

Kalispell Public Schools

Independent Auditor's Report and
Financial Statements

Year Ended June 30, 2022



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Kalispell Public Schools

Year Ended June 30, 2022

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Kalispell Public Schools

Organization Board of Trustees and Officials

BOARD OF TRUSTEES

Sue Corrigan
Diane Morton-Stout
Jack Fallon
Lance Isaak
Will Hiatt
Loyd Bondy
Rebecca Linden
Heather Asher
Scott Warnell
Ursula Wilde
Jennifer Sevier

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Vice Chair
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Trustee
Trustee
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Trustee
Trustee

OFFICIALS

Micah Hill
Denise Williams
Travis Ahner
Jack Eggensperger
Adele Krantz

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

Independent Auditor's Report

Board of Trustees
Kalispell Public Schools
Kalispell, Montana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Kalispell Public Schools (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Kalispell Public Schools as of June 30, 2022, 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 of America (GAAP).

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 87 - *Leases*. Our opinion is not modified with respect to this matter.

As described in Note 16 to the financial statements, the District obtained an updated valuation of its other postemployment benefit obligation under, GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

GAAP requires that 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 is the responsibility of management and, 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The extracurricular funds— schedule of cash receipts, disbursements and changes in net position, schedule of reported enrollment and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kalispell Public Schools'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

Billings, Montana
March 22, 2023

Kalispell Public Schools

Management's Discussion and Analysis

In conjunction with the audited financial statements for the fiscal year ending June 30, 2022, 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, 2022. Certain comparative information between the current year and the prior is required to be presented in the MD&A. Readers should also review the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2022 are as follows:

Total assets of \$151,427,777 reflects an increase of \$5,809,481 which is mostly attributed to an increase in cash and investments, amounts due from other governments and deposits.

The district's taxes receivable balance increased over the prior year and is currently \$1,113,552. The annual property tax collection was \$29,182,943 and the receivable balance is 3.8% of the annual collection, which is a very low percentage of delinquent taxes.

Total liabilities decreased by \$17,575,513, which is a combination of a \$1,185,236 increase in current liabilities and a net decrease in long-term liabilities of \$18,760,749, which is related to a decrease in bond debt and net pension liability.

Total revenue of \$97,882,957 exceeded total expenditures of \$87,535,512 by \$10,347,445. Total revenue increased by \$4,496,361 and total expenditures decreased by \$3,006,563 from the previous year. Operating grant revenue increased by \$2,147,224, mostly due to federal grant funding provided under the Elementary and Secondary Emergency Relief (ESSER) sections of federal legislation addressing the Covid-19 pandemic.

Our enrollment averaged 6,135 students which is an increase of 285 students, made up of an increase at the elementary level of 229 students and an increase at the high school of 56 students.

The district operates a partially self-insured health insurance plan. The district is responsible for 70% of premiums and employees are responsible for 30% of premiums. The district opened an employee health clinic to reduce primary care costs to the plan and additional changes were made in an attempt to ensure the financial stability of the health insurance plan. The net position of the plan as of June 30, 2022, was \$(219,927), which is a decrease of \$1,182,095 over the previous year.

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.

Kalispell Public Schools

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 the District, the general fund is by far the most significant fund.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

The major funds were the general funds, the elementary transportation and miscellaneous funds, and the high school transportation and interlocal funds.

Kalispell Public Schools

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 the district's employee insurance benefit activities.

Reporting the District's Trust and Fiduciary Responsibilities

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

Budget-to-Actual Comparisons

The budgetary comparison schedules on page 67 of the audit report show how actual expenditures compared to the original and final budgeted expenditures for the general fund. There were no significant variances between the final expenditure budget and the actual expenditures.

Kalispell Public Schools

Management's Discussion and Analysis

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 \$28,442,929 as of June 30,2022.

Table 1 - Net Position

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change Inc (Dec)</u>
Current assets	\$35,678,126	\$28,605,170	\$7,072,956
Capital assets -net	<u>115,749,651</u>	<u>117,013,126</u>	<u>-1,263,475</u>
Total Assets	<u>151,427,777</u>	<u>145,618,296</u>	<u>5,809,481</u>
Deferred outflow of resources	<u>11,712,456</u>	<u>12,419,715</u>	<u>-707,259</u>
Current liabilities	8,965,606	7,780,370	1,185,236
Non-current liabilities	<u>108,568,616</u>	<u>127,329,365</u>	<u>-18,760,749</u>
Total liabilities	<u>117,534,222</u>	<u>135,109,735</u>	<u>-17,575,513</u>
Deferred inflow of resources	<u>17,163,082</u>	<u>1,342,662</u>	<u>15,820,420</u>
Net position:			
Net investment in capital assets	53,232,008	48,886,404	4,345,604
Restricted	27,936,268	23,122,008	4,814,260
Unrestricted	<u>-52,725,347</u>	<u>-50,422,798</u>	<u>-2,302,549</u>
Total net position	<u>\$28,442,929</u>	<u>\$21,585,614</u>	<u>\$6,857,315</u>

