

Kalispell Public Schools

Independent Auditor's Report and Financial Statements

Year Ended June 30, 2019

WIPFLI^{LLP}
CPAs and Consultants

TABLE OF CONTENTS

KALISPELL PUBLIC SCHOOLS

June 30, 2019

Organization Board of Trustees and Officials.....	i
Management’s Discussion and Analysis.....	1
Independent Auditor’s Report	9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds to the Government-Wide Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Government-Wide Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	20
Statement Cash Flows – Proprietary Funds	21
Statement of Fiduciary Net Position and Changes in Fiduciary Net Position.....	22
Notes to Financial Statements	23
Required Supplemental Information	
Budgetary Comparison Schedule	74
Notes to Budgetary Comparison Schedule	75
Schedule of Proportionate Share of the Net Pension Liability - Teachers Retirement System of Montana	78
Schedule of Contributions - Teachers Retirement System of Montana.....	79

TABLE OF CONTENTS

Notes to Required Supplementary Information - Teachers Retirement System of Montana	80
Schedule of Proportionate Share of the Net Pension Liability - Montana Public Employees Retirement System	85
Schedule of Contributions - Montana Public Employees Retirement System	86
Notes to Required Supplementary Information – Montana Public Employees Retirement System	87
Schedule of Changes in Total Liability and Related Ratios – Other Postemployment Benefits	89
Supplemental Information	
Schedule of Expenditures of Federal Awards.....	90
Notes To Schedule of Expenditures of Federal Awards	92
Elementary Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position	93
Middle School Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position.....	96
Glacier High School Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position.....	98
Flathead High School Extracurricular Fund - Schedule of Cash Receipts, Disbursements and Changes in Net Position.....	103
Schedule of Reported Enrollment	108
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	110
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	112
Schedule of Findings and Questioned Costs	114

ORGANIZATION BOARD OF TRUSTEES AND OFFICIALS

June 30, 2019

BOARD OF TRUSTEES

Isaak Lance
Jack Fallon
Bette Albright
Anna Marie Bailey
Jon Endresen
Mark Kornick
Mike Merchant
Frank Miller
Diane Morton Stout
Mark Twichel
Amy Waller

Chairman
Vice Chairman
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee

OFFICIALS

Mark Flatau
Gwyn Andersen
Travis Ahner
Jack Eggensperger
Adele Krantz

District Superintendent
Director of Business Services
County Attorney
County Superintendent of Schools
County Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

In conjunction with the audited financial statements for the fiscal year ending June 30, 2019 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, 2019. 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 \$20,718,813 due to the sale of additional bonds in the previous year and the ensuing construction expenditures. The district's taxes receivable balance increased slightly over the prior year and is currently \$1,138,086. The annual property tax collection was \$24,732,258 and the receivable balance is 4.6% of the annual collection, which is a very low percentage of delinquent taxes.

Total assets of \$142,678,449 reflects and an increase of \$5,351,534 which is all capital assets.

Total revenues increased by \$548,980 and expenditures increased by \$786,994. Operating grant revenues decreased by \$238,878. The district continually seeks additional funding through grant opportunities. Our total revenue of \$81,379,449 exceeded total expenditures of \$75,400,714 by \$5,978,735.

Our enrollment averaged out at 5,927 students which is an increase of 31 students, making our average general fund per pupil expenditure \$12,722.

The district operates a partially self-insured health insurance plan. Over the past year the district has developed easily understood financial statements which have been verified through a very rigorous process, so we believe we are in a very good place with the financial reporting of the self-insured health insurance plan. The plan continues to operate in the negative and required a short-term loan from the district in the amount of \$512,148.30. Additional changes to the plan are in place to ensure the financial stability of the health insurance plan.

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds

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

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

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

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

Proprietary Funds

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

Reporting the District's Trust and Fiduciary Responsibilities

The district is the trustee, or fiduciary, for endowments and the student extracurricular fund. 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

An unanticipated enrollment increase in the elementary school did require the adoption of a budget amendment in the amount of \$49,195.24. The budgetary comparison schedules 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:

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE DISTRICT AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. In the District, assets exceeded liabilities by \$4,863,848 as of June 30, 2018.

Table 1 - Net Position

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change Inc (Dec)</u>
Net Position:			
Current assets	32,008,085	52,882,609	(20,874,524)
Capital assets -net	110,670,364	84,444,306	26,226,058
Total Assets	<u>142,678,449</u>	<u>137,326,915</u>	<u>5,351,534</u>
Deferred outflow of resources	<u>9,492,181</u>	<u>6,990,660</u>	<u>2,501,521</u>
Current liabilities	8,722,711	8,956,878	(234,167)
Non-current liabilities	125,378,339	123,506,189	1,872,150
Total liabilities	<u>134,101,050</u>	<u>132,463,067</u>	<u>1,637,983</u>
Deferred inflow of resources	<u>2,182,764</u>	<u>942,198</u>	<u>1,240,566</u>
Net position:			
Net investment in capital assets	32,349,585	5,354,365	26,995,220
Restricted	25,095,298	46,209,961	(21,114,663)
Unrestricted	(41,558,067)	(40,652,016)	(906,051)
Total net position	<u>15,886,816</u>	<u>10,912,310</u>	<u>4,974,506</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2 - Changes in Net Position

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change Inc (Dec)</u>
Program Revenue			
Charges for Services	8,300,140	8,500,948	(200,808)
Operating Grants	7,883,598	8,122,476	(238,878)
Total program revenue	<u>16,183,738</u>	<u>16,623,424</u>	<u>(439,686)</u>
General Revenue			
Property taxes levied for general purpose	24,732,258	25,153,693	(421,435)
County retirement distribution	6,089,682	6,133,437	(43,755)
State aid	32,843,061	31,581,135	1,261,926
Interest	713,179	788,157	(74,978)
Other	814,588	471,244	343,344
Special Items			0
Insurance Proceeds	0	79,379	(79,379)
Proceeds from sale of assets	2,943	0	2,943
Total general revenue	<u>65,195,711</u>	<u>64,207,045</u>	<u>988,666</u>
Total revenue	<u>81,379,449</u>	<u>80,830,469</u>	<u>548,980</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change Inc (Dec)</u>
Primary Government			
Instruction:			
Regular programs	31,779,258	29,894,089	1,885,169
Special programs	2,530,236	2,607,655	(77,419)
Vocational programs	2,965,400	2,811,866	153,534
Adult education	3,255	4,202	(947)
Traffic education	172,406	156,835	15,571
Supporting Services	13,678,172	14,707,683	(1,029,511)
Operations & maintenance	4,737,827	4,843,249	(105,422)
Student transportation	3,482,455	3,395,173	87,282
Food services	2,271,854	2,164,023	107,831
Extracurricular	1,260,390	1,260,691	(301)
Interest on long-term debt	2,345,673	2,790,928	(445,255)
Debt issuance costs	94,955	26,595	68,360
Unallocated depreciation	2,287,595	2,192,227	95,368
Enterprise services	7,791,238	7,758,504	32,734
Total expenses	<u>75,400,714</u>	<u>74,613,720</u>	<u>786,994</u>
Change in net position	<u><u>5,978,735</u></u>	<u><u>6,216,749</u></u>	<u><u>(238,014)</u></u>

THE DISTRICT AS A WHOLE – GOVERNMENTAL ACTIVITIES

The district's total governmental activities revenue for the fiscal year ended June 30, 2019 were \$62.9 million and the total cost of all programs and services was \$96.5 million. The excess of expenditures over revenues was construction costs.

District taxpayers contributed just under \$25 million of the \$62.9 million in revenues. The remainder was financed through grants and entitlements, charges for services, operating grants and contributions, and interest earnings.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019, the District has invested \$110.6 million in capital assets including land, buildings, construction in progress, and machinery and equipment. This represents a net increase of \$26,226,058 in this past year. Total accumulated depreciation expense increased by \$2,003,619.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2019 and June 30, 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Capital Assets not being depreciated		
Land	1,734,361	1,510,899
Construction in Progress	50,576,009	23,482,040
Other Capital Assets:		
Buildings	80,551,454	80,539,028
Land Improvements	4,019,603	3,999,562
Machinery and Equipment	7,987,578	7,107,799
Total other Capital Assets at historical cost	<u>144,869,005</u>	<u>116,639,328</u>
Less Accumulated Depreciation	<u>(34,198,641)</u>	<u>(32,195,022)</u>
Total	<u><u>110,670,364</u></u>	<u><u>84,444,306</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Administration

At June 30, 2019, the District had \$71,543,000 in general obligation bonds outstanding, of which \$4,232,000 is due within one year. A summary of the District's outstanding long-term debt for the year ended June 30, 2019 and June 30, 2018 is presented below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General Obligation Bonds	71,543,300	72,565,000
QZAB Bond Outstanding	2,207,028	2,207,028
Compensated Absences	3,710,275	3,882,096
Retirement Liability	538,710	641,793
Net Pension Liability	48,188,876	45,666,136

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 2019 and some growth occurred at the high school level. Kalispell Public Schools opened a Rankin Elementary School in the Fall of 2018. Some minor remodeling and three new gymnasiums were begun in the summer of 2019. The high school district continued with the construction of an additional gymnasium and additional classroom space along with addressing a variety of deferred maintenance items at Flathead High School. The high school district also began remodels, additions and deferred maintenance at the Linderman Education Center and the Agriculture Education Center along with minimal deferred maintenance at Glacier High School. The elementary district purchased additional land north of Kalispell for a future elementary school.

No Elementary levies were run. The Elementary Technology Levy of 11.3 mills, which raises approximately \$600,000 annually was in the fifth 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. The High School General Fund Levy attempt for \$1.2 million was not successful.

Contact for Additional Information

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

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Director of Business Services
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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 Kalispell Public Schools (the "District"), as of and for the year ended June 30, 2019, 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kalispell Public Schools as of June 30, 2019, and respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note B to the financial statements, in 2019 the District implemented new accounting guidance, GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, schedules of proportionate share of the net pension liability, schedules of contributions, and schedule of changes in total liability and related ratios – other postemployment benefits 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 schedules of extracurricular funds 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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The schedule of reported enrollment, schedules of extracurricular funds 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, schedules of extracurricular funds, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wipfli LLP

A handwritten signature in cursive script that reads "Wipfli LLP".

