Due within one year:	
Bonds payable	5,395,000
Notes payable	39,548
Compensated absences	867,797
Due in more than one year:	
Bonds payable, plus unamortized bond premium	67,587,677
Notes payable	716,452
Compensated absences	3,953,300
Net pension liability	50,954,544
Retiree Liability	549,170
OPEB Liability	505,549

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Total liabilities	131,434,840
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**Deferred inflows of resources:**

Differences between expected and actual experience - OPEB	430,593
Pension related differences and changes	1,176,386

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Total deferred inflows of resources	1,606,979
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**Net position:**

Net investment in capital assets	44,233,557
Restricted for:	
Other fund activities	16,129,589
Debt service	302,164
Capital projects	3,881,308
Unrestricted deficit	(47,239,909)

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Total net position	\$ 17,306,709
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# Kalispell Public Schools

## Statement of Activities

For the Year Ended June 30, 2020	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants	
Primary Government:				
Instruction:				
Regular programs	\$ 36,862,802	\$ 61,654	\$ 2,488,468	\$ (34,312,680)
Special programs	2,573,357	-	2,764,544	191,187
Vocational programs	2,653,311	-	-	(2,653,311)
Adult education	2,847	1,565	-	(1,282)
Traffic education	148,943	89,100	38,262	(21,581)
Supporting services	14,966,101	-	-	(14,966,101)
Operations and maintenance	4,808,106	-	-	(4,808,106)
Student transportation	3,110,888	-	665,434	(2,445,454)
Food services	2,121,483	619,120	1,343,360	(159,003)
Extracurricular	1,702,854	-	-	(1,702,854)
Interest on long-term debt	2,518,323	-	-	(2,518,323)
Debt issuance costs	55,173	-	-	(55,173)
Unallocated depreciation	2,365,011	-	-	(2,365,011)
Enterprise services	7,549,555	6,814,495	-	(735,060)
Total governmental activities	\$ 81,438,754	\$ 7,585,934	\$ 7,300,068	(66,552,752)
General revenues:				
Property taxes, levied for general purposes				25,535,614
County retirement distribution				5,956,772
State aid				34,813,902
Interest				388,444
Miscellaneous				1,261,518
Proceeds from sale of assets				16,395
Total general revenues				67,972,645
Change in net position				1,419,893
Net position, beginning of year				15,886,816
Net position, end of year				\$ 17,306,709

# Kalispell Public Schools

## Balance Sheet - Governmental Funds

<i>June 30, 2020</i>	General Fund	High School Miscellaneous	High School Debt Service	High School Building Fund	High School Interlocal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>							
Cash and cash equivalents	\$ 4,187,748	\$ 1,827,517	\$ -	\$ 1,948,060	\$ 5,081,880	\$ 7,987,446	\$ 21,032,651
Restricted cash	1,035,215	-	-	-	-	-	1,035,215
Taxes receivable	509,875	-	222,897	-	-	393,961	1,126,733
Due from other funds	47,378	-	-	-	2,104,654	39,700	2,191,732
Due from other governments	-	73,187	-	-	-	745,057	818,244
Other receivables	-	-	-	-	-	39,596	39,596
Other assets	5,825	1,419	-	-	-	-	7,244
<b>Total assets</b>	<b>\$ 5,786,041</b>	<b>\$ 1,902,123</b>	<b>\$ 222,897</b>	<b>\$ 1,948,060</b>	<b>\$ 7,186,534</b>	<b>\$ 9,205,760</b>	<b>\$ 26,251,415</b>
<b>Liabilities, deferred inflows of resources and fund balances:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 38,313	\$ 16,167	\$ -	\$ 66,936	\$ -	\$ -	\$ 121,416
Due to other funds	-	-	24,698	-	-	22,680	47,378
Advance from grantors	-	21,129	-	-	-	-	21,129
<b>Total liabilities</b>	<b>38,313</b>	<b>37,296</b>	<b>24,698</b>	<b>66,936</b>	<b>-</b>	<b>22,680</b>	<b>189,923</b>
<b>Deferred inflows of resources:</b>							
Unavailable tax revenue	50,932	-	38,993	-	-	27,284	117,209
<b>Total deferred inflows of resources</b>	<b>50,932</b>	<b>-</b>	<b>38,993</b>	<b>-</b>	<b>-</b>	<b>27,284</b>	<b>117,209</b>
<b>Fund balances:</b>							
Restricted for:							
Other fund activities	-	1,864,827	-	-	7,186,534	7,055,696	16,107,057
Debt service	1,035,215	-	159,206	-	-	101,640	1,296,061
Capital projects	-	-	-	1,881,124	-	1,998,460	3,879,584
Unassigned	4,661,581	-	-	-	-	-	4,661,581
<b>Total fund balances</b>	<b>5,696,796</b>	<b>1,864,827</b>	<b>159,206</b>	<b>1,881,124</b>	<b>7,186,534</b>	<b>9,155,796</b>	<b>25,944,283</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,786,041</b>	<b>\$ 1,902,123</b>	<b>\$ 222,897</b>	<b>\$ 1,948,060</b>	<b>\$ 7,186,534</b>	<b>\$ 9,205,760</b>	<b>\$ 26,251,415</b>

See accompanying notes to financial statements.

# Kalispell Public Schools

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

**June 30, 2019**

Total fund balances, governmental funds \$ 25,944,283

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. 117,757,806

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. 117,209

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. (2,271,846)

Deferred outflows (pension contributions and related differences and changes and changes of assumptions and other inputs - OPEB) and inflows (pension related differences and changes and differences between expected and actual experience - OPEB) 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. 6,328,294

Some liabilities, such as compensated absences, bonds payable, plus bond premium, notes payable, net pension liability, other postemployment benefits and retiree liability are not included in the fund financial statement, but are included in the governmental activities of the statement of net position. (130,569,037)

Net position of governmental activities in the statement of net position \$ 17,306,709

# Kalispell Public Schools

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

<i>For the Year Ended June 30, 2020</i>	General Fund	High School Miscellaneous	High School Debt Service	High School Building Fund	High School Interlocal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Property taxes for general purposes	\$ 11,497,054	\$ -	\$ 4,841,205	\$ -	\$ -	\$ 9,174,195	\$ 25,512,454
Tuition	32,119	-	-	-	-	120,200	152,319
Intergovernmental:							
County	-	-	-	-	-	6,289,489	6,289,489
State	30,639,500	109,125	-	-	-	2,251,617	33,000,242
Federal	-	239,682	-	-	-	5,103,304	5,342,986
Interest on investments	72,187	29,197	8,476	86,124	60,770	131,690	388,444
Food services	-	-	-	-	-	619,120	619,120
Other	1,916	478,084	-	261,481	1,985	518,052	1,261,518
<b>Total revenues</b>	<b>42,242,776</b>	<b>856,088</b>	<b>4,849,681</b>	<b>347,605</b>	<b>62,755</b>	<b>24,207,667</b>	<b>72,566,572</b>
<b>Expenditures:</b>							
Current:							
Instruction	26,065,982	297,600	-	1,138	47,996	8,472,673	34,885,389
Support services	8,850,239	424,194	-	53,312	-	4,617,878	13,945,623
Operations and maintenance	4,424,387	30,840	-	24,151	8,264	320,464	4,808,106
Student transportation	63,562	-	-	-	-	3,047,326	3,110,888
Food services	-	-	-	-	-	2,121,483	2,121,483
Extracurricular	1,416,812	9,518	-	13,986	121,464	141,074	1,702,854
Capital outlay	59,749	96,498	-	6,933,419	140,000	2,222,787	9,452,453
Debt service	-	-	4,884,200	-	-	3,027,398	7,911,598
<b>Total expenditures</b>	<b>40,880,731</b>	<b>858,650</b>	<b>4,884,200</b>	<b>7,026,006</b>	<b>317,724</b>	<b>23,971,083</b>	<b>77,938,394</b>
Excess (deficiency) of revenues over expenditures	1,362,045	(2,562)	(34,519)	(6,678,401)	(254,969)	236,584	(5,371,822)
<b>Other financing sources (uses):</b>							
Issuance of long-term debt, net	-	-	-	-	-	756,000	756,000
Proceeds from sale of assets	-	-	-	16,395	-	-	16,395
Transfers in	-	-	-	-	2,310,960	-	2,310,960
Transfers out	(1,198,562)	-	-	-	-	(1,112,398)	(2,310,960)
<b>Total other financing sources and uses</b>	<b>(1,198,562)</b>	<b>-</b>	<b>-</b>	<b>16,395</b>	<b>2,310,960</b>	<b>(356,398)</b>	<b>772,395</b>
<b>Net change in fund balances</b>	<b>163,483</b>	<b>(2,562)</b>	<b>(34,519)</b>	<b>(6,662,006)</b>	<b>2,055,991</b>	<b>(119,814)</b>	<b>(4,599,427)</b>
Fund balances, beginning of year	5,533,313	1,867,389	193,725	8,543,130	5,130,543	9,275,610	30,543,710
Fund balances, end of year	\$ 5,696,796	\$ 1,864,827	\$ 159,206	\$ 1,881,124	\$ 7,186,534	\$ 9,155,796	\$ 25,944,283