Kalispell Public Schools

Management's Discussion and Analysis

Table 2 - Changes in Net Position

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change Inc (Dec)</u>
Program Revenue			
Charges for Services	\$10,483,594	\$10,169,257	\$314,337
Operating Grants	14,609,739	12,462,515	2,147,224
Capital Grants and Contributions	46,748	64,561	-17,813
Total program revenue	<u>25,140,081</u>	<u>22,696,333</u>	<u>2,443,748</u>
General Revenue			
Property taxes levied for general purpose	29,182,943	26,311,593	2,871,350
County retirement distribution	7,008,648	6,367,528	641,120
State aid	35,816,849	36,986,550	-1,169,701
Interest	94,267	105,374	-11,107
Other	631,233	890,428	-259,195
Special Items			
Donated assets	0	28,790	-28,790
Gain on sale of asset	8,936	0	8,936
Total general revenue	<u>72,742,876</u>	<u>70,690,263</u>	<u>2,052,613</u>
Total revenue	<u>97,882,957</u>	<u>93,386,596</u>	<u>4,496,361</u>
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change Inc (Dec)</u>
Primary Government			
Instruction:			
Regular programs	36,151,479	40,403,529	-4,252,050
Special programs	3,427,101	3,072,267	354,834
Vocational programs	2,938,976	3,004,918	-65,942
Traffic education	253,394	221,050	32,344
Support Services	16,912,156	17,294,081	-381,925
Operations & maintenance	5,365,336	4,889,795	475,541
Student transportation	3,519,631	3,386,486	133,145
Food services	2,786,739	2,503,694	283,045
Extracurricular	3,160,772	2,311,098	849,674
Interest on long-term debt	2,089,247	2,236,463	-147,216
Debt issuance costs	59,075	56,528	2,547
Unallocated depreciation	3,745,326	3,193,852	551,474
Enterprise services	7,126,280	7,968,314	-842,034
Total expenses	<u>87,535,512</u>	<u>90,542,075</u>	<u>-3,006,563</u>
Change in net position	<u>\$10,347,445</u>	<u>\$2,844,521</u>	<u>\$7,502,924</u>

Kalispell Public Schools

Management's Discussion and Analysis

THE DISTRICT AS A WHOLE – GOVERNMENTAL ACTIVITIES

The district's total revenue for the fiscal year ended June 30, 2022 was \$97.8 million and the total cost of all programs and services was \$93.8 million.

District taxpayers contributed \$29.1 million of the \$72.7 million in general revenue. The remainder was financed through grants and entitlements, charges for services, operating grants and contributions, and interest earnings.

Analysis of Financial Information

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

Capital Assets

The district has invested over \$158 million in total capital assets, including land, construction in progress, buildings, land improvements and machinery and equipment. This represents a net increase of \$1,878,087 in this past year. Facilities projects were completed during the fiscal year, which contributed to the increase in depreciable assets as of June 30, 2022. Total accumulated depreciation expense increased by \$3,389,658, resulting in a net increase in capital assets, net of depreciation of \$14,903.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2022 and June 30, 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Capital assets not being depreciated		
Land	\$2,275,984	\$2,391,828
Construction in Progress	5,455,933	21,754,841
Total capital assets not being depreciated	<u>7,731,917</u>	<u>24,146,669</u>
Capital assets being depreciated		
Buildings	130,174,383	113,230,743
Land Improvements	8,871,142	8,235,475
Machinery and Equipment	11,399,981	10,686,449
Total capital assets being depreciated	<u>150,445,506</u>	<u>132,152,667</u>
Total accumulated depreciation	<u>-42,894,759</u>	<u>-39,505,101</u>
Total capital assets being depreciated, net	<u>107,550,747</u>	<u>92,647,566</u>
Total	<u><u>\$115,282,664</u></u>	<u><u>\$116,794,235</u></u>

Kalispell Public Schools

Management's Discussion and Analysis

Debt Administration

As of June 30, 2022, the district had \$55,275,000 in general obligation bonds outstanding, of which \$5,810,000 is due within one year. A summary of the district's outstanding long-term debt for the year ended June 30, 2022 and June 30, 2021 is presented below:

	June 30, 2022	June 30, 2021
General Obligation Bonds	\$55,275,000	\$60,930,000
Notes Payable	675,628	716,452
QZAB Bond Outstanding	2,207,028	2,207,028
Compensated Absences	5,261,929	4,823,182
Retirement Liability	348,301	476,041
Net Pension Liability	45,554,985	59,961,867
Other postemployment benefits	1,794,799	505,549
Lease Liability	259,357	361,642

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 increases resulted in an increase in ANB (average number belonging) of 111. State funding component rates increased 2.57%, resulting in increases in both expenditure budget limits and state funding. In May 2021, the elementary voters approved an increase in the general fund over-BASE levy of \$557,158. The district chose not to impose the levy for FY2021-2022 but did impose the levy for the first time to support the FY2022-2023 budget. The Elementary general fund budget is 99% of the maximum amount allowed by law. The Elementary Technology Levy of 11.3 mills, which raises approximately \$700,000 annually was in the eighth year of the collection.

High school enrollment increases resulted in an increase in ANB of 54, which coupled with the 2.57% increase in the state funding components, had a positive impact on the general fund budget limits and state funding for 2022-2023. However, local tax levies which must be approved by the voters are not keeping pace with budget demands. In May 2022, the district ran an unsuccessful High School levy election for a \$1,500,000 increase in the general fund over-BASE. The High School general fund budget is 91% of the maximum amount by law. 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.

Contact for Additional Information

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

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

Denise Williams
Director of Business Services
(406) 751-3400, extension 3412
denise.williams@sd5.k12.mt.us

Kalispell Public Schools

Statement of Net Position

June 30, 2022

Assets:

Cash and cash equivalents	\$ 29,558,160
Restricted cash	1,330,492
Taxes receivable	1,113,552
Accounts receivable	220,114
Due from other governments	2,837,545
Deposits	545,607
Prepaid expenses	72,656

35,678,126

Capital and right of use assets:

Land	2,275,984
Construction in progress	5,455,933
Depreciable assets, net	107,765,003
Right of use asset, net	252,731

Total capital and right of uses assets 115,749,651

Total assets 151,427,777

Deferred outflows of resources:

Changes of assumptions and other inputs - OPEB	33,212
Pension contributions and related differences and changes	11,679,244

Total deferred outflows of resources 11,712,456

Kalispell Public Schools

Statement of Net Position (Continued)

June 30, 2022

Liabilities:

Accounts payable	1,177,502
Other	30,778
Due to other governments	273,392
Due to other funds	78,893
Claims payable	496,000
Long-term liabilities:	
Due within one year:	
Lease liability	109,684
Bonds payable	5,810,000
Notes payable	42,210
Compensated absences	947,147
Due in more than one year:	
Lease liability	149,673
Bonds payable, plus unamortized bond premium	55,772,658
Notes payable	633,418
Compensated absences	4,314,782
Net pension liability	45,554,985
Retiree Liability	348,301
OPEB Liability	1,794,799

Total liabilities	117,534,222
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Deferred inflows of resources:

Differences between expected and actual experience - OPEB	2,071,118
Pension related differences and changes	15,091,964

Total deferred inflows of resources	17,163,082
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Net position:

Net investment in capital assets	53,232,008
Restricted for:	
Other fund activities	23,701,668
Debt service	994,107
Capital projects	3,240,493
Unrestricted deficit	(52,725,347)

Total net position	\$ 28,442,929
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Kalispell Public Schools

Statement of Activities

For the Year Ended June 30, 2022	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants	Capital Grants and Contributions	
Primary Government:					
Instruction:					
Regular programs	\$ 36,151,479	\$ 91,463	\$ 7,548,181	\$ -	\$(28,511,835)
Special programs	3,427,101	-	2,747,597	-	(679,504)
Vocational programs	2,938,976	-	188,199	-	(2,750,777)
Traffic education	253,394	182,950	58,808	-	(11,636)
Supporting services	16,912,156	-	-	-	(16,912,156)
Operations and maintenance	5,365,336	-	-	46,748	(5,318,588)
Student transportation	3,519,631	16,117	696,820	-	(2,806,694)
Food services	2,786,739	187,030	3,370,134	-	770,425
Extracurricular	3,160,772	1,584,113	-	-	(1,576,659)
Interest on long-term debt	2,089,247	-	-	-	(2,089,247)
Debt issuance costs	59,075	-	-	-	(59,075)
Unallocated depreciation	3,745,326	-	-	-	(3,745,326)
Enterprise services	7,126,280	8,421,921	-	-	1,295,641
Total governmental activities	\$ 87,535,512	\$ 10,483,594	\$ 14,609,739	\$ 46,748	(62,395,431)
General revenues:					
Property taxes, levied for general purposes					29,182,943
County retirement distribution					7,008,648
State aid					35,816,849
Interest					94,267
Miscellaneous					631,233
Gain on sale of asset					8,936
Total general revenues					72,742,876
Change in net position					10,347,445
Net position, beginning of year					21,585,614
Prior period adjustment					(3,490,130)
Net position, beginning of year, restated					18,095,484
Net position, end of year					\$ 28,442,929

Kalispell Public Schools

Balance Sheet - Governmental Funds

<i>June 30, 2022</i>	General Fund	Elementary Transportation Fund	Elementary Miscellaneous Fund	High School Transportation Fund	High School Interlocal Agreement Fund	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash and cash equivalents	\$ 3,560,968	\$ 1,917,788	\$ 386,191	\$ 1,622,277	\$ 6,774,697	\$ 15,296,239	\$ 29,558,160
Restricted cash	1,330,492	-	-	-	-	-	1,330,492
Taxes receivable	431,449	102,320	-	128,691	-	451,092	1,113,552
Due from other funds	1,259,111	27,424	106,277	-	3,339,079	412,644	5,144,535
Due from other governments	17,599	-	2,788,986	-	-	30,960	2,837,545
Other assets	-	-	-	-	-	15,710	15,710
Total assets	\$ 6,599,619	\$ 2,047,532	\$ 3,281,454	\$ 1,750,968	\$ 10,113,776	\$ 16,206,645	\$ 39,999,994
Liabilities, deferred inflows of resources and fund balances:							
Liabilities:							
Accounts payable	\$ 334,512	\$ 56,719	\$ 327,680	\$ 84,976	\$ 183,018	\$ 190,597	\$ 1,177,502
Due to other funds	152,257	1,204,528	1,236,036	836,685	-	1,070,476	4,499,982
Due to other governments	-	-	104,980	-	-	168,412	273,392
Total liabilities	486,769	1,261,247	1,668,696	921,661	183,018	1,429,485	5,950,876
Deferred inflows of resources:							
Unavailable tax revenue	32,690	4,727	-	10,570	-	34,208	82,195
Total deferred inflows of resources	32,690	4,727	-	10,570	-	34,208	82,195
Fund balances:							
Restricted for:							
Other fund activities	-	781,558	1,612,758	818,737	9,930,758	10,534,126	23,677,937
Debt service	1,330,492	-	-	-	-	969,635	2,300,127
Capital projects	-	-	-	-	-	3,239,191	3,239,191
Unassigned	4,749,668	-	-	-	-	-	4,749,668
Total fund balances	6,080,160	781,558	1,612,758	818,737	9,930,758	14,742,952	33,966,923
Total liabilities, deferred inflows of resources and fund balances	\$ 6,599,619	\$ 2,047,532	\$ 3,281,454	\$ 1,750,968	\$ 10,113,776	\$ 16,206,645	\$ 39,999,994

See accompanying notes to financial statements.