Billings, Montana
March 25, 2020

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

STATEMENT OF NET POSITION

June 30, 2019

ASSETS:

Cash and equivalents	28,349,754
Restricted cash	886,275
Taxes receivable	1,138,086
Accounts receivable	191,081
Due from other governments	1,285,354
Due from fiduciary fund	22,627
Other assets	23,627
Deposits	107,969
Prepaid expenses	3,312
	<hr/>
	32,008,085
	<hr/>
Capital assets:	
Land	1,734,361
Construction in progress	50,576,009
Other capital assets, net of depreciation	58,359,994
	<hr/>
Total capital assets	110,670,364
	<hr/>
Total assets	142,678,449
	<hr/>

DEFERRED OUTFLOWS OF RESOURCES:

Changes of assumptions and other inputs - OPEB	148,820
Pension contributions and related differences and changes	9,343,361
	<hr/>
Total deferred outflows of resources	9,492,181
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The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION - CONTINUED

June 30, 2019

LIABILITIES:

Accounts payable	2,170,383
Advances from grantors	64,478
Claims payable	602,000
Long-term liabilities:	
Due within one year:	
Bonds payable	5,218,000
Compensated absences	667,850
Due in more than one year:	
Bonds payable, plus unamortized bond premium	70,895,751
Note payable	2,207,028
Compensated absences	3,042,425
Net pension liability	48,188,876
Retiree liability	538,710
Other postemployment benefits	505,549
Total liabilities	<u>134,101,050</u>

DEFERRED INFLOWS OF RESOURCES:

Differences between expected and actual experience - OPEB	430,593
Pension related differences and changes	<u>1,752,171</u>
Total deferred inflows of resources	<u>2,182,764</u>

NET POSITION:

Net investment in capital assets	32,349,585
Restricted for:	
Other fund activities	14,200,431
Debt Service	360,018
Capital Projects	10,534,849
Unrestricted deficit	<u>(41,558,067)</u>
Total net position (deficit)	<u>15,886,816</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Expenses	Program Revenue		Net (Expense) Revenue
		Charges for Services	Operating Grants	
Primary government				
Instruction:				
Regular programs	31,779,258	67,851	3,068,881	(28,642,526)
Special programs	2,530,236	0	2,629,491	99,255
Vocational programs	2,965,400	0	182,428	(2,782,972)
Adult education	3,255	1,070	0	(2,185)
Traffic education	172,406	140,400	52,993	20,987
Supporting Services	13,678,172	0	0	(13,678,172)
Operations & maintenance	4,737,827	0	0	(4,737,827)
Student transportation	3,482,455	22,728	591,912	(2,867,815)
Food services	2,271,854	656,373	1,357,893	(257,588)
Extracurricular	1,260,390	0	0	(1,260,390)
Interest on long-term debt	2,345,673	0	0	(2,345,673)
Debt issuance costs	94,955	0	0	(94,955)
Unallocated depreciation	2,287,595	0	0	(2,287,595)
Enterprise services	7,791,238	7,411,718	0	(379,520)
Total governmental activities	<u>75,400,714</u>	<u>8,300,140</u>	<u>7,883,598</u>	<u>(59,216,976)</u>
General revenues:				
Property taxes, levied for general purposes				24,732,258
County retirement distribution				6,089,682
State aid				32,843,061
Interest				713,179
Other				814,588
Special items:				
Proceeds from sale of assets				2,943
Total general revenues				<u>65,195,711</u>
Change in net position				5,978,735
Net position - beginning				10,912,310
Prior period adjustment				<u>(1,004,229)</u>
Net position (deficit) - beginning as restated				<u>9,908,081</u>
Net position (deficit) - ending				<u><u>15,886,816</u></u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Elementary Building Fund	High School Building Fund	High School Interlocal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	4,183,538	664,664	10,323,655	3,893,395	9,284,502	28,349,754
Resticted cash	886,275	0	0	0	0	886,275
Taxes receivable, net	522,511	0	0	0	615,575	1,138,086
Due from other funds	0	0	0	1,237,148	22,627	1,259,775
Due from other governments	0	0	0	0	1,285,354	1,285,354
Other assets	20,388	0	0	0	3,239	23,627
Total assets	<u>5,612,712</u>	<u>664,664</u>	<u>10,323,655</u>	<u>5,130,543</u>	<u>11,211,297</u>	<u>32,942,871</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	0	389,858	1,780,525	0	0	2,170,383
Advance from grantors	0	0	0	0	64,478	64,478
Total liabilities	<u>0</u>	<u>389,858</u>	<u>1,780,525</u>	<u>0</u>	<u>64,478</u>	<u>2,234,861</u>
Deferred inflows of resources:						
Unavailable tax revenues	79,399	0	0	0	84,901	164,300
Total deferred inflows of resources	<u>79,399</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>84,901</u>	<u>164,300</u>
Fund balances:						
Restricted for:						
Other fund activities	0	0	0	5,130,543	9,039,013	14,169,556
Debt service funds	886,275	0	0	0	310,029	1,196,304
Capital projects	0	274,806	8,543,130	0	1,712,876	10,530,812
Unassigned	4,647,038	0	0	0	0	4,647,038
Total fund balances	<u>5,533,313</u>	<u>274,806</u>	<u>8,543,130</u>	<u>5,130,543</u>	<u>11,061,918</u>	<u>30,543,710</u>
Total liabilities, deferred inflows of resources and fund balances	<u>5,612,712</u>	<u>664,664</u>	<u>10,323,655</u>	<u>5,130,543</u>	<u>11,211,297</u>	<u>32,942,871</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2019

Total fund balance, governmental funds	30,543,710
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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.	110,670,364
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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.	164,300
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities are included in the governmental activities in the statement of net position.	(1,536,786)
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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	7,309,417
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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.	(131,264,189)
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Net position of governmental activities in the statement of net position	<u>15,886,816</u>
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The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

	General Fund	Elementary Building Fund	High School Building Fund	High School Interlocal Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes for general purposes	11,243,003	0	0	0	13,428,866	24,671,869
Tuition	66,018	0	0	0	143,303	209,321
Intergovernmental:						
County	0	0	0	0	6,405,136	6,405,136
State	30,380,279	0	0	0	2,233,023	32,613,302
Federal	0	0	0	0	5,850,468	5,850,468
Interest on investments	90,165	67,505	320,713	60,534	174,262	713,179
Student transportation	0	0	0	0	22,728	22,728
Food services	0	0	0	0	656,373	656,373
Other	0	106,291	37,990	0	670,307	814,588
Total revenues	<u>41,779,465</u>	<u>173,796</u>	<u>358,703</u>	<u>60,534</u>	<u>29,584,466</u>	<u>71,956,964</u>
EXPENDITURES						
Current:						
Instruction	26,089,769	300	0	270,020	8,566,610	34,926,699
Supporting services	8,611,200	0	20,331	120,697	5,014,164	13,766,392
Operations and maintenance	4,345,342	25,595	69,730	8,699	288,461	4,737,827
Student transportation	411,019	0	0	0	3,071,436	3,482,455
Food services	0	0	0	0	2,271,854	2,271,854
Extracurricular	1,093,721	0	22	23,200	143,447	1,260,390
Capital outlay	61,942	11,504,359	15,363,905	232,647	1,350,800	28,513,653
Debt service	0	4,950	4,950	0	7,627,481	7,637,381
Total expenditures	<u>40,612,993</u>	<u>11,535,204</u>	<u>15,458,938</u>	<u>655,263</u>	<u>28,334,253</u>	<u>96,596,651</u>
Excess (deficiency) of revenues over expenditures	1,166,472	(11,361,408)	(15,100,235)	(594,729)	1,250,213	(24,639,687)
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt, net	0	1,917,000	2,136,000	0	0	4,053,000
Premium on long-term debt issuance	0	205,511	169,080	0	0	374,591
Proceeds from sale of capital assets	0	0	0	0	2,943	2,943
Transfers in	0	8,477	17,637	1,224,567	33	1,250,714
Transfers out	(229,911)	0	0	0	(1,020,803)	(1,250,714)
Total other financing sources and uses	<u>(229,911)</u>	<u>2,130,988</u>	<u>2,322,717</u>	<u>1,224,567</u>	<u>(1,017,827)</u>	<u>4,430,534</u>
Net change in fund balances	936,561	(9,230,420)	(12,777,518)	629,838	232,386	(20,209,153)
Fund balances - beginning	4,596,752	9,505,226	21,320,648	4,500,705	10,829,532	50,752,863
Fund balances - ending	<u>5,533,313</u>	<u>274,806</u>	<u>8,543,130</u>	<u>5,130,543</u>	<u>11,061,918</u>	<u>30,543,710</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

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, 2019

Net change in fund balances - total governmental funds: (20,209,153)

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. (2,287,595)

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. (379,520)

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. 60,389

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	121,753
Compensated absences expense	171,821
Retirement liability	103,083
Other postemployment benefits	28,432
Other postemployment benefits - changes of assumptions and other inputs	188,475
Pension expense, net of state on-behalf revenue	(980,012)

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. (4,427,591)

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	28,513,653
Principal payments on debt	5,075,000
Change in net position of governmental activities	<u>5,978,735</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

For the Year Ended June 30, 2019

	Governmental Activities Internal Service Funds
ASSETS	
Accounts receivable	191,081
Deposits	107,969
Prepaid expenses	3,312
Total assets	<u>302,362</u>
LIABILITIES	
Claims payable	602,000
Due to other funds	1,237,148
	<u>1,839,148</u>
NET POSITION	
Unrestricted	<u>(1,536,786)</u>
Total net position	<u><u>(1,536,786)</u></u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS

For the Year Ended June 30, 2019

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
OPERATING REVENUE	
Charges for services	7,191,011
Miscellaneous revenues	<u>220,707</u>
Total operating revenues	<u>7,411,718</u>
OPERATING EXPENSES	
Personal services	35,478
Supplies	27,940
Contractual services	6,649,811
Other expenses	<u>1,078,009</u>
Total operating expenditures	<u>7,791,238</u>
Operating loss	<u>(379,520)</u>
Net position - beginning	<u>(1,157,266)</u>
Net position - ending	<u><u>(1,536,786)</u></u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2019

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATIONS	
Cash received from providing services	7,471,774
Cash paid for:	
Payment of claims	(6,674,811)
Payment to suppliers	(1,109,261)
Payment to employees	(35,478)
Net cash provided by operating activities	<u>(347,776)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from interfund loan	<u>347,776</u>
Net cash provided by noncapital financing activities	<u>347,776</u>
Net increase in cash	0
Cash balance July 1, 2018	<u>0</u>
Cash balance June 30, 2019	<u><u>0</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	(379,520)
Adjustments to reconcile operating loss to net cash used by operating activities	
Decrease (increase) in accounts receivable	(59,227)
Decrease (increase) in deposits	119,283
Decrease (increase) in prepaid expenses	(3,312)
Increase (decrease) in claims payable	(25,000)
Net cash proved by operating activities	<u>(347,776)</u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2019

	PRIVATE PURPOSE TRUST	AGENCY FUNDS
	<u> </u>	<u> </u>
FIDUCIARY NET POSITION		
Assets:		
Cash	1,515,258	2,322,224
Deposit	23,061	0
Total assets	<u>1,538,319</u>	<u>2,322,224</u>
Liabilities:		
Other current liabilities	0	2,322,224
Due to other funds	22,627	0
Total liabilities	<u>22,627</u>	<u>2,322,224</u>
Net Position:		
Held in trust for student activities	919,190	0
Reserved for scholarships	596,502	0
Total net position	<u>1,515,692</u>	<u>0</u>
Net liabilities and net position	<u>1,538,319</u>	<u>2,322,224</u>
CHANGES IN FIDUCIARY NET POSITION		
Additions		
Revenue from student activities	2,217,331	
Interest	10,995	
Contributions	15,637	
Total additions	<u>2,243,963</u>	
Deductions		
Expenses for student activities	2,235,792	
Scholarships	56,300	
Total deductions	<u>2,292,092</u>	
Change in net position held in trust	(48,129)	
Net position, beginning	<u>1,563,821</u>	
Net position, ending	<u>1,515,692</u>	

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Note A Description of the School District and Reporting Entity

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Note B New Accounting Pronouncements

The District adopted the provisions of Governmental Accounting Standards Board Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The objective of this statement is to improve the usefulness of information about other postemployment benefits included in the financial reports of state and local governments for making decisions and assessing accountability. The implementation of these statements required a restatement of beginning net position as described more fully in Note Q.

Note C 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:

1. Basis of Presentation

a. 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. The extracurricular fund, which accounts for the extracurricular activities of the District's students and the scholarship fund are reported as private purpose trust funds in the statement of fiduciary net position and changes in fiduciary net position.