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, 2020***

Net change in fund balances - total governmental funds: \$ (4,599,427)

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. (2,365,011)

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. (735,060)

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. (47,091)

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	120,102
Compensated absences expense	(1,110,822)
Retirement liability	(10,460)
Pension expense, net of state on-behalf revenue	(3,746,791)

Governmental funds report debt proceeds (bonds, notes, capital leases) as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayments of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt proceeds received during the current year. (756,000)

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	9,452,453
Principal payments on debt	5,218,000

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Change in net position of governmental activities \$ 1,419,893

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# Kalispell Public Schools

## Statement of Net Position - Proprietary Funds

	Governmental Activities
	Internal Service Funds
<b>June 30, 2020</b>	
<b>Assets:</b>	
Accounts receivable	\$ 229,949
Deposits	107,969
Prepaid expenses	3,720
Total current assets	341,638
Capital assets	
Construction in progress	214,428
Total capital assets	214,428
Total assets	556,066
<b>Liabilities:</b>	
Claims payable	653,007
Unearned revenue - health insurance premiums	70,251
Due to other funds	2,104,654
Total current liabilities	2,827,912
<b>Net position:</b>	
Net investment in capital assets	214,428
Unrestricted	(2,486,274)
Total net position	\$ (2,271,846)

# Kalispell Public Schools

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

	Governmental Activities
	Internal Service Funds
<i>For the Year Ended June 30, 2020</i>	
<b>Operating revenues:</b>	
Charges for services	\$ 6,652,199
Miscellaneous revenues	162,296
Total operating revenues	6,814,495
<b>Operating expenses:</b>	
Personal services	340,002
Contractual services	6,056,004
Supplies	25,859
Other expenses	1,127,690
Total operating expenses	7,549,555
Operating loss	(735,060)
Net position, beginning of year	(1,536,786)
Net position, end of year	\$ (2,271,846)



# 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, 2020</i></b>	
<b>Cash flows from operating activities:</b>	
Cash received from providing services	\$ 6,845,878
Cash paid for:	
Payment of claims	(6,004,997)
Payment to suppliers	(1,153,957)
Payment to employees	(340,002)
Net cash from operating activities	(653,078)
<b>Cash flows from noncapital financing activities</b>	
Cash received from interfund loan	867,506
Net cash from noncapital financing activities	867,506
<b>Cash flows from capital and related financing activities</b>	
Cash paid for acquisition of capital assets	(214,428)
Net cash from capital and related financing activities	(214,428)
Net change in cash	-
Cash, beginning of year	-
Cash, end of year	\$ -

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

Operating loss	\$ (735,060)
Adjustments to reconcile operating loss to net cash from operating activities	
Decrease (increase) in accounts receivable	(38,868)
Decrease (increase) in prepaid expenses	(408)
Increase (decrease) in claims payable	51,007
Increase (decrease) in unearned revenue	70,251
Net cash from operating activities	\$ (653,078)

# Kalispell Public Schools

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

<i>As of and for the Year Ended June 30, 2020</i>	Private	
	Purpose Trust	Agency Funds
<b>FIDUCIARY NET POSITION</b>		
<b>Assets:</b>		
Cash	\$ 1,542,659	\$ 1,476,258
Deposits	24,069	-
Total assets	1,566,728	1,476,258
<b>Liabilities:</b>		
Other current liabilities	-	1,476,258
Due to other funds	39,700	-
Total liabilities	39,700	1,476,258
<b>Net position:</b>		
Held in trust for student activities	970,588	-
Held in trust for scholarships	556,440	-
Total net position	1,527,028	-
Total liabilities and net position	\$ 1,566,728	\$ 1,476,258
<b>CHANGES IN FIDUCIARY NET POSITION</b>		
<b>Additions:</b>		
Revenue from student activities	\$ 1,306,763	
Other revenues	12,214	
Interest	7,673	
Total additions	1,326,650	
<b>Deductions:</b>		
Expenses for student activities	1,255,365	
Scholarships	59,949	
Total deductions	1,315,314	
Change in net position held in trust	11,336	
Net position, beginning of year	1,515,692	
Net position, end of year	\$ 1,527,028	

# 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 student extracurricular 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:

#### **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 extracurricular and scholarship funds. The extracurricular fund, which accounts for the extracurricular activities of the District's students and the scholarship fund, which accounts for amounts contributed and disbursed for student scholarships, are reported as private purpose trust funds in the statement of fiduciary net position and changes in fiduciary net position.

# Kalispell Public Schools

## Notes to Financial Statements

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

#### **Basis of Presentation** (Continued)

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.

#### **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.

**High School Miscellaneous Programs Fund** - Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

**High School Debt Service Fund** - Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403 (c) and (d), MCA.

**High School Building Fund** - Authorized by Section 20-9-508, MCA. It is used primarily to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403, MCA. The fund is also used to account for insurance proceeds for damaged property as provided in 20-6-608, MCA, or the sale or rental of property as provided by 20-6-604 and 607, MCA.

# Kalispell Public Schools

## Notes to Financial Statements

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

#### **Basis of Presentation (Continued)**

**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 agency). 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.

#### **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.

# Kalispell Public Schools

## Notes to Financial Statements

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

#### **Basis of Presentation** (Continued)

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.

#### **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.

# Kalispell Public Schools

## Notes to Financial Statements

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

#### Cash and Investments (Continued)

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

<i>Year Ended June 30, 2020</i>	<i>Payroll Clearing</i>	<i>Claims Clearing</i>
Cash	\$ 543,445	\$ 793,773
Warrants payable	\$ 543,445	\$ 793,773

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, 2020, the District's carrying amount of cash and cash equivalents held in banks was \$1,801,892. 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, 2020, the elementary and middle school extracurricular fund cash of \$15,590 and \$83,687 is held at Valley Bank of Kalispell, the Flathead High School extracurricular cash fund of \$343,021 is held at Glacier State Bank, and the Glacier High School extracurricular fund cash of \$580,553 is held at Three Rivers Bank of Montana. The accounts are insured by the FDIC up to \$250,000.

At June 30, 2020, scholarship fund cash and investments of \$24,069 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.

# Kalispell Public Schools

## Notes to Financial Statements

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

#### 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.

#### 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.



# Kalispell Public Schools

## Notes to Financial Statements

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 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, changes of assumptions – 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.

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.

# Kalispell Public Schools

## Notes to Financial Statements

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

#### Fund Balances (Continued)

**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, 2020, 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.

#### 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.

# Kalispell Public Schools

## Notes to Financial Statements

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

#### **Property Taxes**

Property taxes are collected by Flathead County who remits to the District their respective share of the collections. The 2019 property tax levy, which was perfected and became a receivable in October 2019, was levied to finance District operations during the year ended June 30, 2020. The tax levy was collectible in November 2019 and May 2020. As of May 31, 2020, 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 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, 2020, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2020. Management has performed this evaluation through January 28, 2021, 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, 2020, were as follows:

<b>Governmental Activities</b>	<b>Balance 7/1/2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2020</b>
Capital assets, not being depreciated:				
Land	\$ 1,734,361	\$ 247,780	\$ -	\$ 1,982,141
Construction in progress	50,576,009	7,655,848	-	58,231,857
<b>Total capital assets, not being depreciated</b>	<b>52,310,370</b>	<b>7,903,628</b>	<b>-</b>	<b>60,213,998</b>
Capital assets, being depreciated:				
Land improvements	4,019,603	134,345	-	4,153,948
Buildings and improvements	80,551,454	45,038	-	80,596,492
Machinery and equipment	7,987,578	1,369,442	(247,768)	9,109,252
<b>Total capital assets, being depreciated</b>	<b>92,558,635</b>	<b>1,548,825</b>	<b>(247,768)</b>	<b>93,859,692</b>
Accumulated depreciation:				
Land improvements	(2,381,635)	(127,286)	-	(2,508,921)
Buildings and improvements	(26,547,546)	(1,541,403)	-	(28,088,949)
Machinery and equipment	(5,269,460)	(696,322)	247,768	(5,718,014)
<b>Total accumulated depreciation</b>	<b>(34,198,641)</b>	<b>(2,365,011)</b>	<b>247,768</b>	<b>(36,315,884)</b>
<b>Total capital assets, being depreciated, net</b>	<b>58,359,994</b>	<b>(816,186)</b>	<b>-</b>	<b>57,543,808</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 110,670,364</b>	<b>\$ 7,087,442</b>	<b>\$ -</b>	<b>\$ 117,757,806</b>

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

Unallocated depreciation	\$ 2,365,011
<b>Total depreciation expense</b>	<b>\$ 2,365,011</b>

# 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, 2020, were as follows:

Internal Service Fund	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
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	-	-	-	-
Machinery and equipment	-	-	-	-
Total capital assets, being depreciated	-	-	-	-
Accumulated depreciation:				
Land improvements	-	-	-	-
Buildings and improvements	-	-	-	-
Machinery and equipment	-	-	-	-
Total accumulated depreciation	-	-	-	-
Total capital assets, being depreciated, net	\$ -	\$ -	\$ -	\$ -
Internal service fund capital assets, net	\$ -	\$ 214,428	\$ -	\$ 214,428

Depreciation expense was \$0 for the year ended June 30, 2020.

# 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, 2020:

	Bonds Payable 7/1/2019	Debt Issued	Debt Retired	Bonds Payable 6/30/2020	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	\$ 5,680,000	\$ -	\$ (1,020,000)	\$ 4,660,000	\$ 1,035,000	\$ 3,625,000
2013 high school series; 0.7% to 3.0% variable interest rate; final maturity July 1, 2025	8,800,000	\$ -	\$ (30,000)	\$ 8,770,000	\$ 1,005,000	\$ 7,765,000
2016 high school refunding series; 1.44% interest rate; final maturity July 1, 2025	6,175,000	\$ -	\$ (2,320,000)	\$ 3,855,000	\$ 1,320,000	\$ 2,535,000
2016 elementary series; 4.02% interest rate; final maturity July 1, 2037	21,895,000	\$ -	\$ (850,000)	\$ 21,045,000	\$ 885,000	\$ 20,160,000
2016 high school series; 2.25% to 5.0% variable interest rate; final maturity July 1, 2037	24,940,000	\$ -	\$ (970,000)	\$ 23,970,000	\$ 1,000,000	\$ 22,970,000
2018 elementary series; 3.0% to 5.0% variable interest rate; final maturity July 1, 2039	1,917,000	\$ -	\$ (12,000)	\$ 1,905,000	\$ 70,000	\$ 1,835,000
2018 high school series; 3.0% to 5.0% variable interest rate; final maturity July 1, 2039	2,136,000	\$ -	\$ (16,000)	\$ 2,120,000	\$ 80,000	\$ 2,040,000
<b>Total</b>	<b>\$ 71,543,000</b>	<b>\$ -</b>	<b>\$ (5,218,000)</b>	<b>\$ 66,325,000</b>	<b>\$ 5,395,000</b>	<b>60,930,000</b>
Unamortized bond premium						4,450,649
<b>Total bond payable plus unamortized bond premium</b>						<b>\$ 65,380,649</b>

At June 30, 2020, the annual cash flow requirements for all bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 5,395,000	\$ 2,400,787	\$ 7,795,787
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 - 2030	13,490,000	6,474,855	19,964,855
2031 - 2035	16,405,000	3,567,088	19,972,088
2036 - 2039	8,130,000	496,874	8,626,874
<b>Total</b>	<b>\$ 66,325,000</b>	<b>\$ 20,853,671</b>	<b>\$ 87,178,671</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, 2020, the annual amortization was \$119,735.

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, 2020, the annual amortization was \$367.

At June 30, 2020, the annual amortization requirements for recognition of bond premiums are as follows:

Year Ending June 30,	Premium Amortization
2021	\$ 177,407
2022	172,612
2023	218,991
2024	312,801
2025	338,588
2026 - 2030	1,266,726
2031 - 2035	1,340,275
2036 - 2040	623,249
Total	\$ 4,450,649

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
2021	\$ 146,477
2022	146,477
2023	146,477
2024	146,477
2025	146,477
2026 - 2028	439,428
Total	\$ 1,171,813

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, 2020, the account balance of the sinking fund was \$1,035,215.

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, 2020, the statutory debt limit for the District was as follows:

	Elementary	High School
Statutory debt limit	\$ 115,615,360	\$ 271,787,130
Outstanding debt	27,610,000	38,715,000
Remaining debt capacity	\$ 88,005,360	\$ 233,072,130



# 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, 2020:

	Notes Payable 7/1/2019	Debt Issued	Debt Retired	Notes Payable 6/30/2020	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	\$ -	\$ 229,618	\$ 12,012	\$ 217,606
2020 high school intercap loan; 1.00% to 3.37% variable interest rate; final maturity February 15, 2035	-	\$ 526,382	-	\$ 526,382	\$ 27,536	\$ 498,846
Total	\$ -	\$ 756,000	\$ -	\$ 756,000	\$ 39,548	\$ 716,452

At June 30, 2020, the annual cash flow requirements for all notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 39,548	\$ 40,550	\$ 80,098
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 - 2030	249,712	227,099	476,811
2031 - 2035	294,935	225,306	520,241
Total	\$ 756,000	\$ 676,497	\$ 1,432,497

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2020:

	7/1/2019	Additions	Reductions	6/30/2020	Due Within One Year	Due in More Than One Year
Compensated absences payable	\$ 3,710,275	\$ 1,110,822	\$ -	\$ 4,821,097	\$ 867,797	\$ 3,953,300
Qualified zone academy bonds	2,207,028	-	-	2,207,028	-	2,207,028
Bonds payable	73,750,028	-	(5,218,000)	68,532,028	5,395,000	63,137,028
Notes payable	-	756,000	-	756,000	39,548	716,452
Net pension liability	48,188,876	2,765,668	-	50,954,544	-	50,954,544
Retirement liability	538,710	10,460	-	549,170	-	549,170
Other postemployment benefits	505,549	-	-	505,549	-	505,549
Total	\$128,900,466	\$ 4,642,950	\$ (5,218,000)	\$128,325,416	\$ 6,302,345	\$122,023,071

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:

- 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)

# Kalispell Public Schools

## Notes to Financial Statements

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

- 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.

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

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

# Kalispell Public Schools

## Notes to Financial Statements

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

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>.

#### f. Actuarial Assumptions

The total pension liability as of June 30, 2019, is based on the results of an actuarial valuation date of July 1, 2019. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2019 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 7.50%
- Price inflation 2.50%
- 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 .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.

# Kalispell Public Schools

## Notes to Financial Statements

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

- 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 7.50%. 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 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

#### h. Target Allocations

Asset Class	Target Asset Allocation (a)	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return* (a) x (b)
Domestic Equity	35.00 %	6.05 %	2.12 %
International Equity	18.00 %	7.01 %	1.26 %
Private Equity	10.00 %	10.53 %	1.05 %
Natural Resources	3.00 %	4.00 %	0.12 %
Core Real Estate	7.00 %	5.65 %	0.40 %
TIPS	3.00 %	1.40 %	0.04 %
Intermediate Duration Bonds	19.00 %	2.17 %	0.41 %
High Yield Bonds	3.00 %	4.09 %	0.12 %
Cash	2.00 %	0.78 %	0.02 %
	<u>100.00 %</u>		<u>5.54 %</u>
		Inflation	<u>2.50 %</u>
		Expected arithmetic nominal return	<u>8.04 %</u>

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

# Kalispell Public Schools

## Notes to Financial Statements

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

The long term capital market assumptions published in the Survey of Capital Market Assumptions 2019 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.91%. Based on this information, the Board's adopted assumption of 5.00% for the real return is reasonable. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

#### i. Sensitivity Analysis

	1% Decrease 6.50%	Current Discount Rate	1% Increase 8.50%
District's portion of net pension liability	60,732,513	44,403,312	30,722,106

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 (6.50%) or 1.00% higher (8.50%) than the current rate.