Kalispell Public Schools

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

June 30, 2022

Total fund balances, governmental funds \$ 33,966,923

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. 115,282,664

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. 82,195

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. (219,927)

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

Deferred outflow of resources - Pension contributions and related differences and changes	11,679,244
Deferred outflow of resources - Changes of assumptions and other inputs OPEB	33,212
Deferred inflow of resources - Pension related differences and changes	(15,091,964)
Deferred inflow of resources - differences between expected and actual experience - OPEB	(2,071,118)

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

Compensated absences	(5,261,929)
Bonds payable, plus bond premium	(61,582,658)
Note payable	(675,628)
Net pension liability	(45,554,985)
Other postemployment benefits	(1,794,799)
Retiree liability	(348,301)

Net position of governmental activities in the statement of net position \$ 28,442,929

Kalispell Public Schools

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

<i>For the Year Ended June 30, 2022</i>	General Fund	Elementary Transportation Fund	Elementary Miscellaneous Fund	High School Transportation Fund	High School Interlocal Agreement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes for general purposes	\$ 11,294,451	\$ 3,039,094	\$ -	\$ 3,080,929	\$ -	\$ 11,767,708	\$ 29,182,182
Tuition	91,463	-	-	-	-	182,950	274,413
Intergovernmental:							
County	-	158,584	-	189,826	-	7,008,648	7,357,058
State	32,165,456	158,584	1,277,641	189,826	-	1,013,440	34,804,947
Federal	-	-	8,783,356	-	-	3,806,639	12,589,995
Interest on investments	16,398	3,579	1,857	3,215	21,341	47,877	94,267
Student transportation	-	16,117	-	-	-	-	16,117
Food services	-	-	-	-	-	187,030	187,030
Extracurricular	-	-	-	-	-	1,584,113	1,584,113
Other	592	-	118,680	-	-	511,961	631,233
Total revenues	43,568,360	3,375,958	10,181,534	3,463,796	21,341	26,110,366	86,721,355
Expenditures:							
Current:							
Instruction	26,951,666	-	6,097,199	-	-	6,664,431	39,713,296
Support services	10,189,846	240,269	3,293,555	259,449	16,500	2,774,695	16,774,314
Operations and maintenance	4,175,636	8,161	406,523	11,335	236,442	527,239	5,365,336
Student transportation	35,371	1,444,629	1,430	1,878,539	-	159,662	3,519,631
Food services	-	-	-	-	-	2,786,739	2,786,739
Extracurricular	1,592,600	-	750	-	-	1,567,422	3,160,772
Capital outlay	344,107	171,943	347,450	258,010	620,555	787,831	2,529,896
Debt service	52,475	-	-	-	-	7,964,282	8,016,757
Total expenditures	43,341,701	1,865,002	10,146,907	2,407,333	873,497	23,232,301	81,866,741
Excess (deficiency) of revenues over expenditures	226,659	1,510,956	34,627	1,056,463	(852,156)	2,878,065	4,854,614
Other financing sources (uses):							
Insurance proceeds	-	1,980	-	874	415,769	46,748	465,371
Transfers in	-	-	-	-	2,614,079	-	2,614,079
Transfers out	-	(1,176,743)	-	(797,569)	-	(639,767)	(2,614,079)
Total other financing sources and uses	-	(1,174,763)	-	(796,695)	3,029,848	(593,019)	465,371
Net change in fund balances	226,659	336,193	34,627	259,768	2,177,692	2,285,046	5,319,985
Fund balances, beginning of year	5,853,501	445,365	1,578,131	558,969	7,753,066	12,457,906	28,646,938
Fund balances, end of year	\$ 6,080,160	\$ 781,558	\$ 1,612,758	\$ 818,737	\$ 9,930,758	\$ 14,742,952	\$ 33,966,923

See accompanying notes to financial statements.

Kalispell Public Schools

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

For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds: \$ 5,319,985

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. (3,631,780)

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. 1,182,095

Governmental funds report the total proceeds from the sale of assets. In contrast, the Statement of Activities reports a gain or loss on the sale of assets. Thus, the change in net position differs from the change in fund balance by the proceeds received less the assets historical cost. (409,687)

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. 761

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	172,612
Compensated absences expense	(438,747)
Retirement liability	127,740
Other postemployment benefits	163,411
Pension expense, net of state on-behalf revenue	(364,664)

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

Capital outlays, not including capital assets under leases	2,529,896
Principal payments on debt	5,695,823

Change in net position of governmental activities \$ 10,347,445

Kalispell Public Schools

Statement of Net Position - Proprietary Funds

	Governmental Activities Internal Service Funds
<i>June 30, 2022</i>	
Assets:	
Accounts receivable	\$ 204,404
Deposits	545,607
Due from other funds	1,554
Prepaid expenses	72,656
Total current assets	824,221
Capital assets and right of use asset	
Depreciable assets, net	214,256
Right of use assets, net	252,731
Total capital assets	466,987
Total assets	1,291,208
Liabilities:	
Claims payable	496,000
Due to other funds	725,000
Other liabilities	30,778
Lease liability	109,684
Total current liabilities	1,361,462
Long-term liabilities:	
Lease liability	149,673
Total long-term liabilities	149,673
Total liabilities	1,511,135
Net position:	
Unrestricted	(219,927)
Total net position	\$ (219,927)

Kalispell Public Schools

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

	Governmental Activities
	Internal Service Funds
<i>For the Year Ended June 30, 2022</i>	
Operating revenues:	
Charges for services	\$ 8,232,519
Miscellaneous revenues	189,402
Total operating revenues	8,421,921
Operating expenses:	
Personal services	37,661
Contractual services	5,418,093
Supplies	40,732
Other expenses	1,629,794
Depreciation - Unallocated	113,546
Total operating expenses	7,239,826
Operating income	1,182,095
Net position, beginning of year	(1,402,022)
Net position, end of year	\$ (219,927)

Kalispell Public Schools

Statement of Cash Flows - Proprietary Funds

	Governmental Activities
	Internal Service Funds
<i>For the Year Ended June 30, 2022</i>	
Cash flows from operating activities:	
Cash received from providing services	\$ 7,967,005
Cash paid for:	
Payment of claims	(5,534,944)
Payment to suppliers	(1,735,852)
Payment to employees	(37,661)
Net cash from operating activities	658,548
Cash flows from noncapital financing activities	
Cash loaned on interfund receivable	(1,554)
Cash paid on interfund loan	(554,709)
Net cash from noncapital financing activities	(556,263)
Cash flows from capital and related financing activities	
Payment on lease liability	(102,285)
Net cash from capital and related financing activities	(102,285)
Net change in cash	-
Cash, beginning of year	-
Cash, end of year	\$ -