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

b. 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.

2. Governmental Funds

The District reports the following major governmental funds:

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

Elementary Building Fund – Authorized by Section 20-9-508, MCA, to account for the proceeds of bonds sold for the purposes provided in Section 201-9-403, 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.

High School Building Fund – Authorized by Section 20-9-508, MCA, to account for the proceeds of bonds sold for the purposes provided in Section 201-9-403, 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.

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

3. Proprietary Fund

The District maintains one type of proprietary funds. 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.

4. 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.

5. Basis of Accounting and Measurement Focus

a. Government-Wide Financial Statements

The government-wide financial 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

b. Fund Financial Statements

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

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

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

6. Cash and Investments

Cash resources of the District for all funds other than extracurricular, scholarship, self-insurance and QZAB bond sinking 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 and are carried at cost which approximates fair value. 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 is distributed to the appropriate fund utilizing a formula based on the respective fund's previous month's ending balance of cash and cash equivalents.

The District's carrying amount of cash and cash equivalents held in banks was \$1,545,935 as of June 30, 2019. These amounts are held in demand deposit accounts, a repurchase investment account and CDARS. The bank balance is insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC), the remainder is collateralized.

At June 30, 2019 the elementary and middle school extracurricular fund cash of \$95,431 and \$103,691 is held at Valley Bank of Kalispell, the Flathead high school extracurricular fund cash of \$287,311 is held at Glacier State Bank and the Glacier high school extracurricular fund cash of \$538,800 is held at Three Rivers Bank of Montana. The accounts are insured by the FDIC up to \$250,000, the remainder is collateralized at respective financial institutions.

7. 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.

8. Capital Assets

Capital assets, including land, buildings, improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Buildings, improvements, and equipment are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	30-60 Years
Buildings and improvements	30-60 Years
Machinery and equipment	5-60 Years

9. 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.

10. 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

11. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow 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.

12. Deferred Inflows of Resources

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.

13. 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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

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

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

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

Unassigned – The residual classification for the government’s general fund that includes all amounts that are not contained in the other classifications.

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, 2019, there were no encumbrances.

14. Net Position

Net position represents the residual of assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets represent 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

15. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

16. Date of Management Review

Management has evaluated the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2019. Management has performed this evaluation through March 25, 2020, the date the financial statements were available to be issued, and determined that no subsequent events requiring adjustment or disclosure have occurred.

Note D Property Taxes

Property taxes are collected by Flathead County who remits to the District their respective share of the collections. The 2018 property tax levy, which was perfected and became a receivable in October 2018, was levied to finance District operations during the year ended June 30, 2019. The tax levy was collectible in November 2018 and May 2019. As of May 31, 2019 uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Flathead County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Flathead County.

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Note E Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
CAPITAL ASSETS BEING DEPRECIATED AT COST:				
Land improvements	3,999,562	20,041	0	4,019,603
Buildings and improvements	80,539,028	12,426	0	80,551,454
Machinery and equipment	7,107,799	1,163,755	283,976	7,987,578
	<u>91,646,389</u>	<u>1,196,222</u>	<u>283,976</u>	<u>92,558,635</u>
OTHER CAPITAL ASSETS:				
Construction in process	23,482,040	27,093,969	0	50,576,009
Land	1,510,899	223,462	0	1,734,361
	<u>24,992,939</u>	<u>27,317,431</u>	<u>0</u>	<u>52,310,370</u>
Total	<u>116,639,328</u>	<u>28,513,653</u>	<u>283,976</u>	<u>144,869,005</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land improvements	2,257,040	124,595	0	2,381,635
Buildings and improvements	24,987,170	1,560,376	0	26,547,546
Machinery and equipment	4,950,812	602,624	283,976	5,269,460
Total accumulated depreciation	<u>32,195,022</u>	<u>2,287,595</u>	<u>283,976</u>	<u>34,198,641</u>
Total	<u>84,444,306</u>			<u>110,670,364</u>

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

Unallocated depreciation	<u>2,287,595</u>
Total depreciation expense	<u>2,287,595</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Note F Long-Term Debt

The summary of activity in bonds payable including current maturities is as follows:

	<u>Bonds Payable</u> July 1, 2018	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Bonds Payable</u> June 30, 2019
General Obligation Bonds:				
2013 elementary series; 2.0% to 2.5% variable interest rate; final maturity July 1, 2025	6,675,000	0	995,000	5,680,000
2013 high school series; 0.7% to 3.0% variable interest rate; final maturity July 1, 2025	8,835,000	0	35,000	8,800,000
2016 high school refunding series; 1.44% interest rate; final maturity July 1, 2025	8,470,000	0	2,295,000	6,175,000
2016 elementary series; 4.02% interest rate; final maturity July 1, 2037	22,710,000	0	815,000	21,895,000
2016 high school series; 2.25% to 5.0% variable interest rate; final maturity July 1, 2037	25,875,000	0	935,000	24,940,000
2018 elementary series; 3.0% to 5.0% variable interest rate; final maturity July 1, 2039	0	1,917,000	0	1,917,000
2018 high school series; 3.0% to 5.0% variable interest rate; final maturity July 1, 2039	0	2,136,000	0	2,136,000
Total	<u>72,565,000</u>	<u>4,053,000</u>	<u>5,075,000</u>	<u>71,543,000</u>
Unamortized bond premium				4,570,751
Total bond payable plus unamortized bond premium				<u>76,113,751</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

At June 30, 2019 the annual cash flow requirements for retirement of bond principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	5,218,000	2,638,424	7,856,424
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
2025-2029	16,400,000	7,084,521	23,484,521
2030-2034	15,760,000	4,208,573	19,968,573
2035-2039	11,680,000	941,787	12,621,787
Total	<u>71,543,000</u>	<u>23,492,096</u>	<u>95,035,096</u>

In 2017, 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, 2019 the annual amortization was \$121,753.

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, 2019 the annual amortization was \$0.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

At June 30, 2019 the annual amortization requirements for recognition of bond premiums are as follows:

<u>Year Ending June</u>	<u>Premium Amortization</u>
2020	120,102
2021	177,407
2022	172,612
2023	218,991
2024	312,801
2025-2029	1,392,195
2030-2034	1,294,902
2035-2039	881,741
Total	<u><u>4,570,751</u></u>

On October 24, 2013, the qualified electors of the Kalispell School 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

<u>Year Ending June</u>	<u>Sinking Fund Payments</u>
2020	147,135
2021	147,135
2022	147,135
2023	147,135
2024	147,135
2025-2029	<u>585,258</u>
Total	<u><u>1,320,933</u></u>

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, 2019 the account balance of the sinking fund was \$886,275.

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").

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

As of June 30, 2019 the statutory debt limit for the District was as follows:

	<u>Elementary</u>	<u>High School</u>
Statutory debt limit	115,877,200	265,045,210
Outstanding debt	<u>29,492,000</u>	<u>42,051,000</u>
Remaining debt capacity	<u><u>86,385,200</u></u>	<u><u>222,994,210</u></u>

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2019:

	<u>July 1, 2018</u>	<u>Restatement</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Compensated absences payable	3,882,096	0	0	171,821	3,710,275	667,850	3,042,425
Qualified zone academy bonds	2,207,028	0	0	0	2,207,028	0	2,207,028
Bonds payable	72,565,000	0	4,053,000	5,075,000	71,543,000	5,218,000	66,325,000
Net pension liability	45,666,136	0	2,522,740	0	48,188,876	0	48,188,876
Retirement liability	641,793	0	0	103,083	538,710	0	538,710
Other postemployment benefits	0	533,981	0	28,432	505,549	0	505,549
Total	<u><u>124,962,053</u></u>	<u><u>533,981</u></u>	<u><u>6,575,740</u></u>	<u><u>5,378,336</u></u>	<u><u>126,693,438</u></u>	<u><u>5,885,850</u></u>	<u><u>120,807,588</u></u>

Payments on bonds payable are made by the debt service funds. The compensated absences liability will be liquidated by the general, and compensated absences funds.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Note G Employee Benefit Pension Plans

1 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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).
- 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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

School District and Other Employers

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

State and University Employers

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

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>.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

f. Actuarial Assumptions

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

- Total wage increase* 3.25%-7.76% for non-University members and 4.25% for University members
- Investment return 7.50%
- Price inflation 2.5%
- 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 1st.
 - 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.
- 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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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%	6.68%	2.34%
International Equity	18.00%	6.98%	1.26%
Private Equity	10.00%	10.15%	1.02%
Natural Resources	3.00%	4.09%	0.12%
Core Real-Estate	7.00%	5.38%	0.38%
TIPS	3.00%	1.78%	0.05%
Intermediate Duration Bonds	19.00%	2.15%	0.41%
High Yield Bonds	3.00%	4.36%	0.13%
Cash	2.00%	0.81%	0.02%
	100.00%		5.73%
		Inflation	2.50%
		Expected arithmetic nominal return	8.23%

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. Our recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

i. Sensitivity Analysis

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
The District's proportionate share of net pension liability	57,447,083	41,778,775	28,655,319

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

j. Pension Expense

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, 2019 and June 30, 2018 (reporting dates).

As of measurement date	Net Pension Liability as of 6/30/2019	Net Pension Liability as of 6/30/2018	Percent of Collective NPL 6/30/2019	Percent of Collective NPL 6/30/2018	Change in Percent of Collective NPL
The District's proportionate share	41,778,775	37,804,696	2.2509%	2.2422%	0.0087%
State of Montana's proportionate share associated with the District	25,949,411	23,996,858	1.3981%	1.4232%	-0.0251%
Total	67,728,186	61,801,554	3.6490%	3.6654%	-0.0164%

At June 30, 2019, the District recorded a liability of \$41,778,775 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2019, the District's proportion was 2.2509 percent.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Changes in actuarial assumptions and other inputs: As a result of the recent actuarial experience study, dated May 3, 2018 the following changes to the actuarial assumptions were made since the previous measurement date:

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

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

k. Pension Expense

As of measurement date	<u>Pension Expense as of 6/30/2019</u>
The District's proportionate share	4,078,094
State of Montana's proportionate share associated with the District	<u>1,788,955</u>
Total	<u><u>5,867,049</u></u>

At June 30, 2019, the District recognized pension expense of \$5,867,049 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$1,788,955 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, 2019, District reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	298,145	26,070
Changes in actuarial assumptions	3,405,628	61,848
Difference between projected and actual investment earnings	0	377,121
Changes in proportion & differences between actual and expected contributions	1,035,019	28,988
*Contributions paid to TRS subsequent to the measurement date - FY 2019 contributions	3,097,289	0
Total	<u>7,836,081</u>	<u>494,027</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

*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, 2020.

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:	Deferred Outflows of Resources (a)	Deferred Inflow of Resources (b)	Amount recognized in Pension Expense as an increase or (decrease) in Pension Expense (a-b)
2020	2,918,886	98,459	2,820,427
2021	1,507,254	10,541	1,496,713
2022	994,403	872,266	122,137
2023	0	194,511	(194,511)
2024	0	0	0
Thereafter	0	0	0

2 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).

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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 .77% effective July 1, 2017).
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

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

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

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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

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

- 1) Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rate.
- 2) Employer contribution to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% per year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contribution rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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 \$33,454,182.

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, 2018, was determined by taking the results of the June 30, 2017, 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, 2018, and 2017, 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 \$6,410,101 and the employer's proportionate share was 0.3071 percent.