#### j. Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective net pension liability. In accordance with Statement 68, the System has a special funding situation in which the state of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the state of Montana's proportionate share of the collective net pension liability that is associated with the employer. The following table displays the amounts and the percentages of net pension liability for the fiscal years ended June 30, 2020 and June 30, 2019 (reporting dates).

	Net pension liability as of 6/30/2020	Net pension liability as of 06/30/19	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 06/30/19	Change in Percent of Collective NPL
District proportionate share	\$ 44,403,312	\$ 41,778,775	2.3028 %	2.2509 %	0.0519 %
State of Montana proportionate share associated with the District	26,882,040	25,949,411	1.3941 %	1.3981 %	(0.0040)%
Total	\$ 71,285,352	\$ 67,728,186	3.6969 %	3.6490 %	0.0479 %

# Kalispell Public Schools

## Notes to Financial Statements

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

At June 30, 2020, the District recorded a liability of \$44,403,312 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2020, the District's proportion was 2.3028 percent.

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

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

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

#### k. Pension Expense

	Pension Expense as of 6/30/2020
District proportionate share	\$ 6,572,162
State of Montana proportionate share associated with the District	3,279,014
Total	\$ 9,851,176

At June 30, 2020, the District recognized pension expense of \$9,851,176 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$3,279,014 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, 2020, the District reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

# Kalispell Public Schools

## Notes to Financial Statements

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	293,917	-
Changes in actuarial assumptions	2,217,165	99,553
Difference between projected and actual investment earnings	430,427	-
Changes in proportion and differences between actual and expected contributions	570,922	18,447
*Contributions paid to TRS subsequent to the measurement date - FY 2020 contributions	3,126,195	-
Total	6,638,626	118,000

\*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, 2021.

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
2021	2,092,211
2022	687,504
2023	258,326
2024	356,390

### Montana Public Employee Retirement System

#### a. Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the net pension liability (NPL); deferred outflows of resources and deferred inflows of resources related to pensions; pension expense; the fiduciary net position; and, additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).



# Kalispell Public Schools

## Notes to Financial Statements

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

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

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

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

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

#### Service retirement

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

#### Early Retirement

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

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

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
  - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
  - No service credit for second employment;
  - Start the same benefit amount the month following termination; and
  - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

# Kalispell Public Schools

## Notes to Financial Statements

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

- 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.

#### 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.

# Kalispell Public Schools

## Notes to Financial Statements

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

*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.

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
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 %

- 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.
- Employer contribution to the system:
  - 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.
  - Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - 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.

# Kalispell Public Schools

## Notes to Financial Statements

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

#### 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 \$33,615,000.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's total pension liability (TPL). The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The TPL minus the fiduciary net position equals the net pension liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2019 and 2018, 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 \$6,551,232 and the employer's proportionate share was 0.313409 percent.

As of measurement date	Net pension liability as of 06/30/19	Net pension liability as of 06/30/18	Percent of Collective NPL 06/30/19	Percent of Collective NPL 06/30/18*	Change in Percent of Collective NPL
District proportionate share	\$ 6,551,232	\$ 6,410,101	0.313409 %	0.307123 %	0.006286 %
State of Montana proportionate share associated with the District	2,342,201	2,374,626	0.112050 %	0.113774 %	(0.001724)%
Total	\$ 8,893,433	\$ 8,784,727	0.425459 %	0.420897 %	0.004562 %

\*To be consistent with this year's calculation of the State of Montana Proportionate Share Associated with the District Percent of Collective NPL, the June 30, 2018 percentage has been recalculated using the actual State percentage presented on the allocation calculation instead of the 100% displayed last year. This does not change the dollar amount of the Net Pension Liability as of 6/30/2018, just the percentage.

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

*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)

*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.

*Pension Expense:* At June 30, 2019, the employer recognized \$750,464 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$19,622 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$139,389 from the State Statutory Appropriation from the general fund.

<b>As of measurement date</b>	<b>Pension Expense as of 06/30/19</b>
District proportionate share	\$ 750,464
District grant revenue - state of Montana proportionate share for the District	19,622
District grant revenue - state of Montana appropriation for the District	139,389
<b>Total</b>	<b>\$ 909,475</b>

*Recognition of Deferred Inflows and Outflows:* At June 30, 2019, 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	310,645	308,262
Projected investment earnings vs actual investment earnings	79,432	-
Changes in assumptions	278,120	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	750,124
*District contributions paid subsequent to the measurement date - FY 2020 contributions	479,630	-
<b>Total</b>	<b>1,147,827</b>	<b>1,058,386</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, 2021.

# 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 are recognized in the employer's pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) in pension expense
2020	(9,394)
2021	(481,635)
2022	29,549
2023	71,290

*Actuarial Assumptions:* The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

Investment return (net of admin expense)	7.65%
Admin expense as % of payroll	.026%
General wage growth*	3.50%
*includes inflation at	2.75%
Merit increases	0% to 6.30%
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	3.0%
• Members hired between July 1, 2007 & June 30, 2013	1.5%
• Members hired on or after July 1, 2013	1.5%
• 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%
• 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

# Kalispell Public Schools

## Notes to Financial Statements

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

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. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the table below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	3.0 %	4.09 %
Domestic Equity	36.0 %	6.05 %
Foreign Equity	18.0 %	7.01 %
Fixed Income	23.0 %	2.17 %
Private Equity	12.0 %	10.53 %
Real Estate	8.0 %	5.65 %
Total	100.0 %	

**Discount Rate:** The discount rate used to measure the TPL was 7.65%. 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 2122. 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 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1% Decrease (6.65%)	Current Discount Rate	1% Increase (8.65%)
District's net pension liability	9,412,254	6,551,232	4,146,905

# Kalispell Public Schools

## Notes to Financial Statements

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

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

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

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

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

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

At the plan level for the measurement period ended June 30, 2019, 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 316 employers that have participants in the PERS-DCRP totaled \$714,024.

*Pension plan fiduciary net position:* The stand-alone financial statements 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.



# Kalispell Public Schools

## Notes to Financial Statements

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### Note 6: Risk Management (Continued)

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.

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, 2020 is as follows:

	2020	2019
Beginning claims payable	\$ 602,000	\$ 627,000
Add: claims incurred	6,483,817	6,499,107
Less: claims paid	(6,432,810)	(6,524,107)
Ending claims payable	\$ 653,007	\$ 602,000

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, 2020 consists of amounts owed to the District from other governmental entities. These consist of the following:

	Elementary	High School	Total
Miscellaneous programs fund	\$ 745,057	\$ 73,187	\$ 818,244
Total	\$ 745,057	\$ 73,187	\$ 818,244

### Note 8: Interfund Receivables and Payables

For the year ended June 30, 2020 there was \$2,104,654 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 \$39,700 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, 2020, the District made resource transfers of \$1,198,562 from the general fund and \$1,112,398 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 \$139,388 in USDA Commodities during the 2019–2020 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, 2020, 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, 2020, the District's portion of the property taxes abated by Flathead County totaled \$6,890 as follows:

Company	Amount
Semitool Inc	\$ 45
R Thompson Farms LLC	1,796
Semitool Inc	5,049
Total	\$ 6,890

# 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, 2020 cannot be determined. The remaining disclosures required by GASB Statement 75 have also been excluded as a result.