Reconciliation of operating income to net cash from operating activities

Operating income	\$ 1,182,095
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation expense	113,546
Decrease (increase) in accounts receivable	(204,404)
Decrease (increase) in deposits	(194,999)
Decrease (increase) in prepaid expenses	(65,326)
Increase (decrease) in claims payable	(138,000)
Increase (decrease) in unearned revenue	(55,513)
Increase (decrease) in other liability	21,149
Net cash from operating activities	\$ 658,548

Kalispell Public Schools

Statement of Fiduciary Net Position and Changes in Fiduciary Net Position

<i>As of and for the Year Ended June 30, 2022</i>	Custodial Funds
FIDUCIARY NET POSITION	
Assets:	
Cash	\$ 188,659
Deposits	25,848
Due from other funds	87,993
Total assets	302,500
Liabilities:	
Other current liabilities	8,125
Due to other funds	9,100
Total liabilities	17,225
Net position:	
Held for parent teacher organizations	189,688
Held in trust for scholarships	95,587
Total net position	285,275
Total liabilities and net position	\$ 302,500
CHANGES IN FIDUCIARY NET POSITION	
Additions:	
Contributions	211,907
Interest	847
Total additions	212,754
Deductions:	
Expenses	148,104
Total deductions	148,104
Change in net position held in trust	64,650
Net position, beginning of year	220,625
Net position, end of year	\$ 285,275

Kalispell Public Schools

Notes to Financial Statements

Note 1: Reporting Entity

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

The criteria for including organizations within the District's reporting entity are set forth in Governmental Accounting Standards Board (GASB) Statement No. 39. This statement defines the financial reporting entity as the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such financial accountability that would result in the District being considered a component unit of the entity.

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

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

Note 2: Summary of Significant Accounting Policies

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

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Adoption of GASB Pronouncements

During the fiscal year ended June 30, 2022, the District implemented the following GASB Pronouncements:

GASB Statement No. 87, Leases: As of July 1, 2021, the District implemented GASB Statement No. 87. The statement enhances the relevance and consistency of reporting for the Livingston School District's leasing activities by establishing requirements for lease accounting based on the principle that leases are financings of underlying right-to-use assets. A lessee is required to recognize a lease liability and intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The District adopted this guidance retroactively for the year beginning July 1, 2021. The adoption of this guidance did not affect beginning net position for the year ended June 30, 2022 and, accordingly, restatement of beginning July 1, 2021 net position was not necessary.

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

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

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

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

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

Basis of Presentation

Government-Wide Financial Statements

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

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

Fund Financial Statements

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

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

Governmental Funds

The District reports the following major governmental funds:

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

Elementary Transportation Fund - Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

High School Transportation Fund - Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

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

Proprietary Funds

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

Fiduciary Funds

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

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

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

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

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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.

Cash and Investments

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

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Investments (Continued)

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

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

<i>Year Ended June 30, 2022</i>	<i>Payroll Clearing</i>	<i>Claims Clearing</i>
Cash	\$ 1,083,755	\$ 445,137
Warrants payable	\$ 1,083,755	\$ 445,137

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

At June 30, 2022, the District's carrying amount of cash and cash equivalents held in banks was \$1,899,197. These amounts are held in demand deposit accounts, a repurchase investment account and CDARS. The balances in these accounts may exceed the federally insured limit of \$250,000 by the Federal Deposit Insurance Corporation (FDIC) in case of bank failure.

At June 30, 2022, the elementary and middle school extracurricular fund cash of \$26,166 and \$134,267 is held at Valley Bank of Kalispell, the Flathead High School extracurricular cash fund of \$336,865 is held at Glacier State Bank, and the Glacier High School extracurricular fund cash of \$665,727 is held at Three Rivers Bank of Montana. The accounts are insured by the FDIC up to \$250,000.

Short-term Interfund Receivables and Payables

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

Capital Assets

Capital assets, which include land, buildings, buildings improvements, vehicles, equipment, and construction in progress are reported in the government-wide financial statements. The District defines capital assets as assets with an initial cost of more than \$25,000 and an estimated life in excess of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

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

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

Compensated Absences

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

Pensions

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

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

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

Fund Balances

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

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

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

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

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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

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

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

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

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances are classified as either assigned fund balance or committed fund balance. At June 30, 2022, there were no encumbrances.

Net Position

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

Use of Estimates

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

Kalispell Public Schools

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are collected by Flathead County who remits to the District their respective share of the collections. The 2021 property tax levy, which was perfected and became a receivable in October 2021, was levied to finance District operations during the year ended June 30, 2022. The tax levy was collectible in November 2021 and May 2022. As of May 31, 2022, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Flathead County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Flathead County.

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

Subsequent Events

Management has evaluated the activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2022. Management has performed this evaluation through March 22, 2023, the date the financial statements were available to be issued, and determined that no subsequent events requiring adjustment or disclosure have occurred.

Note 3: Due From Other Governments

Due from other governments at June 30, 2022, consisted of amounts owed to the District from other governmental entities. These consisted of the following:

	Elementary	High School	Total
General fund	\$ 9,100	\$ 8,499	\$ 17,599
Miscellaneous program fund	2,788,986	30,960	2,819,946
Totals	\$ 2,798,086	\$ 39,459	\$ 2,837,545

Kalispell Public Schools

Notes to Financial Statements

Note 4: Interfund Receivables and Payables

For the year ended June 30, 2022, the following interfund receivables and payables were as follows:

	Receivable	Payable
General fund	\$ 1,259,111	\$ 152,257
Elementary transportation fund	27,424	1,204,528
Miscellaneous program fund	106,277	1,236,036
High school transportation fund	-	836,685
Interlocal agreement fund	3,339,079	-
Other governmental funds	412,644	1,070,476
Internal service fund	1,554	725,000
Custodial fund	87,993	9,100
Totals	\$ 5,234,082	\$ 5,234,082

The interfund receivables and payables were to fund operations between funds.