As of measurement date	Net Pension Liability as of 6/30/2018	Net Pension Liability as of 6/30/2017	Percent of Collective NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2017	Change in Percent of Collective NPL
The District's proportionate share	6,410,101	7,861,440	0.3071%	0.4036%	-0.0965%
State of Montana proportionate share associated with District	2,374,626	384,185	0.4566%	1.9580%	-1.5014%
Total	<u>8,784,727</u>	<u>8,245,625</u>	<u>0.7637%</u>	<u>2.3616%</u>	<u>-1.5979%</u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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.

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, 2018, the employer recognized \$438,669 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$158,480 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$0 from the State Statutory Appropriation from the general fund.

As of measurement date	Pension Expense as of 6/30/2019
The District's proportionate share	<u>438,669</u>
The District grant revenue - state of Montana proportionate share for the District	158,480
The District grant revenue - state of Montana	<u>0</u>
Total	<u><u>597,149</u></u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Recognition of Deferred Inflows and Outflows: At June 30, 2018, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. actual experience	487,445	0
Projected investment earnings vs actual investment earnings	0	99,549
Changes in assumptions	545,083	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	1,158,595
District contributions subsequent to the measurement date	474,752	0
Total	1,507,280	1,258,144

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
2019	223,911
2020	26,783
2021	(435,406)
2022	(40,904)
2023	0
Thereafter	0

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Actuarial Assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions.

Investment return (net of admin)	7.65%
Admin expense as % of payroll	0.26%
General wage growth *	3.50%
* includes inflation at	2.75%
Merit increases	0% to 6.3%
Post retirement benefits	
1. Guaranteed Annual Benefit Adjustment (GABA) each January	
• After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.	
• Members hired prior to July 1, 2007	3.00%
• Members hired between July 1, 2007 & June 30, 2013	1.50%
• Members hired on or after July 1, 2013	
• For each year PERS is funded at or above 90%	1.50%
• The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%	
• 0% whenever the amortization period for PERS is 40 years or more	0%
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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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, 2018, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	<u>100.00%</u>	

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 2121. 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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:	<u>1.0% Decrease (6.65%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.65%)</u>
The District's net pension liability	9,270,491	641,010	4,061,265

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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

At the plan level for the measurement period ended June 30, 2018, 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 \$746,144.

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 H Risk Management

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

Insurance Policies:

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

Insurance Pools:

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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 follows:

Claims payable, June 30, 2018	627,000
Claims incurred	6,499,107
Claims paid	<u>(6,524,107)</u>
Claims payable, June 30, 2019	<u><u>602,000</u></u>

Note I Due from Other Governments

Due from other governments at June 30, 2019 consists of amounts owed to the District from other governmental entities. These consist of the following:

	<u>Elementary</u>	<u>High School</u>	<u>Total</u>
Miscellaneous programs fund	1,226,744	53,953	1,280,697
Debt service fund	<u>2,923</u>	<u>1,734</u>	<u>4,657</u>
Total	<u><u>1,229,667</u></u>	<u><u>55,687</u></u>	<u><u>1,285,354</u></u>

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Note J Interfund Receivables and Payables

For the year ending June 30, 2019 there was \$1,237,148 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 \$22,627 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 K Interfund Transfers

For the year ended June 30, 2019, the District made resource transfers of \$229,911 and \$994,656 from the general fund and aggregate remaining funds to the high school interlocal agreement fund pursuant to Montana Code Annotated Section 20-9-704. Additionally, during the year the District transferred from the aggregate remaining funds \$8,477 and \$17,637 to the elementary building and high school building funds, respectively. Finally, during the year the District transferred \$33 from the elementary interlocal agreement fund to the elementary miscellaneous fund pursuant to Montana Code Annotated Section 20-9-704.

Note L Non-Monetary Transactions

The District received \$123,081 in USDA Commodities during the 2018-2019 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 M 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

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 N 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, 2019, 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.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Note O 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, 2019, the District portion of the property taxes abated by Flathead County totaled \$16,164 as follows:

<u>Company</u>	<u>Amount</u>
Semitoole Inc	86
R Thompson Farms LLC	2,350
Semitoole Inc	<u>13,728</u>
	<u>16,164</u>

Note P Other Postemployment Benefits (OPEB)

The District provides continuation of medical coverage to its retiring employees. Retirees may elect to continue medical coverage for themselves and their dependents through the District until the retiree's death. The District does not contribute to the health insurance premiums for retirees. Other postemployment benefits arise from the difference in the District's medical insurance cost the retirees are incurring and what they would otherwise be paying on the open market for a similar plan and the cost of the retiree's premiums that are paid 100% by the District. As required by Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial for Postemployment Benefits Other Than Pensions*, the District has calculated and included a postemployment benefit liability for the year ended June 30, 2019. The plan does not issue a stand-alone financial report.

a. Total OPEB Liability

	<u>June 30, 2019</u>
Total OPEB liability	505,549
Covered employee payroll	25,094,310
Total OPEB liability as a % of covered payroll	2.01%

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

b. Discount Rate

Discount rate	3.87%
20 year tax-exempt municipal bond yield (as of March 1, 2018)	3.87%

The discount rate was based on the 20-year Bond Buyer GO Index.

c. Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of June 30, 2018 were based on the results of an actuarial experience study for the State of Montana Teachers' Retirement System (TRS) and State of Montana Public Employees Retirement System (PERS).

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Inflation	3.87%
Salary increase	2.50%
Mortality	PERS and TRS; see "Actuarial Assumptions" for details
Actuarial cost method	Entry Age Normal

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

d. Changes in Total OPEB Liability

	<u>June 30, 2019</u>
Beginning of year balance	533,981
Changes for the year:	
Service cost	51,921
Interest on total OPEB liability	19,590
Difference in experience	0
Changes in assumptions and other inputs	0
Benefit payments	<u>(99,943)</u>
End of year balance	<u><u>505,549</u></u>

e. Sensitivity Analysis

The following presents the total OPEB liability of the District, as of the measurement date, calculated using the discount rate that is 1 percentage point lower of 1 percent point higher than the current rate.

	<u>1.0% Decrease</u> <u>(2.87%)</u>	<u>Current Discount</u> <u>Rate</u> <u>(3.87%)</u>	<u>1.0% Increase</u> <u>(4.87%)</u>
Total OPEB Liability	873,422	505,549	292,980

The following presents the total OPEB liability of the District, as of the measurement date, calculated using the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	<u>1.0% Decrease</u>	<u>Current Trend</u> <u>Rate</u>	<u>1.0% Increase</u>
Total OPEB Liability	237,922	505,549	906,174

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

f. OPEB Expense

	June 30, 2019
Service cost	51,921
Interest on total OPEB liability	19,590
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	0
Recognition of assumption changes or inputs	0
Benefit payments	(99,943)
OPEB Expense	<u>(28,432)</u>

g. Schedule of Deferred Inflows/Outflows of Resources

	Original amount	Date Established	Original Recognition Period*	Amount Recognized June 30, 2019	Deferred Outflow of Resources - June 30, 2019	Deferred Inflows of Resources - June 30, 2019
Differences between expected and actual experience	0	June 30, 2018	1	148,820	148,820	0
Changes in actuarial assumptions or other inputs	470,248	June 30, 2018	12	(39,655)	0	430,593
Total	<u>470,248</u>				<u>148,820</u>	<u>430,593</u>

*Actual vs. expected differences and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:	Amount recognized is an increase or (decrease) in OPEB expense
2020	109,165
2021	(39,655)
2022	(39,655)
2023	(39,655)
2024	(39,655)
Thereafter	(232,318)

Note that additional future deferred inflows and outflows of resources may impact these numbers.

h. Actuarial Assumptions

The following actuarial assumptions were used in the development of the Districts' retiree health cost projections. Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the State of Montana Teachers' Retirement System (MTRS) as provided in the July 1, 2018 Actuarial Valuation reports.

- 1) **Interest Discount Rate** 3.87%
- 2) **Projected Payroll Increases** 2.50%
- 3) **Participation**
 - 45.0% of future retirees are assumed to elect medical coverage
 - 45.1% of future retirees are assumed to elect dental coverage
 - 45.0% of future retirees are assumed to elect vision coverage
 - 90.0% of the future retirees who elect medical coverage and are married are (see marriage rate assumption) are assumed to elect spousal coverage as well.
 - 70.0% of the future retirees who elect dental or vision coverage and are married are assumed to elect spousal coverage as well.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

- 4) Marital Status – at retirement**
- Actual spouse information is used for current retirees
 - Future retired members who elect to participate in the plan are assumed to be married at a rate of 60.0%
 - Males are assumed to be 3 years older than females
- 5) Mortality – Healthy**
- For TRS, healthy mortality is assumed to follow the 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 for males, set back two years for females, with mortality improvements projected by Scale BB to 2018.
- For PERS, healthy mortality is assumed to follow the RP2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.
- 6) Mortality - Disabled**
- For TRS, disabled mortality is assumed to follow the RP2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018.
- For PERS, disabled mortality is assumed to follow the RP2000 Combined Mortality Table with no projections.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

7) Health Care Cost/Retiree Contribution Trend Rate

<u>Plan Year</u>	<u>Medical</u>	<u>Prescription Drugs</u>	<u>Dental</u>	<u>Vision</u>
2018	8.9%	8.9%	0.0%	0.0%
2019	0.0%	0.0%	19.5%	0.0%
2020	6.5%	6.5%	3.0%	2.0%
2021	6.0%	6.0%	2.5%	2.0%
2022	5.9%	5.9%	2.0%	2.0%
2023	5.7%	5.7%	2.0%	2.0%
2024	5.6%	5.6%	2.0%	2.0%
2025	5.5%	5.5%	2.0%	2.0%
2026	5.3%	5.3%	2.0%	2.0%
2027-2043	5.2%	5.2%	2.0%	2.0%
2044	5.1%	5.1%	2.0%	2.0%
2045-2046	5.0%	5.0%	2.0%	2.0%
2047-2049	4.9%	4.9%	2.0%	2.0%
2050-2053	4.8%	4.8%	2.0%	2.0%
2054-2058	4.7%	4.7%	2.0%	2.0%
2059-2065	4.6%	4.6%	2.0%	2.0%
2066	4.5%	4.5%	2.0%	2.0%
2067	4.4%	4.4%	2.0%	2.0%
2068	4.3%	4.3%	2.0%	2.0%
2069-2070	4.2%	4.2%	2.0%	2.0%
2071	4.1%	4.1%	2.0%	2.0%
2072-2073	4.0%	4.0%	2.0%	2.0%
2074	3.9%	3.9%	2.0%	2.0%
2075+	3.8%	3.8%	2.0%	2.0%

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

8) Changes Since Prior Valuation

- Revised rates per Retirement pension valuations as of July 1, 2017.
- Interest rates based on the 6/30/2018 20-year municipal bond index per GASB 75 requirements.

9) Summary of Plan Provisions

a. Retirement and Dependent Medical Benefit Eligibility

A Retiree is considered eligible for coverage under this Plan only if the Retiree was covered under this Plan as a Participant on his or her last day of Active Service for the Employer prior to retirement, and subject to the terms of 2-18- 704 MCA.