## **Required Supplementary Information**

# Kalispell Public Schools

## Budgetary Comparison Schedule

<i>For the Year Ended June 30, 2020</i>		<b>General Fund</b>	
	Original Budget	Final Budget	Actual
<b>Revenues:</b>			
Property taxes	\$ 11,386,717	\$ 11,386,717	\$ 11,497,054
Tuition	60,000	60,000	32,119
Intergovernmental revenues:			
State	30,639,500	30,639,500	30,639,500
Interest on investments	93,184	93,184	72,187
Other revenue	-	-	1,916
 Total revenues before reappropriations	 42,179,401	 42,179,401	 42,242,776
Budgeted reappropriations	-	-	
 Total revenues and reappropriations	 42,179,401	 42,179,401	
<b>Expenditures:</b>			
Current:			
Instruction	42,179,401	42,179,401	26,065,982
Supporting services	-	-	8,850,239
Operations and maintenance	-	-	4,424,387
Student transportation	-	-	63,562
Extracurricular	-	-	1,416,812
Capital outlay	-	-	59,749
 Total expenditures	 42,179,401	 42,179,401	 40,880,731
 Excess (deficiency) of revenues over expenditures	 \$ -	 \$ -	 1,362,045
<b>Other Financing Sources (Uses):</b>			
Operating transfers in (out)			(1,198,562)
 Total other financing sources (uses)			 (1,198,562)
 Excess (deficiency) of revenues and other sources over expenditures			 163,483
 Fund balance, beginning (Non-GAAP budgetary basis)			 5,533,313
 Fund balance, ending (Non-GAAP budgetary basis)			 5,696,796
Adjustments to generally accepted accounting principals			
Current year encumbrances included in expenditures			-
 Fund balance, ending (GAAP basis)			 \$ 5,696,796

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

	2020	2019	2018	2017	2016
District's proportion of the net pension liability	2.3028 %	2.2509 %	2.2422 %	2.2124 %	1.9640 %
District's proportionate share of the net pension liability associated with the District	44,403,312	41,778,775	37,804,696	40,417,148	32,268,723
State of Montana's proportionate share of the net pension liability associated with the District	26,882,040	25,949,411	23,996,858	26,332,455	21,607,338
Total	71,285,352	67,728,186	61,801,554	66,749,603	53,876,061
District's covered payroll	31,256,032	30,065,117	29,573,449	28,793,021	27,317,549
District's proportionate share of the net pension liability as a percentage of its covered payroll	142.06 %	138.96 %	127.83 %	140.37 %	118.12 %
Plan fiduciary net position as a percentage of the total pension liability	68.64 %	69.09 %	70.09 %	66.69 %	69.30 %

	2015
District's proportion of the net pension liability	2.0854 %
District's proportionate share of the net pension liability associated with the District	32,091,716
State of Montana's proportionate share of the net pension liability associated with the District	21,980,918
Total	54,072,634
District's covered payroll	26,299,029
District's proportionate share of the net pension liability as a percentage of its covered payroll	122.03 %
Plan fiduciary net position as a percentage of the total pension liability	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>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contributions	3,126,195	3,097,289	2,932,784	2,880,970	2,688,049
Contributions in relation to the contractually required contributions	3,126,195	3,097,289	2,932,784	2,880,970	2,688,049
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	31,746,226	31,256,032	30,065,117	29,573,449	28,793,021
Contributions as a percentage of covered payroll	9.85 %	9.91 %	9.75 %	9.74 %	9.34 %

	<b>2015</b>
Contractually required contributions	2,397,954
Contributions in relation to the contractually required contributions	2,397,954
Contribution deficiency (excess)	0
District's covered payroll	27,317,549
Contributions as a percentage of covered payroll	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 to the actuarial assumptions were adopted in 2019:

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

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

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

# Kalispell Public Schools

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

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- 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.
  - 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.

# 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 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

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (percentage)	0.313409 %	0.307123 %	0.403642 %	0.411158 %	0.386458 %
District's net pension liability (amount)	6,551,232	6,410,101	7,861,440	7,003,438	5,402,190
State's net pension liability (amount)	2,342,201	2,374,626	384,185	327,310	253,848
Total	8,893,433	8,784,727	8,245,625	7,330,748	5,656,038
District's covered payroll	5,339,436	5,236,533	5,175,460	5,091,166	4,663,023
District's proportionate share as a percent of covered payroll	122.70 %	122.41 %	151.90 %	137.56 %	115.85 %
Plan fiduciary net position as a percent of total pension liability	73.85 %	73.47 %	73.75 %	74.41 %	78.40 %

	2014
District's proportion of the net pension liability (percentage)	0.403503 %
District's net pension liability (amount)	5,027,685
State's net pension liability (amount)	235,027
Total	5,262,712
District's covered payroll	4,750,310
District's proportionate share as a percent of covered payroll	105.84 %
Plan fiduciary net position as a percent of total pension liability	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>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required DB contributions	479,630	444,759	427,804	419,110	411,654
Plan choice rate required contributions	0	0	0	0	9,176
Contributions in relation to the contractually required contributions	479,630	444,759	427,804	419,110	420,830
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	5,703,316	5,339,436	5,236,533	5,175,460	5,091,166
Contributions as a percent of covered payroll	8.41 %	8.33 %	8.17 %	8.10 %	8.27 %

	<b>2015</b>
Contractually required DB contributions	371,646
Plan choice rate required contributions	18,211
Contributions in relation to the contractually required contributions	389,857
Contribution deficiency (excess)	0
District's covered payroll	4,663,023
Contributions as a percent of covered payroll	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 2016 Experience Study:

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	0.26%

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

## Schedule of Expenditures of Federal Awards

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA 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	3,100
Title 1 Grants to Local Educational Agencies	84.010	0503103120	1,423,531
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	0150310772020	1,471,551
Special Education - Preschool Grants	84.173	0150310772020	39,607
Total Special Education Cluster			1,511,158
Supporting Effective Instruction	84.367	1503101420	293,737
Preschool Development Grants	84.419	150310619	13,333
Preschool Development Grants	84.419	150310620	209,055
Total Preschool Development Grants			222,388
Education for Homeless Children and Youth	84.196		26,072
Career and Technical Education - Basic Grants to States	84.048	1503118120	183,821
Student Support and Academic Enrichment	84.424A		63,867
Total Passed through Montana Office of Public Instruction			3,727,674
<i>Passed through Montana Department of Public Health and Human Services</i>			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		19,374
Total Passed through Montana Department of Public Health and Human Services			19,374
<i>Passed through Missoula County Public Schools</i>			
English Language Acquisition State Grants	84.365		3,907
Total Passed through Missoula County Public Schools			3,907
Total Department of Education			3,750,955

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 CFDA Number	Pass-Through Entity Identifying Number	Disbursements or Expenditures
<u>U.S. Department of Treasury</u>			
Covid -19 - Corona Virus Relief Fund	21.019		159,429
Total Department of Treasury			<u>159,429</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Montana Office of Public Instruction</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1503103819	35,921
Total Montana Office of Public Instruction			<u>35,921</u>
Total Department of Health and Human services			<u>35,921</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through Montana Office of Public Instruction</i>			
Fresh Fruits and Vegetable Program	10.582		80,841
Child Nutrition Cluster			
Cash Assistance:			
National School Lunch Program	10.555		568,511
Noncash Assistance			
National School Lunch Program (Commodities)	10.555		139,388
Total National School Lunch Program			<u>707,899</u>
School Breakfast Program	10.553		115,398
Summer Food Services Program for Children	10.559		439,222
Total Child Nutrition Cluster			<u>1,262,519</u>
Total Department of Agriculture			<u>1,343,360</u>
Total Federal Financial Assistance			<u>5,289,665</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 \$139,388 in USDA Commodities during the 2019-2020 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.

# Kalispell Public Schools

## Elementary Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
EDG/TOYOTA/ INCOME	0	0	306	787	481
EDG BANK FEES	0	7	0	31	38
SA/EDG/ACT/DIST TRAN	0	10	0	0	10
SA/EDG/ACT/FLDTRP/FLDTRP	0	171	171	0	0
SA/EDG/ACT/HARDSHIP	350	450	206	0	594
SA/EDG/ACT/MUSIC	6	475	719	0	(238)
EDG/YEARBOOK	0	1,105	0	0	1,105
SA/EDG/ACT/LIB/BKFAIR	0	2,245	2,245	0	0
01/PTO EDG TOYO	1,155	0	0	(1,155)	0
01/YEARBOOK	430	0	0	(430)	0
01/GR 4 SUPPLIE	380	0	0	(380)	0
01/GR K SUPPLY	291	0	0	(291)	0
01/EDGERTON-PRI	268	0	0	(268)	0
01/GR 2SUPPLIES	116	0	0	(116)	0
01/PTO PRESCH	34	0	0	(34)	0
SA/EDG/TRAN/FNDRSR	0	0	1,888	1,888	0
02/ELROD-PRINC	4,790	0	0	(4,790)	0
02/FIN HARDSHIP	390	0	0	(390)	0
SA/ELR/ACT/LIB/BKFR	1,504	2,145	2,649	0	1,000
SA/ELR/ACT/MUSELEM/REC	63	117	180	0	0
02/PTO-ELROD	25,509	0	0	(25,509)	0
02/STUDENT STOR	2,778	1,095	1,709	0	2,164
ELR BANK FEES	0	7	0	31	38
SA/EL/TRAN/FINHRD	0	0	30,690	30,690	0
SA/ELR/ACT/ANNUAL	685	0	0	0	685
SA/HED/ACT/ART/ORIG WORKS	1,475	0	1,351	0	124
SA/HED/ACT/ANNUAL	0	137	0	0	137
SA/HED/ACT/PRIN	727	0	727	0	0
SA/HED/ACT/LIB/BKFR	105	3,190	3,185	0	110
SA/HED/ACT/MUSIC	569	239	0	0	808
03/PTO-HEDGES	8,597	0	0	(8,597)	0
SA/HED/ACT/HEADPHONES	0	1,421	426	0	995
HED BANK FEE	0	7	0	31	38
SA/HED/TRAN/PTO	0	0	8,597	8,597	0
04/2 GR	242	0	0	(242)	0
SA/PET/ACT/MUSIC ELEM	0	201	206	0	(5)
SA/PECT/ACT/STDSTR	0	2,048	1,931	3,516	3,633
SA/PERT/ACT/FIELD TRIP	0	572	697	1,165	1,040
04/FIN HARDSHIP	102	0	0	(102)	0
04/FUNDRAISERS	14,516	0	0	(14,516)	0
04/HISTORY TRIP	165	0	0	(165)	0
04/KAFUNDRAISER	152	0	0	(152)	0
SA/PET/ACT/LIB/BKFR	443	4,404	2,602	0	2,245
04/PETERSON PR	143	0	0	(143)	0
04/PTO-PETERSON	14,024	0	0	(14,024)	0
04/STEM	2	0	0	(2)	0
SUBTOTAL	80,011	20,046	60,485	(24,570)	15,002