Kalispell Public Schools

Notes to Financial Statements

Note 5: Capital Assets

The governmental activities capital asset activity for the year ended June 30, 2022, is as follows:

<i>Governmental activities</i>	Balance 6/30/2021	Increases	Decreases and Transfers	Transfers/ Adjustments	Balance 06/30/22
Capital assets, not being depreciated:					
Land	\$ 2,391,828	\$ 293,843	\$ (409,687)	\$ -	\$ 2,275,984
Construction in progress	21,754,841	793,703	-	(17,092,611)	5,455,933
Total capital assets, not being depreciated	24,146,669	1,087,546	(409,687)	(17,092,611)	7,731,917
Capital assets, being depreciated:					
Land improvements	8,235,475	257,304	-	378,363	8,871,142
Buildings and improvements	113,230,743	598,554	-	16,345,086	130,174,383
Machinery and equipment	10,686,449	586,492	(242,122)	369,162	11,399,981
Total capital assets, being depreciated	132,152,667	1,442,350	(242,122)	17,092,611	150,445,506
Accumulated depreciation:					
Land improvements	(2,710,480)	(213,916)	-	-	(2,924,396)
Buildings and improvements	(30,367,754)	(2,617,113)	-	-	(32,984,867)
Machinery and equipment	(6,426,867)	(800,751)	242,122	-	(6,985,496)
Total accumulated depreciation	(39,505,101)	(3,631,780)	242,122	-	(42,894,759)
Total capital assets, being depreciated, net	92,647,566	(2,189,430)	-	17,092,611	107,550,747
Governmental activities capital assets, net	\$ 116,794,235	\$ (1,101,884)	\$ (409,687)	\$ -	\$ 115,282,664

Depreciation expense was charged to governmental functions as follows:

Governmental activities

Unallocated depreciation \$ 3,631,780

Kalispell Public Schools

Notes to Financial Statements

Note 5: Capital Assets (Continued)

Internal service fund capital asset balances and activity for the year ended June 30, 2022, were as follows:

<i>Internal Service Fund</i>	Balance 6/30/2021	Increases	Decreases and Transfers	Transfers/ Adjustments	Balance 06/30/22
Capital assets, being depreciated:					
Buildings and improvements	\$ 223,526	\$ -	\$ -	\$ -	223,526
Total capital assets, being depreciated	223,526	-	-	-	223,526
Accumulated depreciation:					
Buildings and improvements	(4,635)	(4,635)	-	-	(9,270)
Total accumulated depreciation	(4,635)	(4,635)	-	-	(9,270)
Total capital assets, being depreciated, net	218,891	(4,635)	-	-	214,256
Right to use assets:					
Building and improvements	63,086	-	-	-	63,086
Equipment	298,556	-	-	-	298,556
Total right to use assets, being amortized	361,642	-	-	-	361,642
Accumulated amortization:					
Building and improvements	-	(18,025)	-	-	(18,025)
Equipment	-	(90,886)	-	-	(90,886)
Total accumulated amortization	-	(108,911)	-	-	(108,911)
Total right to use assets, being amortized, net	361,642	(108,911)	-	-	252,731
Internal service fund capital assets, net	\$ 580,533	\$ (113,546)	\$ -	\$ -	466,987

Depreciation expense for the internal service fund was \$4,635 and amortization expense on right of use assets was \$108,911 for the year ended June 30, 2022.

Kalispell Public Schools

Notes to Financial Statements

Note 6: Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The summary of activity in bonds payable (including current maturities) is as follows as of June 30, 2022:

	Bonds Payable 7/1/2021	Debt Issued	Debt Retired	Bonds Payable 06/30/22	Due Within One Year	Due in More Than One Year
General Obligation Bonds:						
2013 elementary series; 2.0% to 2.5% variable interest rate; final maturity July 1, 2025	\$ 3,625,000	\$ -	\$ (1,065,000)	\$ 2,560,000	\$ 1,080,000	\$ 1,480,000
2013 high school series; 0.7% to 3.0% variable interest rate; final maturity July 1, 2025	7,765,000	\$ -	\$ (1,855,000)	\$ 5,910,000	\$ 1,905,000	\$ 4,005,000
2016 high school refunding series; 1.44% interest rate; final maturity July 1, 2025	2,535,000	\$ -	\$ (615,000)	\$ 1,920,000	\$ 630,000	\$ 1,290,000
2016 elementary series; 4.02% interest rate; final maturity July 1, 2037	20,160,000	\$ -	\$ (920,000)	\$ 19,240,000	\$ 955,000	\$ 18,285,000
2016 high school series; 2.25% to 5.0% variable interest rate; final maturity July 1, 2037	22,970,000	\$ -	\$ (1,045,000)	\$ 21,925,000	\$ 1,080,000	\$ 20,845,000
2018 elementary series; 3.0% to 5.0% variable interest rate; final maturity July 1, 2039	1,835,000	\$ -	\$ (75,000)	\$ 1,760,000	\$ 75,000	\$ 1,685,000
2018 high school series; 3.0% to 5.0% variable interest rate; final maturity July 1, 2039	2,040,000	\$ -	\$ (80,000)	\$ 1,960,000	\$ 85,000	\$ 1,875,000
Totals	\$ 60,930,000	\$ -	\$ (5,655,000)	\$ 55,275,000	\$ 5,810,000	49,465,000
Unamortized bond premium						4,100,630
Total bond payable plus unamortized bond premium						\$ 53,565,630

Kalispell Public Schools

Notes to Financial Statements

Note 6: Long-Term Debt (Continued)