A Retiree's dependents and surviving dependents upon the death of the Retiree is also eligible if the Retiree was eligible for coverage and covered under this Plan, subject to the terms of 2-18-704 MCA.

b. Eligibility for retirement

Eligibility requirements and benefits are as follows:

PERS:

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

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

- Early Retirement:
 - Hired prior to July 1, 2011:
 - Age 50 and 5 years of service; or
 - 25 years of service.
 - Hired members on or after July 1, 2011:
 - Age 55 and 5 years of service.

TRS:

- Normal Retirement Eligibility: Age 60 and 5 years of service or 25 years of service.
- Early Retirement: Age 50 and 5 Years of Service.

c. Medicare Retirees

Medicare will be considered a plan for the purposes of coordination of benefits. This Plan will coordinate benefits with Medicare whether or not the Covered Person is actually receiving Medicare Benefits. This means that the plan will only pay the amount that Medicare would not have covered, even if the Covered Person does not elect to be covered under Medicare. Also, failure to enroll in Medicare when a person is initially eligible may result in the person being assessed a significant surcharge by Medicare for late enrollment. For all purposes, this Plan will be secondary to Medicare Part D.

d. Retirement Bonus Program

Per Article 15 of the Comprehensive Agreement between the Board of Trustees, Kalispell School District No. 5, High School District and the Kalispell Education Association, the District shall provide an additional benefit for eligible teachers retiring or resigning at the conclusion of their 30th year of creditable service. The district shall continue payment of the insurance premium during the retired teacher's lifetime or until the retired teacher attains the age of 65, whichever occurs first. This benefit applies to all teachers employed by the district before July 1, 1999.

BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2019

e. Summary of Participant Data:

The District's current premium rates are shown in the following table:

Monthly Health Insurance Premiums as of June 30, 2019					
Coverage Type	RM 1000	RM 3000	HDHP 3000	Dental	Vision
Retiree Only	\$ 866	\$ 791	\$ 711	\$ 32	\$ 8
Retiree & Spouse	\$ 1,082	\$ 965	\$ 940	\$ 66	\$ 12
Retiree & Child(ren)	\$ 1,045	\$ 939	\$ 915	\$ 68	\$ 13
Retiree & Family	\$ 1,152	\$ 1,110	\$ 1,102	\$ 96	\$ 20

Participant Data: We relied on the following medical plan participation as of June 30, 2018:

	Participant Count	Average Age	Average Service Remaining
Active employees	470	45.82	14.14
Retirees	47	60.74	0

Note Q Prior Period Restatement

The District implemented GASB Statement 75 for the year ended June 30, 2019. This statement requires the District to recognize total OPEB liabilities, and the related deferred inflows and outflows for its actuarially determined unfunded liabilities of postemployment plans available to retirees. Amounts that would have been reported as OPEB expense in prior periods are reported as a restatement as required. The prior period adjustment necessary to implement GASB Statement 75 was \$1,004,229 increasing the net June 30, 2018 OPEB obligation from \$0 to \$533,981, increasing a deferred outflow amount of \$0 to \$470,248.

REQUIRED SUPPLEMENTAL INFORMATION

Kalispell Public Schools

Flathead County
Kalispell, Montana
June 30, 2019

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2019

	General Fund		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Taxes	11,233,145	11,233,145	11,243,003
Tuition	51,922	51,922	66,018
Intergovernmental revenues			
State	30,436,418	30,508,216	30,380,279
Interest on investments	57,596	57,596	90,165
Total revenues before reappropriations	41,779,081	41,850,879	41,779,465
Budgeted reappropriations	0	0	
Total revenues and reappropriations	41,779,081	41,850,879	
EXPENDITURES			
Current:			
Instruction	41,779,081	41,850,879	26,089,769
Supporting services	0	0	8,611,200
Operations and maintenance	0	0	4,345,342
Student transportation	0	0	411,019
Extracurricular	0	0	1,093,721
Capital outlay	0	0	61,942
Total expenditures	41,779,081	41,850,879	40,612,993
Excess (deficiency) of revenues over expenditures	0	0	1,166,472
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)			(229,911)
Total other financing sources (uses)			(229,911)
Excess (deficiency) of revenues and other sources over expenditures			936,561
Fund balances, beginning (Non-GAAP budgetary basis)			4,596,752
Fund balances, ending (Non-GAAP budgetary basis)			5,533,313
Adjustments to generally accepted accounting principles			
Current year encumbrances included in expenditures			0
Fund balances, ending (GAAP basis)			5,533,313

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2019

3 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:

<u>Fund</u>	<u>Budgeted</u>	<u>Non-Budgeted</u>
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

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2019

4 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.

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).

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the Year Ended June 30, 2019

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.

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - TEACHERS RETIREMENT SYSTEM OF MONTANA

For the Year Ended June 30, 2019

Determined as of the measurement date	2019	2018	2017	2016	2015
District's portion of net pension liability	2.2509%	2.2422%	2.2124%	1.9640%	2.0854%
District's proportionate share of the net pension liability associated with the District	41,778,775	37,804,696	40,417,148	32,268,723	32,091,716
State of Montana's proportionate share of the net pension liability associated with the District	25,949,411	23,996,858	26,332,455	21,607,338	21,980,918
Total	67,728,186	61,801,554	66,749,603	53,876,061	54,072,634
District's covered payroll	30,065,117	29,573,449	28,793,021	27,317,549	26,299,029
District's proportionate share of the net pension liability as a percentage of its covered payroll	138.96%	127.83%	140.37%	118.12%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.09%	66.69%	69.30%	70.36%

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

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS - TEACHERS RETIREMENT SYSTEM OF MONTANA

For the Year Ended June 30, 2019

Determined as of reporting date	2019	2018	2017	2016	2015
Contractually required contributions	3,097,289	2,932,784	2,880,970	2,688,049	2,397,954
Contributions in relation to the contractually required contributions	3,097,289	2,932,784	2,880,970	2,688,049	2,397,954
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	31,256,032	30,065,117	29,573,449	28,793,021	27,317,549
Contributions as a percentage of covered payroll	9.91%	9.75%	9.74%	9.34%	8.78%

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

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - TEACHERS RETIREMENT SYSTEM OF MONTANA

For the Year Ended June 30, 2019

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.

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

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TEACHERS RETIREMENT SYSTEM OF MONTANA - CONTINUED

For the Year Ended June 30, 2019

- Guaranteed Annual Benefit Adjustment (GABA):
 - If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System’s liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

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

See independent auditor’s report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TEACHERS RETIREMENT SYSTEM OF MONTANA - CONTINUED

For the Year Ended June 30, 2019

Changes in actuarial assumptions and other inputs:

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

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

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

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

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TEACHERS RETIREMENT SYSTEM OF MONTANA - CONTINUED

For the Year Ended June 30, 2019

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.
- 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.

See independent auditor’s report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TEACHERS RETIREMENT SYSTEM OF MONTANA - CONTINUED

For the Year Ended June 30, 2019

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	22 years
Asset valuation method	4-year smoothed market
Inflation	3.25%
Salary increase	4.00% to 8.51%, including inflation for non-university members and 5.00% for university members;
Investment rate of return	7.75%, net of pension plan investment expense, and including Inflation

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Year Ended June 30, 2019

As of measurement date	2018	2017	2016	2015	2014
District's proportion of net pension liability (percentage)	0.3071%	0.4036%	0.4112%	0.3865%	0.4035%
District's net pension liability (amount)	6,410,101	7,861,440	7,003,438	5,402,190	5,027,685
State of Montana's net pension liability (amount)	2,374,626	384,185	327,310	253,848	235,027
Total	8,784,727	8,245,625	7,330,748	5,656,038	5,262,712
District's covered payroll	5,236,533	5,175,460	5,091,166	4,663,023	4,750,310
District's proportionate share as a percent of covered payroll	122.41%	151.90%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

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

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CONTRIBUTIONS - MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Year Ended June 30, 2019

As of most recent FYE (reporting date)	2019	2018	2017	2016	2015
Contractually required DB contributions	474,009	427,804	419,110	411,654	371,646
Plan choice rate required contributions	0	0	0	9,176	18,211
Contributions in relation to the contractually required contributions	474,009	427,804	419,110	420,830	389,857
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	5,708,853	5,236,533	5,175,460	5,091,166	4,663,023
Contributions as a percentage of covered payroll	8.30%	8.17%	8.10%	8.27%	8.36%

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

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM

For the Year Ended June 30, 2019

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.

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED

For the Year Ended June 30, 2019

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 increases	0.00% to 6.30%
Asset valuation method	4-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

See independent auditor's report.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS – OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended June 30, 2019

Total OPEB Liability	2019
Service cost	51,921
Interest on total OPEB liability	19,590
Differences in experience	0
Changes of assumptions	0
Benefit payments	<u>(99,943)</u>
Net change in total OPEB liability	(28,432)
Total OPEB liability - beginning	<u>533,981</u>
Total OPEB liability - ending	<u><u>505,549</u></u>
Covered-employee payroll	25,094,310
Total liability as a percentage of covered payroll	2.01%

Governmental Accounting Standards Board Statement 75 requires this information to be provided for 10 years. Because this is the first year of implementation, 10 years is not available.

Notes to Schedule

Changes in assumptions: Revised Health Care cost trend rates and Retiree Contribution increase base on revised projection. Future increases to retiree contributions now match health care cost trend rates. Interest rates base on the 6/30/2018 20-year municipal bond index per GASB 75 requirements. Payroll increase bases on 2017 MPERA pension report assumptions.

See independent auditor's report.

SUPPLEMENTAL INFORMATION

Kalispell Public Schools

Flathead County
Kalispell, Montana
June 30, 2019

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

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>			
Title I Grants to Local Educational Agencies	84.010	0503103119	1,472,354
Title I Grants to Local Educational Agencies	84.010	1503114219	17,220
Total Title I Grant to Local Educational Agencies			<u>1,489,574</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	1503107719	1,314,875
Special Education _Preschool Grants	84.173	1503107919	38,983
Total Special Education Cluster			<u>1,353,858</u>
Improving Teacher Quality State Grants	84.367	1503101418	355,319
Preschool Development Grants	84.419	150310618	90,725
Preschool Development Grants	84.419	150310619	340,515
Total Preschool Development Grants			<u>431,240</u>
Education for Homeless Children and Youth	84.196		36,889
Career and Technical Education - Basic Grants to States	84.048	1503118119	182,428
Student Support and Academic Enrichment	84.424A		95,171
Total Passed through Montana Office of Public Instruction			<u>3,944,479</u>
<i>Passed through Montana Department of Public Health and Human Services</i>			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		16,983
Total Passed through Montana Department of Public Health and Human Services			<u>16,983</u>
<i>Passed through Missoula County Public Schools</i>			
English Language Acquisition State Grants	84.365		4,343
Total Passed through Missoula County Public Schools			<u>4,343</u>
Total Department of Education			<u>3,965,805</u>

See independent auditor's report

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements or Expenditures
U.S. Department of Health and Human Service			
<i>Passed through Montana Office of Public Instruction</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1503103818	65,688
Substance Abuse and Mental Health Services Projects of Regional and National Significance	94.243	1503103819	434,896
Total Passed through Montana Office of Public Instruction			<u>500,584</u>
Total Department of Public Health and Human Services			<u>500,584</u>
U.S. Department of Agriculture			
<i>Passed through Montana Office of Public Instruction</i>			
Fresh Fruits and Vegetable Program	10.582		66,636
Child Nutrition Cluster			
Cash Assistance:			
National School Lunch Program	10.555		994,988
School Breakfast Program	10.553		225,718
Summer Food Services Program for Children	10.559		46,643
Noncash Assistance:			
National School Lunch Program (Commodities)	10.555		123,081
Total Child Nutrition Cluster			<u>1,390,430</u>
Total Passed through Montana Office of Public Instruction			<u>1,457,066</u>
Total Department of Agriculture			<u>1,457,066</u>
Total Federal Financial Assistance			<u>5,923,455</u>

See independent auditor's report

SUPPLEMENTAL INFORMATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Note A. 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 B Nonmonetary Transactions

The District received \$123,081 in USDA Commodities during the 2018-2019 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 C Indirect Cost Rate

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

Note D Subrecipients

The District does not have any subrecipients or subrecipient expenditures.