# Kalispell Public Schools

## Elementary Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
BALANCE FROM PREVIOUS PAGE	80,011	20,046	60,485	(24,570)	15,002
PET BANK FEES	0	7	0	31	38
SA/PET/RANS/FIN HRD	0	0	24,665	24,665	0
SA/PET/ACT/ANNUAL	162	0	69	0	93
05/FIN HARSHIP	1,051	0	0	(1,051)	0
SA/RSL/ACT/LIB/BKFR	20	0	0	0	20
SA/RSL/ACT/MUSIC	118	177	291	0	4
05/PTO-RUSSELL	7,710	0	0	(7,710)	0
05/RUSSELL PRI	1,601	0	0	(1,601)	0
05/STAFF FUND	179	0	0	(179)	0
RUS/DISTRICT TRANSFER	0	0	0	0	0
RUS BANK FEES	0	7	0	32	39
SA/RSL/TRAN/ANNUAL	0	0	11,418	11,418	0
05/YEARBOOK	876	0	0	(876)	0
SA/RKN/ACT/LIB	127	2,903	2,889	0	141
SA/RKN/ACT/MUSELEM/REC	16	306	294	0	28
SA/RKN/ACT/FIELD TRIP	0	0	(117)	0	117
RKN BANK FEE	0	7	0	32	39
07/PTO-RANKIN	580	0	0	(580)	0
SA/RKN/ACT/TOYOTA	0	0	580	580	0
BANK FEES	191	0	0	(191)	0
HEART LOCKER	200	0	200	0	0
Z-ALT ATT CTR	1,514	0	1,814	0	(300)
TOTAL	94,356	23,453	102,588	0	15,221



# Kalispell Public Schools

## Middle School Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
ACT ADM/FUNDRAISER	0	12,470	6,982	5,552	11,040
ACTIVITIES ADMN	2,534	6,665	4,601	0	4,598
AMERICA READS	2	0	0	(2)	0
ANNUAL	11,769	1,909	5,553	0	8,125
ART	1,371	2,903	2,357	0	1,917
AVALANCHE	484	0	0	0	484
BAND	4,289	11,166	5,154	0	10,301
BANK FEES	(144)	(452)	622	0	(1,218)
CHOIR	1,500	5,218	3,511	0	3,207
DC TRIP	0	21,536	20,972	0	564
DRAMA	3,248	7,107	4,187	0	6,168
FACS	7,055	10,398	11,987	0	5,466
FHS/GHS 2023	2,448	0	0	(2,448)	0
FHS/GHS 2024	1,890	0	0	(1,890)	0
FIN HARDSHIP	281	0	0	(281)	0
HEALTH ENHANCEM	1,964	12,258	11,429	0	2,793
KINTLA	547	0	0	0	547
KM/FHS/GHS 2024	0	5,573	6,212	4,381	3,742
KM/JH MEMORIAL	0	0	1,068	1,068	0
LIBRARY	1,658	2,584	2,559	0	1,683
LIFE SKILLS	1	0	1	0	0
LONDON	0	2,280	2,280	0	0
MATH COUNTS	437	832	644	0	625
MEMORIAL- J H	787	0	0	(787)	0
MY VOICE	2,065	1,209	781	0	2,493
OFFICIALS	0	0	0	0	0
ORCHESTRA	9,793	7,907	2,482	0	15,218
PRINCIPALS ACCT	5,542	0	0	(5,542)	0
PTARMIGAN	201	0	0	0	201
TECH ED	766	3,712	3,264	0	1,214
TEXTS-GENRAL	0	0	0	0	0
TEXTS-MATH	40	0	0	(40)	0
TEXTS-SOC ST	1	0	0	(1)	0
TUITION	0	13,212	8,512	0	4,700
VANDALISM	10	0	0	(10)	0
TOTAL	60,539	128,487	105,158	0	83,868

# Kalispell Public Schools

## Glacier High School Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
ACT ADMIN	25	5	0	0	30
ART ACTIVITIES	6,323	8,090	10,937	0	3,476
CHEER	0	5,720	8,602	9,150	6,268
NATL HONOR SOC	6,106	2,178	2,938	0	5,346
ALPINE SKI CLUB	1,083	0	0	0	1,083
JOURNALISM	419	0	0	0	419
LIBRARY	4,092	2,731	1,975	0	4,848
ART	6,898	8,440	3,537	0	11,801
PEP BAND	0	(35)	3,430	3,465	0
BAND	0	13,570	13,325	17,058	17,303
ORCHESTRA	0	1,994	583	3,601	5,012
CHOIR	0	12,134	7,581	13,640	18,193
SPEECH	0	6,735	6,655	11,287	11,367
DRAMA	0	10,290	6,263	4,575	8,602
STUDENT COUNCIL	6,298	2,965	3,128	0	6,135
DIST MUSIC FEST	1,695	10,000	361	0	11,334
ACT ADMIN	0	1,373	14,568	17,400	4,205
ASTRONOMY CLUB	1,732	0	0	0	1,732
OUTSIDE CLUBS/FUND-B	0	0	0	5,059	5,059
SCIENCE CLUB	0	77	10	523	590
SPANISH CLUB	538	2,936	1,879	0	1,595
YEARBOOK	(1,067)	25,975	32,876	0	(7,968)
MUN	0	0	0	0	0
SOCIAL SCIENCES	1,447	560	0	0	2,007
BPA	780	25	308	0	497
DECA	10,952	18,387	15,862	0	13,477
UPWARD BOUND	1,368	0	0	0	1,368
FCCLA-FAM CONS	0	0	0	0	0
SPEECH CLUB	0	1,828	2,133	0	(305)
GUIDANCE DEPT	0	33,767	33,767	0	0
HEALTH ENHANCE	5,647	932	916	0	5,663
HOSA/TOYOTA	0	280	280	0	0
SPEC ED BUS	0	162	0	2,652	2,814
FRENCH CLUB	563	5,249	4,285	0	1,527
MATH TECHNOLOGY	2,452	4,293	725	0	6,020
SPONSOR/DONATION	0	1,200	1,400	7,053	6,853
PRO-START	0	0	0	0	0
GSA CLUB-GHS	495	60	0	0	555
STRENGTH & COND	7,988	2,390	2,655	0	7,723
VO-TECH	0	5,281	16,444	13,845	2,682
TSA	1,405	1,951	4,797	0	(1,441)
AG ED	15	(14)	0	0	1
WOLFPACK CLUB	859	0	581	0	278
PRO-START	0	1,445	1,124	840	1,161
FROSH ACADEMY	0	0	0	0	0
FIN HARDSHIP/FUND-B	0	0	(7,457)	7,906	15,363
PROGRAM SALES	14,055	3,798	2,363	0	15,490
SUBTOTAL	82,168	196,772	198,831	118,054	198,163