At June 30, 2022, the annual cash flow requirements for all bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 5,810,000	\$ 2,082,631	\$ 7,892,631
2024	5,625,000	1,885,166	7,510,166
2025	5,815,000	1,696,063	7,511,063
2026	2,490,000	1,505,684	3,995,684
2027	2,600,000	1,396,654	3,996,654
2028 - 2032	14,570,000	5,392,934	19,962,934
2033 - 2037	17,770,000	2,198,547	19,968,547
2038 - 2039	595,000	45,000	640,000
Totals	\$ 55,275,000	\$ 16,202,679	\$ 71,477,679

In 2016, the District issued new General Obligation Bonds in the elementary and high school totaling \$23,365,000 and \$26,630,000. These GO Bonds were issued with a premium totaling \$2,051,190 in the Elementary and \$2,337,820 in the high school and have been added to the outstanding bonds payable balance. These premiums will be amortized over the life of the bonds using the effective interest method. At June 30, 2022, the annual amortization was \$80,766.

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, 2022, the annual amortization was \$88,857.

At June 30, 2022, the annual amortization requirements for recognition of bond premiums are as follows:

Year Ending June 30,	Premium Amortization
2023	\$ 218,991
2024	312,801
2025	338,588
2026	319,959
2027	275,648
2028 - 2032	1,228,183
2033 - 2037	1,331,026
2038 - 2042	75,434
Totals	\$ 4,100,630

Kalispell Public Schools

Notes to Financial Statements

Note 6: Long-Term Debt (Continued)

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

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

Year Ending June 30,	Sinking Fund Payments
2023	\$ 146,477
2024	146,477
2025	146,477
2026	146,477
2027	146,477
2028	144,151
Totals	\$ 876,536

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, 2022, the account balance of the sinking fund was \$1,330,492.

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

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

As of June 30, 2022, the statutory debt limit for the District was as follows:

	Elementary	High School
Statutory debt limit	\$ 127,679,400	\$ 294,504,960
Outstanding debt	23,560,000	31,715,000
Remaining debt capacity	\$ 104,119,400	\$ 262,789,960

Kalispell Public Schools

Notes to Financial Statements

Note 6: Long-Term Debt (Continued)

The summary of activity in notes payable (including current maturities) is as follows as of June 30, 2022:

	Notes Payable 7/1/2021	Debt Issued	Debt Retired	Notes Payable 06/30/22	Due Within One Year	Due in More Than One Year
Notes payable:						
2020 elementary intercap loan; 1.00% to 3.37% variable interest rate; final maturity February 15, 2035	\$ 217,606	\$ -	\$ (12,399)	\$ 205,207	\$ 12,820	\$ 192,387
2020 high school intercap loan; 1.00% to 3.37% variable interest rate; final maturity February 15, 2035	498,846	\$ -	\$ (28,425)	\$ 470,421	\$ 29,390	\$ 441,031
Totals	\$ 716,452	\$ -	\$ (40,824)	\$ 675,628	\$ 42,210	\$ 633,418

At June 30, 2022, the annual cash flow requirements for all notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 42,210	\$ 16,552	\$ 58,762
2024	43,645	15,435	59,080
2025	45,127	14,289	59,416
2026	46,662	13,115	59,777
2027	48,247	11,911	60,158
2028 - 2032	266,973	40,413	307,386
2033 - 2037	182,765	7,742	190,507
Totals	\$ 675,629	\$ 119,457	\$ 795,086

The following is a summary of changes in current and long-term obligations for the year ended June 30, 2022:

	7/1/2021	Restatement	Additions	Reductions	06/30/22	Due Within One Year	Due in More Than One Year
Compensated absences payable	\$ 4,823,182	\$ -	\$ 438,747	\$ -	\$ 5,261,929	\$ 947,147	\$ 4,314,782
Qualified zone academy bonds	2,207,028	-	-	-	2,207,028	-	2,207,028
Bonds payable	60,930,000	-	-	(5,655,000)	55,275,000	5,810,000	49,465,000
Notes payable	716,452	-	-	(40,824)	675,628	42,210	633,418
Net pension liability	59,961,867	-	-	(14,406,882)	45,554,985	-	45,554,985
Retirement liability	476,041	-	-	(127,740)	348,301	-	348,301
Other postemployment benefits	505,549	3,240,999	-	(1,951,749)	1,794,799	-	1,794,799
Lease Liability	361,642	-	-	(102,285)	259,357	109,684	149,673
Totals	\$ 129,981,761	\$ 3,240,999	\$ 438,747	\$ (22,284,480)	\$ 111,377,027	\$ 6,909,041	\$ 104,467,986

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

Kalispell Public Schools

Notes to Financial Statements

Note 7: Leases

Changes in leases payable consisted of the following for the year ended June 30, 2022:

	Balance 6/30/2021	Additions	Reductions	Balance 06/30/22	Amounts due Within One Year
PRemise Health Clinic	\$ 63,086	\$ -	\$ (17,401)	\$ 45,685	\$ 17,814
FCM Leasing	195,481	-	(58,175)	137,306	64,706
FCM Leasing	103,075	-	(26,709)	76,366	27,164
Leases payable	\$ 361,642	\$ -	\$ (102,285)	\$ 259,357	\$ 109,684

District as Lessee

The terms and expiration dates of the District's leases payable at June 30, 2022, follows:

Premise Health Clinic - Lease agreement dated December 1, 2019 in the original principal amount of \$63,086 (from Implementation date), due in annual installments of \$1,590, including imputed interest at 3.37%, through December 2024. Paid for and serviced by the internal service fund.

FCM Leasing- Lease agreement dated July 1, 2019 in the original principal amount of \$195,481 (from implementation date), due in monthly installments of \$5,070 from July 2021 to February 2022 increasing to \$5,695 from March 2022 to July 2024, including imputed interest at 3.37%, through July 2024. Paid for and serviced by the internal service fund.