See independent auditor's report

SUPPLEMENTAL INFORMATION

ELEMENTARY EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
EDGERTON-PRI	172	96	0	0	268
FIN HARDSHIP	350	0	0	0	350
GR 1 FLDTRIP	0	0	0	0	0
GR 1 PTO	0	0	0	0	0
GR 1SUPPLIES	27	0	27	0	0
GR 2 FLDTRIP	0	0	0	0	0
GR 2 PTO	0	0	0	0	0
GR 2SUPPLIES	843	0	728	0	115
GR 3 FLDTRIP	0	0	0	0	0
GR 3 PTO	0	0	0	0	0
GR 3SUPPLIES	32	0	32	0	0
GR 4 FLDTRIP	0	0	0	0	0
GR 4 PTO	0	0	0	0	0
GR 4 SUPPLIE	1,131	0	750	0	381
GR 5 FLDTRIP	0	0	0	0	0
GR 5 PTO	(1)	0	0	0	(1)
GR 5 SUPPLIE	227	0	227	0	0
GR K FLDTRIP	0	0	0	0	0
GR K PTO	(1)	0	0	0	(1)
GR K SUPPLY	566	0	275	0	291
HISTORY TRIP	0	0	0	0	0
MUSIC	28	1,232	1,253	0	7
PTO BASIC SK	0	0	0	0	0
PTO EDG TOYO	737	425	850	844	1,156
PTO LIBRARY	0	0	0	0	0
PTO MNTL HTH	0	0	0	0	0
PTO MUSIC	0	0	0	0	0
PTO NURSE	0	0	0	0	0
PTO PRESCH	85	0	50	0	35
PTO SPEECH	0	0	0	0	0
SUBTOTAL	<u>4,196</u>	<u>1,753</u>	<u>4,192</u>	<u>844</u>	<u>2,601</u>

See independent auditor's report

SUPPLEMENTAL INFORMATION

ELEMENTARY EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	4,196	1,753	4,192	844	2,601
YEARBOOK	0	1,859	1,428	0	431
ELROD-PRINC	6,236	0	1,446	0	4,790
FIN HARDSHIP	390	0	0	0	390
LIBRARY	1,554	2,389	2,365	(75)	1,503
MUSIC	63	0	0	0	63
ELROD 1ST GR	0	200	200	0	0
PTO-ELROD	26,171	9,580	9,459	(782)	25,510
STUDENT STOR	3,023	1,751	1,995	0	2,779
YEARBOOK	0	685	0	0	685
HEDGES-PRIN	175	606	53	0	728
LEADERSHIP	34	70	104	0	0
LIBRARY	62	3,187	3,144	0	105
MUSIC	539	352	322	0	569
PTO-HEDGES	2,835	15,797	10,702	668	8,598
2 GR	242	0	0	0	242
FIELD TRIPS	74	0	77	3	0
FIN HARDSHIP	102	0	0	0	102
FUNDRAISERS	5,605	35,087	28,636	2,460	14,516
GR3 TRIP FEE	3	0	0	(3)	0
HISTORY TRIP	165	0	0	0	165
KAFUNDRAISER	178	0	26	0	152
LIBRARY	342	2,305	3,925	1,719	441
PETERSON PR	1,440	153	1,451	0	142
PTO-PETERSON	18,737	6,582	7,788	(3,507)	14,024
STEM	2	0	0	0	2
YEARBOOK	0	2,647	2,755	270	162
FIN HARDSHIP	352	0	(699)	0	1,051
LIBRARY	20	0	0	0	20
MUSIC	125	109	117	0	117
PTO-RUSSELL	6,651	0	336	1,396	7,711
SUBTOTAL	79,316	85,112	79,822	2,993	87,599

See independent auditor's report

SUPPLEMENTAL INFORMATION

ELEMENTARY EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	79,316	85,112	79,822	2,993	87,599
RUSSELL PRI	11,271	688	10,358	0	1,601
STAFF FUND	237	385	442	0	180
YEARBOOK	366	510	0	0	876
BANK FEES	89	130	0	(30)	189
HEART LOCKER	200	0	0	0	200
TOYOTA	0	5,721	0	(5,721)	0
Z-ALT ATT CTR	2,670	175	1,331	0	1,514
SYSTEM	(1,116)	54	716	1,778	0
LIBRARY	0	6,537	6,410	0	127
MUSIC	0	143	128	0	15
PRINCIPAL	0	2,604	2,604	0	0
PTO-RANKIN	0	0	400	980	580
ART	0	1,475	0	0	1,475
SCHOLASTIC	0	130	130	0	0
LIBRARY	0	5,516	5,516	0	0
TOTAL	<u>93,033</u>	<u>109,180</u>	<u>107,857</u>	<u>0</u>	<u>94,356</u>

See independent auditor's report

SUPPLEMENTAL INFORMATION

MIDDLE SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
ACTIVITIES ADMN	535	7,473	5,461	(13)	2,534
AMERICA READS	2	0	0	0	2
ANNUAL	9,686	14,305	12,222	0	11,769
ART	718	3,439	2,787	0	1,370
AVALANCHE	808	0	323	0	485
BAND	4,697	1,481	6,482	4,172	3,868
BAND RENTAL	3,827	2,540	5,946	0	421
BANK FEES	(142)	1,917	1,913	(6)	(144)
CHOIR	925	292	5,496	5,780	1,501
DC TRIP	160	0	5,512	5,352	0
DRAMA	2,561	5,527	4,841	0	3,247
FACS	4,279	9,677	6,902	0	7,054
FHS/GHS 2021	0	0	0		0
FHS/GHS 2022	0	0	0		0
FHS/GHS 2023	407	5,359	3,491	173	2,448
FHS/GHS 2024	0	3,600	1,711	0	1,889
FIN HARDSHIP	392	0	111	0	281
HEALTH ENHANCEM	3,762	11,994	13,791	0	1,965
KINTLA	448	339	241	0	546
LIBRARY	2,861	681	1,884	0	1,658
LIFE SKILLS	135	0	134	0	1
LONDON	0	0	6,328	6,328	0
MATH COUNTS	455	895	913	0	437
MEMORIAL- C A	0	0	0	0	0
MEMORIAL- CADEN	364	0	364	0	0
MEMORIAL- J H	2,940	0	2,153	0	787
MY VOICE	1,485	1,748	1,168	0	2,065
OFFICIALS	0	10,460	10,460	0	0
ORCHESTRA	2,141	2,680	7,163	6,986	4,644
ORCHESTRA RENTA	2,653	2,694	198	0	5,149
PRINCIPALS ACCT	5,141	14,155	13,581	(173)	5,542
SUBTOTAL	51,240	101,256	121,576	28,599	59,519

See independent auditor's report

SUPPLEMENTAL INFORMATION

MIDDLE SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	51,240	101,256	121,576	28,599	59,519
PTARMIGAN	354	(13)	140	0	201
TECH ED	646	2,947	2,826	0	767
TEXTS-ENGLISH	59	0	59	0	0
TEXTS-FOR LANG	1	0	0	0	1
TEXTS-GENRAL	153	21	174	0	0
TEXTS-MATH	1,536	78	1,574	0	40
TEXTS-SCIENCE	625	0	625	0	0
TEXTS-SOC ST	1,724	1	1,724	0	1
TOYOTA	0	28,618	0	(28,618)	0
VANDALISM	73	220	283	0	10
SYSTEM	510	3	532	19	0
FACILITY RENT	0	25	25	0	0
TUITION	0	31,368	31,368	0	0
READING	0	0	0	0	0
	56,921	164,524	160,906	0	60,539

See independent auditor's report

SUPPLEMENTAL INFORMATION

GLACIER HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
ACTIVITIES ADMN	10	368	15,725	15,348	1
ACTIVITY TICKET	0	30,865	124	(30,716)	25
ACTIVITY TRAVEL	0	2,500	20,287	17,787	0
AG	0	1,871	1,856	0	15
ALPINE SKI CLUB	1,083	0	0	0	1,083
ART	14,002	11,472	18,576	0	6,898
ASTRONOMY CLUB	1,732	0	0	0	1,732
ATH CONTINGENCY	34,728	30,825	30,825	9,055	43,783
ATHLETIC TRAIING	1,528	0	5,173	6,650	3,005
ATHLETICS	101,941	46,381	438	(45,943)	101,941
BAND (1084)	0	0	0	0	0
BAND RENTAL	5,013	1,025	1,734	0	4,304
BANK FEES	(330)	1,832	5,525	4,668	645
BOOK ROOM FINES	7,819	4,196	12,053	45	7
BOOSTER-GLACIER	58,000	87,445	24,039	(58,406)	63,000
BOYS BASKETBALL	0	0	3,669	3,669	0
BOYS SOCCER	(2,338)	0	2,548	2,548	(2,338)
BOYS TRACK	0	50	4,270	4,220	0
BPA	1,429	1,835	2,484	0	780
BSTR-B BSKTBALL	0	0	3,062	3,062	0
BSTR-BAND	2,889	0	925	3,174	5,138
BSTR-BOYS TRACK	6,640	0	5,287	2,815	4,168
BSTR-BSOCCER	2,180	0	2,427	2,158	1,911
BSTR-CHEERLEAD	4,078	0	1,626	524	2,976
BSTR-CHOIR	2,192	0	129	61	2,124
BSTR-CROSS CTRY	586	0	1,217	1,949	1,318
BSTR-DRAMA	3,499	0	4,479	2,462	1,482
BSTR-FIN HRDSHP	3,327	0	0	1,430	4,757
BSTR-FOOTBALL	0	0	5,561	5,561	0
BSTR-G BSKTBALL	0	0	3,074	3,074	0
SUBTOTAL	250,008	220,665	177,113	(44,805)	248,755

See independent auditor's report

SUPPLEMENTAL INFORMATION

GLACIER HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	250,008	220,665	177,113	(44,805)	248,755
BSTR-GIRL TRACK	4,104	0	4,465	2,759	2,398
BSTR-GOLF	0	0	1,960	1,980	20
BSTR-GSOCCER	2,652	0	2,401	2,144	2,395
BSTR-ORCHESTRA	2,586	0	200	(514)	1,872
BSTR-OUT CLUBS	3,281	0	568	(803)	1,910
BSTR-SOFTBALL	2,157	0	1,308	2,524	3,373
BSTR-SPEECH	2,479	0	2,285	3,267	3,461
BSTR-SWIMMING	4,985	0	2,962	1,991	4,014
BSTR-TENNIS	982	0	517	1,721	2,186
BSTR-VOLLEYBALL	142	0	2,869	3,273	546
BSTR-WRESTLING	0	65	3,098	3,098	65
CHEERLEADERS	0	0	528	528	0
CLOSE UP	841	0	0	0	841
COACHES CLINIC	0	245	1,473	1,228	0
CROSS COUNTRY	0	0	1,728	1,728	0
CROSTOWN CRAZE	3,217	3,568	4,467	0	2,318
DECA	4,555	46,184	41,107	1,320	10,952
DIST MUSIC FEST	11,694	0	10,000	0	1,694
DRAMA CLUB	5,859	26,531	33,231	1,258	417
FACILITY USE	502	13,637	19,689	200	(5,350)
FCCLA-FAM CONS	492	0	0	0	492
FESTIVAL CHOIR	940	0	0	0	940
FOOTBALL	(11,477)	194	19,799	19,615	(11,467)
FRENCH CLUB	347	5,450	5,233	0	564
FROSH ACADEMY	94	1,016	1,110	0	0
ART	6,799	6,024	7,914	1,414	6,323
BAND	10,524	149,629	178,292	22,306	4,167
BOYS BB	4,378	14,766	13,384	(1,873)	3,887
BOYS SOC	2,208	502	687	(1,013)	1,010
SUBTOTAL	314,349	488,476	538,388	23,346	287,783