# Kalispell Public Schools

## Glacier High School Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
BALANCE FROM PREVIOUS PAGE	82,168	196,772	198,831	118,054	198,163
CLOSE UP	841	0	0	0	841
CROSTOWN CRAZE	2,317	391	0	0	2,708
STUDENT STORE	38,729	92,423	91,765	0	39,387
DISTRICT TRANSFERS	0	0	426	0	(426)
TEXTBOOK FINES	0	(3)	0	8	5
TUITION	0	0	0	0	0
BOOSTER CLUB	0	67,006	1,616	0	65,390
BANK FEES	645	6,128	4,608	0	2,165
ACTIVITIES	0	26,540	10,937	77,419	93,022
BBBALL	0	2,307	12,966	11,563	904
GBBALL	0	5,434	12,977	14,178	6,635
XCOUNTRY	0	1,604	6,830	6,207	981
FOOTBALL	0	23,930	46,348	27,686	5,268
GOLF	0	1,774	7,638	6,669	805
TENNIS	0	644	4,663	7,774	3,755
WRESTLING	0	3,911	16,410	12,780	281
BTRACK	0	600	10,539	14,006	4,067
GTRACK	0	570	10,226	12,091	2,435
VOLLEYBALL	0	8,801	18,672	17,352	7,481
SOFTBALL	0	4,695	9,677	12,405	7,423
BSOC	0	1,346	9,185	8,559	720
SWIM	0	429	5,066	9,850	5,213
INTRAMURALS	0	0	0	989	989
CHEER	0	0	0	0	0
ATHLETIC TRAINING	0	0	6,130	9,655	3,525
GSOC	0	1,392	9,136	10,296	2,552
ATH REV	0	74,372	580	0	73,792
SPEC OLYMPICS	4,553	530	721	0	4,362
ATH CONTINGENCY	43,783	0	0	(43,783)	0
ATHLETIC TRAINING	3,005	0	0	(3,005)	0
ATHLETICS	101,941	0	0	(101,941)	0
BAND RENTAL	4,304	0	0	(4,304)	0
BOOK ROOM FINES	8	0	0	(8)	0
BOOSTER-GLACIER	63,000	0	0	(63,000)	0
BSTR-BAND	5,138	0	0	(5,138)	0
BSTR-BOYS TRACK	4,169	0	0	(4,169)	0
BSTR-BSOCCER	1,911	0	0	(1,911)	0
BSTR-CHEERLEAD	2,976	0	0	(2,976)	0
BSTR-CHOIR	2,124	0	0	(2,124)	0
BSTR-CROSS CTRY	1,318	0	0	(1,318)	0
BSTR-DRAMA	1,482	0	0	(1,482)	0
BSTR-FIN HRDSHP	4,757	0	0	(4,757)	0
BSTR-GIRL TRACK	2,398	0	0	(2,398)	0
BSTR-GOLF	20	0	0	(20)	0
BSTR-GSOCCER	2,395	0	0	(2,395)	0
BSTR-ORCHESTRA	1,872	0	0	(1,872)	0
SUBTOTAL	375,854	521,596	495,947	130,940	532,443

# Kalispell Public Schools

## Glacier High School Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
BALANCE FROM PREVIOUS PAGE	375,854	521,596	495,947	130,940	532,443
BSTR-OUT CLUBS	1,910	0	0	(1,910)	0
BSTR-SOFTBALL	3,373	0	0	(3,373)	0
BSTR-SPEECH	3,462	0	0	(3,462)	0
BSTR-SWIMMING	4,013	0	0	(4,013)	0
BSTR-TENNIS	2,186	0	0	(2,186)	0
BSTR-VOLLEYBALL	546	0	0	(546)	0
BSTR-WRESTLING	65	0	0	(65)	0
DRAMA CLUB	418	0	0	(418)	0
FACILITY USE	400	0	0	(400)	0
FESTIVAL CHOIR	940	0	0	(940)	0
FOOTBALL	10	0	0	(10)	0
FUND - BAND	4,167	0	0	(4,167)	0
FUND - BOYS BB	3,887	0	0	(3,887)	0
FUND - BOYS SOC	1,279	0	0	(1,279)	0
FUND - BOYS TRACK	1,304	0	0	(1,304)	0
FUND - CHEER	2,605	0	0	(2,605)	0
FUND - CHOIR	8,337	0	0	(8,337)	0
FUND - FOOTBALL	4,311	0	0	(4,311)	0
FUND - GIRLS BB	6,490	0	0	(6,490)	0
FUND - GIRLS SOC	2,547	0	0	(2,547)	0
FUND - GIRLS TRAC	1,221	0	0	(1,221)	0
FUND - GOLF	798	0	0	(798)	0
FUND - SOFTBALL	1,739	0	0	(1,739)	0
FUND - SP&DEBATE	4,278	0	0	(4,278)	0
FUND - SPEECH NFL	(884)	0	0	884	0
FUND - SWIMMING	1,924	0	0	(1,924)	0
FUND - TENNIS	1,219	0	0	(1,219)	0
FUND - VOLLEYBALL	7,152	0	0	(7,152)	0
FUND - WRESTLING	884	0	0	(884)	0
FUND - XCNTY	755	0	0	(755)	0
INTRAMURALS	589	0	0	(589)	0
JOB SKILLS	1,704	0	0	(1,704)	0
METAL SHOP	3,032	0	0	(3,032)	0
PARTICIPATION	100	0	0	(100)	0
PEP BAND	465	0	0	(465)	0
PHYSICS CLUB	2	0	0	(2)	0
POSTER ACCOUNT	7,053	0	0	(7,053)	0
PRO START	546	0	0	(546)	0
R.S.V.P.	949	0	0	(949)	0
SCIENCE CLUB	520	0	0	(520)	0
SPIRIT PACK	3,850	0	0	(3,850)	0
TOURNAMENTS	4,420	0	0	(4,420)	0
UNIFORM REPLACE	25,267	0	0	(25,267)	0
VO-TECH	10,813	0	0	(10,813)	0
WP CATERING	294	0	0	(294)	0
TOTAL	<u>506,794</u>	<u>521,596</u>	<u>495,947</u>	<u>0</u>	<u>532,443</u>

# Kalispell Public Schools

## Flathead High School Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
ACTIVITIES ADMN	0	27,086	0	0	27,086
ART ACTIVITIES	2,455	8,816	5,736	3,025	8,560
CHEER	0	11,915	10,734	1,901	3,082
NATL HONOR SOC	601	820	617	0	804
ALPINE SKI CLUB	869	639	1,170	0	338
LIBRARY	0	979	1,506	2,268	1,741
ART	3,025	12,332	10,911	(3,025)	1,421
PEP BAND	0	5	27	3,000	2,978
BAND	0	12,413	13,569	212	(944)
FUND-ORCHESTRA	493	(723)	0	0	(230)
FUND-CHOIR	9,477	57,960	49,627	1,188	18,998
SPEECH	0	16,471	11,445	9,347	14,373
DRAMA CLUB	13,666	17,747	15,296	2,277	18,394
STUDENT COUNCIL	0	5,923	6,881	2,290	1,332
DIST MUSIC FEST	11,510	1,513	10,115	0	2,908
ACT ADMIN	0	4,829	25,642	6,243	(14,570)
OUTSIDE CLUBS/FUND-B	1,288	0	0	0	1,288
SCIENCE CLUB	151	10	11,813	0	(11,652)
SPANISH CLUB	151	782	0	0	933
YEARBOOK	(481)	13,566	0	0	13,085
MOCK TRIAL	0	0	200	0	(200)
NEWSPAPER	0	478	742	0	(264)
MUN	161	515	1,740	0	(1,064)
BPA	2,469	7,629	8,625	0	1,473
DECA	(633)	21,323	40,586	0	(19,896)
FCCLA	515	735	2,140	0	(890)
SPEECH-NSDA	0	7,441	222	(7,441)	(222)
GUIDANCE DEPT	0	2,210	2,176	0	34
HEALTH ENHANCE	30	0	5,256	0	(5,226)
HOSA	185	10,311	10,902	0	(406)
ESS/FUNDRAISER	0	684	0	0	684
FRENCH CLUB	4,403	4,083	5,748	0	2,738
MATH TECHNOLOGY	2,521	814	423	0	2,912
TOYOTA	0	0	1,429	0	(1,429)
SPONSOR/POSTER	1,474	1,323	2,996	0	(199)
VO-TECH	8,779	10,726	8,769	0	10,736
VO-AG	3,017	10,643	4,386	0	9,274
BRAVES CLUB	0	514	1,665	2,150	999
PRO START	6,849	1,741	2,552	0	6,038
FROSH ACADEMY	0	0	0	0	0
FIN HARDSHIP/FUND-B	0	1,000	100	0	900
ASIAN CULTURE	1,839	720	92	0	2,467
GUJAR CLASS	130	188	385	0	(67)
BUS/INFRO MULTIMEDIA	1,105	390	0	0	1,495
SPORTS MEDICINE	0	760	467	1,342	1,635
SSRC	1,629	0	0	0	1,629
SUBTOTAL	77,678	277,311	276,690	24,777	103,076