See independent auditor's report

SUPPLEMENTAL INFORMATION

GLACIER HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	314,349	488,476	538,388	23,346	287,783
BOYS TRACK	1,025	757	227	(250)	1,305
CHEER	572	983	42	1,092	2,605
CHOIR	9,521	18,332	20,173	658	8,338
FOOTBALL	4,837	15,926	13,922	(2,530)	4,311
GIRLS BB	5,695	17,261	14,271	(2,195)	6,490
GIRLS SOC	1,790	1,344	1,165	(422)	1,547
GIRLS TRAC	897	757	183	(250)	1,221
GOLF	0	410	232	620	798
ORCHESTRA	642	9,039	11,106	1,425	0
SOFTBALL	2,143	4,549	4,215	(737)	1,740
SP&DEBATE	4,771	349	836	(6)	4,278
SPEECH NFL	0	12,994	14,425	547	(884)
SWIMMING	1,924	0	0	0	1,924
TENNIS	1,621	463	0	(865)	1,219
VOLLEYBALL	5,523	4,202	4,032	1,157	6,850
WRESTLING	0	4,007	1,597	(1,526)	884
XCNTY	369	2,573	1,237	(950)	755
GHS BENEVOLENCE	2	1,510	1,511	0	1
GIRLS BASKETBAL	0	0	1,747	1,747	0
GIRLS SOCCER	(896)	0	1,994	1,994	(896)
GIRLS TRACK	0	80	4,235	4,155	0
GOLF	(392)	0	585	977	0
GSA CLUB-GHS	384	346	235	0	495
GUIDANCE DEPT	(15)	34,366	34,306	(45)	0
HEALTH ENHANCE	4,985	1,257	595	0	5,647
INTRAMURALS	523	0	334	400	589
JOB SKILLS	1,113	590	0	0	1,703
JOURNALISM	344	75	0	0	419
LIBRARY	2,181	3,606	2,128	432	4,091
SUBTOTAL	363,908	624,252	673,721	28,774	343,213

See independent auditor's report

SUPPLEMENTAL INFORMATION

GLACIER HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	363,908	624,252	673,721	28,774	343,213
MATH TECHNOLOGY	2,754	1,000	1,302	0	2,452
METAL SHOP	3,032	0	0	0	3,032
NATL HONOR SOC	6,584	1,086	1,867	303	6,106
OFFICIALS	0	22,620	22,680	60	0
ORCHESTRA 1086	0	0	0	0	0
PARTICIPATION	60	36,687	0	(36,647)	100
PEP BAND	352	0	2,887	3,000	465
PHYSICS CLUB	2	0	0	0	2
POST SEASON	0	33,976	33,976	0	0
POSTER ACCOUNT	5,604	5,100	3,651	0	7,053
PRINCIPALS ACCT	0	0	0	0	0
PROGRAM SALES	13,320	6,284	5,549	0	14,055
R.S.V.P.	949	0	0	0	949
SCIENCE CLUB	448	961	889	0	520
SOCIAL SCIENCES	0	22,553	21,106	0	1,447
SOFTBALL	0	0	2,451	2,451	0
SPANISH CLUB	109	4,958	4,530	0	537
SPEC OLYMPICS	4,019	3,126	2,591	0	4,554
SPEECH CLUB	0	17,976	17,977	0	(1)
SPIRIT PACK	2,879	17,631	23,727	7,067	3,850
STATE SOFTBALL	0	0	0	0	0
STATE TENNIS	0	0	0	0	0
STATE TRACK	0	43,735	43,295	(441)	(1)
STRENGTH & COND	13,689	2,090	7,790	0	7,989
STUDENT COUNCIL	6,600	7,875	9,498	0	4,977
STUDENT STORE	34,172	102,845	104,025	(8,245)	24,747
SWIMMING	0	0	0	0	0
TENNIS	0	0	1,965	1,965	0
TOURNAMENTS	0	27,828	23,219	(189)	4,420
TOYOTA	0	16,064	0	(16,064)	0
SUBTOTAL	458,481	998,647	1,008,696	(17,966)	430,466

See independent auditor's report

SUPPLEMENTAL INFORMATION

GLACIER HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	458,481	998,647	1,008,696	(17,966)	430,466
TSA	14	3,010	1,619	0	1,405
TUITION	50	18,315	18,365	0	0
UNIFORM REPLACE	17,390	0	4,405	9,936	22,921
UPWARD BOUND	1,368	0	0	0	1,368
VO-TECH	13,632	6,945	9,765	0	10,812
VOLLEYBALL	(3,855)	1,394	5,905	4,510	(3,856)
WES HINES CLASS	0	0	0	0	0
WOLFPACK CLUB	10,763	247	10,150	0	860
WP CATERING	33	261	0	0	294
WRESTLING	0	100	4,806	4,707	1
YEARBOOK	2,492	33,279	36,836	0	(1,065)
SYSTEM	60,502	(47)	15,544	(1,376)	43,535
CHOIR	0	16	16	0	0
DIVISIONAL TOURNAMENT	0	0	189	189	0
PRO START	0	1,000	947	0	53
	<u>560,870</u>	<u>1,063,167</u>	<u>1,117,243</u>	<u>0</u>	<u>506,794</u>

See independent auditor's report

SUPPLEMENTAL INFORMATION

FLATHEAD HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
2004 CLASS REUN	1,425	0	1,425	0	0
ACTIVITIES ADMN	6,322	7,071	22,200	8,807	0
ACTIVITY TICKET	25,156	31,670	584	(56,243)	(1)
ACTIVITY TRAVEL	2,131	0	20,211	18,081	1
ALPINE SKI CLUB	1,023	1,122	1,276	0	869
ART	3,418	12,806	13,355	156	3,025
ART ACTIVITIES	2,214	5,300	7,895	2,837	2,456
ASIAN CULTURE	2,096	0	694	436	1,838
ATH CONTINGENCY	1,216	200	452	5,865	6,829
ATHLETIC TRAIING	1	3,385	7,905	5,099	580
ATHLETICS	45,828	57,864	0	(1,751)	101,941
AUDITORIUM	0	0	0	0	0
BANK FEES	(343)	1,252	3,672	2,337	(426)
BOOK ROOM FINES	103	1,408	1,497	(14)	0
BOYS BASKETBALL	90	0	2,523	2,433	0
BOYS SOCCER	0	0	2,561	2,561	0
BOYS TRACK	2,000	152	3,932	1,780	0
BPA	1,120	19,092	17,753	11	2,470
BSTR-BAND 1048	1	1,080	499	(581)	1
BSTR-BOYS BB	0	2,220	2,080	0	140
BSTR-BOYS TRACK	1,011	840	675	(1,176)	0
BSTR-BSOCCER	576	1,260	1,297	(540)	(1)
BSTR-CHEERLEAD	96	840	935	0	1
BSTR-CHOIR 1050	1,188	0	0	0	1,188
BSTR-CROSS CTRY	1,116	1,470	1,837	(749)	0
BSTR-DRAMA	2,383	0	106	0	2,277
BSTR-FIN HRDSHP	506	1,150	235	(1,421)	0
BSTR-FOOTBALL	369	2,220	2,589	0	0
BSTR-G BSKTBALL	152	2,220	2,371	0	1
BSTR-GIRL TRACK	1,217	1,140	793	(1,564)	0
SUBTOTAL	102,415	155,762	121,352	(13,636)	123,189

See independent auditor's report

SUPPLEMENTAL INFORMATION

FLATHEAD HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	102,415	155,762	121,352	(13,636)	123,189
BSTR-GOLF	0	1,860	1,860	0	0
BSTR-GSOCCER	540	1,260	1,600	0	200
BSTR-ORCHESTRA	712	840	907	(644)	1
BSTR-OUT CLUBS	144	900	197	440	1,287
BSTR-SOFTBALL	494	1,500	941	(1,053)	0
BSTR-SPEECH	341	2,490	2,831	0	0
BSTR-SWIMMING	653	990	304	0	1,339
BSTR-TENNIS	975	750	1,411	0	314
BSTR-VOLLEYBALL	0	2,760	2,672	0	88
BSTR-WRESTLING	38	2,400	2,438	0	0
BUSINESS DEPT	760	435	90	0	1,105
CAR RESTORATION	364	0	0	(364)	0
CAREER CENTER	554	0	554	0	0
CHEERLEADERS	1	0	866	866	1
COACHES CLINIC	0	0	250	250	0
CROSS COUNTRY	0	1,897	4,504	2,607	0
D&D	112	167	138	(141)	0
DIST MUSIC FEST	399	31,375	20,264	0	11,510
DRAMA CLUB	16,722	20,918	24,670	695	13,665
ERC	155	0	0	(155)	0
FCCLA	1,673	2,816	3,974	0	515
FEST ORCH 1065	0	2,226	2,226	0	0
FOOTBALL	(10,408)	515	10,913	20,806	0
FRENCH CLUB	2,638	4,145	1,378	(1,002)	4,403
FUND-BAND	9,872	27,374	29,499	(7,746)	1
FUND-BOYS BB	5,079	15,893	16,487	(3,922)	563
FUND-BOYS SOC	2,035	3,016	1,453	(542)	3,056
FUND-BOYS TRACK	796	8,550	0	(8,550)	796
FUND-CHEER	1,559	9,336	10,059	(835)	1
SUBTOTAL	138,623	300,175	263,838	(12,926)	162,034

See independent auditor's report

SUPPLEMENTAL INFORMATION

FLATHEAD HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	138,623	300,175	263,838	(12,926)	162,034
FUND-CHOIR	14,150	38,593	54,999	11,734	9,478
FUND-FOOTBALL	3,861	17,183	17,093	(2,854)	1,097
FUND-GIRLS BB	4,513	3,223	6,651	2,746	3,831
FUND-GIRLS SOC	798	1,150	1,519	(379)	50
FUND-GIRLS TRAC	687	12,760	21,876	8,550	121
FUND-GOLF	1,199	1,460	1,378	976	2,257
FUND-ORCHESTRA	44	19,254	16,728	(2,076)	494
FUND-SOFTBALL	0	1,814	2,155	370	29
FUND-SP&DEBATE	524	15,503	4,133	(2,546)	9,348
FUND-SWIMMING	318	1,345	1,557	47	153
FUND-TENNIS	0	5,000	3,057	0	1,943
FUND-VOLLEYBALL	2,382	8,488	8,627	270	2,513
FUND-WRESTLING	(7,430)	8,880	6,137	4,688	1
FUND-XCOUNTRY	1,013	5,985	5,688	736	2,046
GIRLS BASKETBAL	1	0	4,125	4,125	1
GIRLS SOCCER	140	0	2,260	2,120	0
GIRLS SOFTBALL	0	0	2,480	2,480	0
GIRLS TRACK	461	40	2,351	1,850	0
GIRLS VOLLEYBAL	0	9	5,838	5,829	0
GOLF	603	0	1,841	1,841	603
GUIDANCE DEPT	1,134	2,125	3,259	0	0
GUITAR CLASS	60	170	100	0	130
HEALTH ENHANCE	(10,475)	12,525	4,765	2,746	31
HOSA	356	7,541	7,573	(140)	184
IB CAS	2,536	0	948	(1,588)	0
IB GENERAL	1,248	53,516	53,773	1,603	2,594
INTRAMURALS	0	0	0	0	0
LES SCHWAB HOOP	4,039	0	0	(4,039)	0
LIBRARY FINES	1,769	939	1,837	107	978
SUBTOTOL	162,554	517,678	506,586	26,270	199,916