# Kalispell Public Schools

## Flathead High School Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
BALANCE FROM PREVIOUS PAGE	77,678	277,311	276,690	24,777	103,076
IB GENERAL	2,594	31,946	30,713	0	3,827
CROSTOWN CRAZE/DONATION	0	301	0	2,279	2,580
SCIENCE TRIP	2,907	13,517	677	0	15,747
STUDENT STORE	19,553	74,025	62,996	0	30,582
TEXTBOOK FINES	0	714	0	0	714
TUITION	0	10,008	0	0	10,008
BANK FEES	(426)	3,390	3,186	0	(222)
ACTIVITIES	0	0	0	21,904	21,904
BBBALL	0	33,068	32,009	5,052	6,111
GBBALL	0	18,058	22,102	8,182	4,138
XCOUNTRY	0	12,024	13,056	4,062	3,030
FOOTBALL	0	25,206	24,064	21,422	22,564
GOLF	0	4,243	4,181	6,759	6,821
TENNIS	0	1,225	0	5,258	6,483
WRESTLING	0	10,440	20,185	9,350	(395)
BTRACK	0	2,833	1,793	6,271	7,311
GTRACK	0	10,627	6,694	5,596	9,529
VOLLEYBALL	0	16,153	21,297	9,202	4,058
SOFTBALL	0	4,117	3,884	4,580	4,813
BSOC	0	6,389	5,815	6,081	6,655
SWIM	0	6,604	4,936	3,241	4,909
INTRAMURALS	0	0	0	400	400
CHEER	0	0	0	0	0
ATHLETIC TRAINING	0	1,721	7,332	7,229	1,618
GSOC	0	12,500	9,027	3,276	6,749
ACT ADMIN/ACT TICKET	0	56,807	1,035	0	55,772
DISTRICT TRANSFER	0	0	0	274	274
AIM HIGHER	2,150	0	0	(2,150)	0
ATH CONTINGENCY	6,829	0	0	(6,829)	0
ATHLETIC TRAINING	579	0	0	(579)	0
ATHLETICS	101,941	0	0	(101,941)	0
BSTR-BOYS BB	140	0	0	(140)	0
BSTR-CHOIR 1050	1,188	0	0	(1,188)	0
BSTR-DRAMA	2,277	0	0	(2,277)	0
BSTR-G BSKTBALL	1	0	0	(1)	0
BSTR-GSOCCER	201	0	0	(201)	0
BSTR-SWIMMING	1,338	0	0	(1,338)	0
BSTR-TENNIS	315	0	0	(315)	0
BSTR-VOLLEYBALL	88	0	0	(88)	0
FEST BAND 1066	211	0	0	(211)	0
FUND-BAND	1	0	0	(1)	0
FUND-BOYS BB	562	0	0	(562)	0
FUND-BOYS SOC	3,056	0	0	(3,056)	0
FUND-BOYS TRACK	796	0	0	(796)	0
FUND-CHEER	1	0	0	(1)	0
SUBTOTAL	223,980	633,227	551,672	33,521	339,056

# Kalispell Public Schools

## Flathead High School Extracurricular Fund

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

Student Activity	Net Position July 1, 2019	Receipts	Disbursements	Transfers	Net Position June 30, 2020
BALANCE FROM PREVIOUS PAGE	223,980	633,227	551,672	33,521	339,056
FUND-FOOTBALL	1,097	0	0	(1,097)	0
FUND-GIRLS BB	3,831	0	0	(3,831)	0
FUND-GIRLS SOC	50	0	0	(50)	0
FUND-GIRLS TRAC	121	0	0	(121)	0
FUND-GOLF	2,256	0	0	(2,256)	0
FUND-SOFTBALL	30	0	0	(30)	0
FUND-SP&DEBATE	9,347	0	0	(9,347)	0
FUND-SWIMMING	153	0	0	(153)	0
FUND-TENNIS	1,943	0	0	(1,943)	0
FUND-VOLLEYBALL	2,514	0	0	(2,514)	0
FUND-XCOUNTRY	2,046	0	0	(2,046)	0
GOLF	603	0	0	(603)	0
LIBRARY FINES	978	0	0	(978)	0
NSDA	(7,441)	0	0	7,441	0
OFFICE ADMIN	1,360	0	0	(1,360)	0
PADLOCK SALES	800	0	0	(800)	0
PARKING TICKETS	5,619	0	0	(5,619)	0
RAWSON/LEGENDS	143	0	0	(143)	0
SENIOR PARTY	2,279	0	0	(2,279)	0
SKILLS USA FHS	292	0	0	(292)	0
SPORTS MEDICINE	1,050	0	0	(1,050)	0
STUDENT TREASUR	2,290	0	0	(2,290)	0
TUITION	132	0	0	(132)	0
UNIFORM REPLACE	2,275	0	0	(2,275)	0
VANDALISM	(1,537)	0	0	1,537	0
WRITING CENTER	1,290	0	0	(1,290)	0
TOTAL	<u>257,501</u>	<u>633,227</u>	<u>551,672</u>	<u>0</u>	<u>339,056</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	342	342	0
Grades 1-6	2,025	2,025	0
Grades 7-8	710	710	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	331	331	0
Grades 1-6	2,010	2,009	1
Grades 7-8	718	718	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	2,844	2,844	0
19-year olds included	0	0	0
Job Corps	4	4	0
Youth challenge	8	8	0
<b>Spring Enrollment-EI District</b>	<b>MAEFAIRS Reports</b>	<b>District Reports</b>	<b>Difference</b>
Grade 9-12	2,700	2,700	0
19-year olds included	0	0	0
Job Corps	7	7	0
Youth challenge	6	6	0
Early Graduates	84	84	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

## **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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2021, 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, 2020.

### **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 2020-001 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003.

## **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's 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  
January 28, 2021

## **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, 2020. 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; 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, 2020.

## 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  
January 28, 2021

# 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	High school miscellaneous fund
	Unmodified	High school debt service fund
	Unmodified	High school building fund
	Unmodified	High school interlocal fund
	Unmodified	Aggregate remaining fund information

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?   X   Yes        No

#### Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
84.010	Title I Grants to Local Education Agencies
84.367	Supporting Effective Instruction

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?        Yes   X   No

# Kalispell Public Schools

## Schedule of Findings and Questioned Costs (Continued)

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### Section II - Financial Statement Findings

#### 2020-001      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, 2020.

**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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### 2020-002      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, 2020, the District had overspent the elementary retirement fund budget by \$202,791.

**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.

### 2020-003      Enrollment

**Criteria or Specific Requirement:** Student enrollment counts are required to be taken in October and February of each fiscal year and reported to the Montana Office of Public Instruction. In addition, the 10-day rule must be followed in regards to using a student in the enrollment counts.

**Condition:** Our testing of enrollment for the District revealed an exception. There was one student that was included in the spring count that should not have been counted. The effect was to overstate spring enrollment by one student.

**Context:** We reviewed District enrollment counts on count days to ensure the 10-day rule was followed. District counts were then compared to counts reported to the Montana Office of Public Instruction.

**Effect:** The District has received enrollment-based funding it was not entitled to.

**Cause:** The District's final enrollment count records were not agreed to the final submission to the Montana Office of Public Instruction.

**Auditor's Recommendation:** The District should have a control in place for the enrollment records to be reviewed to ensure all students are being properly included or excluded from the count and that the final submission agrees to these records.

**View of Responsible Official:** The District has an enrollment of approximately 6,000 students and this variance is less than 1/100th of 1 percent. The district uses the PowerSchool student enrollment system to track students. We continue to strive to accurately count and report students.



# **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 2019-001 - Implemented**

**Finding 2019-002 - Implemented**

**Finding 2019-003 - Not Implemented**

Restated as 2020-002