See independent auditor's report

SUPPLEMENTAL INFORMATION

FLATHEAD HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	162,554	517,678	506,586	26,270	199,916
MATH TECHNOLOGY	1,854	815	149	0	2,520
MUN	30	2,461	2,714	384	161
NATL HONOR SOC	788	520	1,372	664	600
NEWSPAPER	277	2,372	4,562	1,913	0
NSDA	(218)	18,167	20,376	(5,014)	(7,441)
OFFICE ADMIN	859	501	0	0	1,360
OFFICIALS	0	22,774	22,774	0	0
PADLOCK SALES	80	720	0	0	800
PARKING TICKETS	2,564	5,080	2,025	0	5,619
PARTICIPATION	21,738	27,690	0	(49,428)	0
PEP BAND (1062)	286	0	0	(285)	1
POST SEASON	0	51,515	51,515	0	0
PRO START	4,122	9,608	7,270	389	6,849
RAWSON/LEGENDS	200	0	58	0	142
SCIENCE CLUB	289	(50)	88	0	151
SCIENCE TRIP	5,509	11,615	15,023	804	2,905
SENIOR PARTY	3,181	(902)	0	0	2,279
SKILLS USA FHS	160	0	0	132	292
SPANISH CLUB	12	0	0	138	150
SPEECH CLUB	0	18,280	25,888	7,608	0
SPONSOR/POSTER	8,407	7,049	11,070	(2,912)	1,474
SPORTS MEDICINE	1,211	1,180	1,341	0	1,050
SSRC	1,629	0	0	0	1,629
STUDENT STORE	26,786	67,612	51,714	(23,130)	19,554
STUDENT TREASUR	4,347	11,441	13,453	(47)	2,288
SWIMMING	179	0	1,041	863	1
TENNIS	60	0	1,031	971	0
TOURNAMENTS	3,069	1,260	837	(3,492)	0
TOYOTA	120	15,772	24	(15,868)	0
SUBTOTAL	<u>250,093</u>	<u>793,158</u>	<u>740,911</u>	<u>(60,040)</u>	<u>242,300</u>

See independent auditor's report

SUPPLEMENTAL INFORMATION

FLATHEAD HIGH SCHOOL EXTRACURRICULAR FUND - SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION - CONTINUED

For the Year Ended June 30, 2019

Student Activity	Net Position July 1, 2018	Receipts	Disbursements	Transfers	Net Position June 30, 2019
BALANCE FROM PREVIOUS PAGE	250,093	793,158	740,911	(60,040)	242,300
TSA	132	0	0	(132)	0
TUITION	400	16,818	17,164	78	132
UNIFORM REPLACE	(53,702)	0	0	55,977	2,275
VANDALISM	0	334	1,870	0	(1,536)
VO-AG	12,868	6,345	16,196	0	3,017
VO-TECH	9,236	12,154	12,896	285	8,779
WORLD QUEST CLU	45	15	0	(60)	0
WRESTLING	0	245	2,976	2,732	1
WRITING CENTER	1,290	0	0	0	1,290
YEARBOOK	(180)	30,425	30,990	264	(481)
SYSTEM	6,645	(1,868)	4,785	4	(4)
AIM HIGHER	0	2,150	0	0	2,150
DECA	0	17,370	18,895	892	(633)
FEST BAND 1066	0	341	130	0	211
FEST CHOIR 1064	0	2,973	2,973	0	0
	226,827	880,460	849,786	0	257,501

See independent auditor's report

SUPPLEMENTAL INFORMATION

SCHEDULE OF REPORTED ENROLLMENT

For the Year Ended June 30, 2019

Students Grade K-8

Full Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	344	344	0
E Budget Units Grades 1-6	1992	1992	0
M Budget Units Grades 7-8	743	743	0
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	349	349	0
E Budget Units Grades 1-6	2003	2003	0
M Budget Units Grades 7-8	745	745	0

Part Time Students:

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

See independent auditor's report

SUPPLEMENTAL INFORMATION

SCHEDULE OF REPORTED ENROLLMENT – CONTINUED

For the Year Ended June 30, 2019

Students Grade 9-12

Full Time Students:

Fall Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	2883	2883	0
19-year olds included	3	3	0
Job Corps	7	7	0
Youth challenge	6	6	0
Spring Enrollment-El District	MAEFAIRS Reports	District Reports	Difference
Grade 9 - 12	2702	2702	0
19-year olds included	1	1	0
Job Corps	5	5	0
Youth challenge	5	5	0
Early Graduates	91	91	0

Part Time Students:

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

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as describe in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned cost as item 2019-001 to be material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-001 and 2019-003.

Kalispell Public Schools' Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Wipfli LLP



Billings, Montana
March 25, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT 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' (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on each Major Federal Program

In our opinion, Kalispell Public Schools 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, 2019.

Report on Internal Control over Compliance

Management of the District 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 the District's 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 the District's 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wipfli LLP



Billings, Montana
March 25, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|------------------|-----|-------------------|----|
| - Are any material weaknesses identified? | <u> X </u> | Yes | <u> </u> | No |
| - Are any significant deficiency(ies) identified that are not considered to be material weaknesses? | <u> X </u> | Yes | <u> </u> | No |

Is any noncompliance material to financial statements noted?

	<u> X </u>	Yes	<u> </u>	No
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Federal Awards

Internal control over major programs:

- | | | | | |
|---|-------------------|-----|------------------|----|
| - Are any material weaknesses identified? | <u> </u> | Yes | <u> X </u> | No |
| - Are any significant deficiency(ies) identified that are not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | 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)?

	<u> </u>	Yes	<u> X </u>	No
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Identification of Major Programs:

CFDA Number(s)

84.010
10.553, 10.555, 10.559
84.419

Name of Federal Program or Cluster

Title I Grants to Local Education Agencies
Child Nutrition Cluster
Preschool Development Grant

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

\$ 750,000

Auditee qualified as low-risk auditee?

	<u> </u>	Yes	<u> X </u>	No
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2019

Section II - Financial Statement Findings

2019-001 Unauthorized Student Activity Accounts.

Criteria or Specific Requirement: Per the Student Activity Fund Accounting Manual, extracurricular funds are established for student functions and funds should not be used for faculty use, booster clubs, parent teacher organizations, rental of District facilities and equipment, book fines and fines for lost equipment, driver education class fees, petty cash funds for District use, sale of District supplies or equipment and reimbursements from insurance companies. Further, if a fee or charge originated from District sources, then these collections must be deposited to the proper District fund.

Condition: During compliance testing over student activities for the District's elementary, middle school, Glacier high school and Flathead high school student activity accounts it was noted that all accounts have funds for faculty use, booster clubs, parent teacher organizations, rental of District facilities and equipment, and book fines.

Context: We reviewed the student activity accounts for the District's elementary, middle school, Glacier high school and Flathead high school student activity accounts and noted the following disallowed activities:

- In elementary student activities we noted amounts for District use and supplies, staff funds, and parent teacher organizations. In total we noted \$59,570 worth of unallowable student activities in ending cash out of a total balance of \$94,356 for elementary student activities cash.
- In middle school student activities, we noted amounts for District use and supplies. In total we noted \$5,584 worth of unallowable student activities in ending cash out of a total balance of \$60,539 for middle school student activities cash.
- In Flathead high school student activities, we noted amounts for District use, booster clubs, faculty use, fees and fines, and a graduated classes reunion. In total we noted \$15,295 worth of unallowable student activities in ending cash out of a total balance of \$257,501 for Flathead high school student activities cash.
- In Glacier high school student activities, we noted amounts for District use, booster clubs, facility fees, faculty use, and fees and fines. In total we noted a \$114,471 worth of unallowable student activities in ending cash out of a total balance of \$506,794 for Glacier high school student activities cash.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2019

Effect: The District is not in compliance with requirements pertaining to student activity accounts. Also, the District is not fulfilling its fiduciary duty over the student activity funds.

Cause: The District does not have strong controls and oversight of student activity accounts at the District's various locations.

Auditor's Recommendation: The District should review student activity accounts for compliance with the Student Activity Fund Accounting Manual's requirements and determine which accounts are unallowable under state requirements. After review of student activity accounts monies that should not be accounted for in student activities, should either be transferred to the control of the District because it is for District use, or monies should be returned to the parent teacher organization and/or booster club for handling by that organization. Finally, the District should train personnel handling student activities monies about what is an allowable activity and also remind District personnel that all student activity accounts need to be approved by the board of trustees.

View of Responsible Official: The District office will continue their oversight and training in regard to funds that can be held in the student activity accounts. We have been working at this over time and we believe that we have now closed all unauthorized accounts. We also send periodic reminders of the proper handling of donations and student scholarships.

2019-002 Controls Over Student Activity Accounts.

Criteria or Specific Requirement: The District should maintain sufficient internal controls and monitoring of controls over student activity funds to ensure expenditure of funds are properly supported and approved.

Condition: We noted control deficiencies in the cash disbursement process for the elementary and middle school student activities accounts.

Context: We tested 9 expenditures for the elementary school student activities and noted 3 instances in which the expenditure was not properly approved by all required individuals. We also tested 25 expenditures for middle school student activities and noted 1 instance in which no documentation of the expenditures was provided so we could not test compliance. Also, we noted 1 instance where the expenditure was not properly approved by all required individuals.

Effect: Without proper approval and maintenance of supporting documentation of student activity expenditures, the District is not fulfilling its fiduciary duty over the student activity fund expenditures.

Cause: The policies and procedures surrounding student activity expenditures are not being followed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2019

Auditor's Recommendation: The District should follow the policies and procedures in place to ensure it is meeting its custodial obligations over the student activities funds.

View of Responsible Official: All purchases must be approved by the Activities Director. In some instances, there were no signature on those pay requests. This has been brought to the attention of the Activities Director and they will be more diligent on that the signing of purchase requests. The finance committee has recently instituted a process whereby purchases over \$10,000 must be presented to the finance committee and the Board of Trustees prior to the purchases being made. The district takes this responsibility very seriously and will comply with the controls over student activity accounts going forward.

2019-003 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, 2019, the District had overspent the high school technology fund budget by \$87,124.

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 high school technology 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended June 30, 2019

Section III - Federal Award Findings and Questioned Costs

None

Section IV –Auditees Summary Schedule of Prior Audit Findings

2018-001 – Implemented

2018-002 – Not implemented restated as 2019-001

2018-003 – Implemented

2018-004 – Not implemented restates as 2019-002

2018-005 – Implemented