FCM Leasing - Lease agreement dated April 7, 2020 in the original principal amount of \$103,075 (from implementation date), due in monthly installments of \$2,397, including interest at 2.50%, through March 2025. Paid for and serviced by the internal service fund.

Future minimum lease payments as of June 30, 2022, are:

	Leases		
	Principal	Interest	Total
2023	\$ 109,684	\$ 6,500	\$ 116,184
2024	113,197	2,987	116,184
2025	36,476	332	36,808
Totals	\$ 259,357	\$ 9,819	\$ 269,176

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans

Teachers' Retirement System of Montana

a. Summary of Significant Accounting Policies

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

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

b. Plan Description

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

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

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)

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

- 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.

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

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

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

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

e. TRS Stand-Alone Statements

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

f. Actuarial Assumptions

The total pension liability as of June 30, 2021, is based on the results of an actuarial valuation date of July 1, 2021. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total wage increases* 3.25% - 7.76% for Non-University Members and 4.25% for University Members
- Investment return 7.06%
- Price inflation 2.40%
- Postretirement Benefit Increases
 - Tier One Members: If the retiree has received benefits for the at least 3 years, the retirement allowance will be increased by 1.5% on January 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.

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

- Mortality among disabled members
 - 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 back two years, with mortality improvements projected by Scale BB to 2022.

*Total wage increases include 3.25% general wage increase assumption

g. Discount Rate

The discount rate used to measure the total pension liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the state general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

h. Target Allocations

Asset Class	Target Asset Allocation (a)	Long term Expected Portfolio Real Rate of Return (b)
Domestic Equity	30.00 %	5.90 %
International Equity	17.00 %	7.14 %
Private Equity	15.00 %	9.13 %
Real assets	5.00 %	4.03 %
Real estate	9.00 %	5.41 %
Core-Fixed Income	15.00 %	1.14 %
Non-Core Fixed Income	6.00 %	3.02 %
Cash	3.00 %	(0.33)%
	<u>100.00 %</u>	

The long term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.66%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2021 OASDI Trustee Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.06%

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

i. Sensitivity Analysis

	1% Decrease 6.06%	Current Discount Rate	1% Increase 8.06%
District's portion of net pension liability	\$ 59,432,622	\$ 40,000,278	\$ 23,784,300

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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

j. Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective net pension liability. In accordance with Statement 68, the System has a special funding situation in which the state of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the state of Montana's proportionate share of the collective net pension liability that is associated with the employer. The following table displays the amounts and the percentages of net pension liability for the fiscal years ended June 30, 2022 and June 30, 2021 (reporting dates).

	Net pension liability as of 06/30/22	Net pension liability as of 6/30/2021	Percent of Collective NPL as of 06/30/22	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
District proportionate share	\$ 40,000,278	\$ 51,880,991	2.4147 %	2.3064 %	0.1083 %
State of Montana proportionate share associated with the District	22,824,479	30,681,337	1.3778 %	1.3639 %	0.0139 %
Totals	\$ 62,824,757	\$ 82,562,328	3.7925 %	3.6703 %	0.1222 %

At June 30, 2022, the District recorded a liability of \$40,000,278 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2022, the District's proportion was 2.4147 percent.

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

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

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

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

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

k. Pension Expense

	Pension Expense as of 6/30/2022
District proportionate share	\$ 4,516,757
State of Montana proportionate share associated with the District	2,223,624
Total	\$ 6,740,381

At June 30, 2022, the District recognized pension expense of \$6,740,381 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$2,223,624 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, 2022, the District reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 628,222	\$ -
Changes in actuarial assumptions	4,554,652	20,543
Difference between projected and actual investment earnings	-	12,639,521
Changes in proportion and differences between actual and expected contributions	1,319,764	95,289
*Contributions paid to TRS subsequent to the measurement date - FY 2022 contributions	3,756,525	-
Totals	\$ 10,259,163	\$ 12,755,353

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

*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, 2023.

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

Year Ended June 30:	Amount of Deferred Outflows (Inflows) to be recognized as an increase or (decrease) to Pension Expense
2023	\$ 3,825,955
2024	(248,056)
2025	(2,063,273)
2026	(4,010,816)
2027	-
Thereafter	-

Montana Public Employee Retirement System

a. Summary of Significant Accounting Policies

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

b. General Information about the Pension Plan

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

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

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

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

Service retirement

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

Early Retirement

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

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

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

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

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

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

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

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

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

Fiscal Year	Member		States & Universities	Local Government		School Districts	
	Hired <7/1/11	Hired >7/1/11	Employer	Employer	State	Employer	State
2022	7.900 %	7.900 %	8.970 %	8.870 %	0.100 %	8.600 %	0.370 %
2021	7.900 %	7.900 %	8.870 %	8.770	0.100 %	8.500 %	0.370 %
2020	7.900 %	7.900 %	8.770 %	8.670	0.100 %	8.400 %	0.370 %
2019	7.900 %	7.900 %	8.670 %	8.570 %	0.100 %	8.300 %	0.370 %
2018	7.900 %	7.900 %	8.570 %	8.470 %	0.100 %	8.200 %	0.370 %
2017	7.900 %	7.900 %	8.470 %	8.370 %	0.100 %	8.100 %	0.370 %
2016	7.900 %	7.900 %	8.370 %	8.270 %	0.100 %	8.000 %	0.370 %
2015	7.900 %	7.900 %	8.270 %	8.170 %	0.100 %	7.900 %	0.370 %
2014	7.900 %	7.900 %	8.170 %	7.170 %	- %	7.800 %	0.370 %
2012-2013	6.900 %	7.900 %	7.170 %	7.070 %	0.100 %	6.800 %	0.370 %
2010-2011	6.900 %	- %	7.170 %	7.070 %	0.100 %	6.800 %	0.370 %
2008-2009	6.900 %	- %	7.035 %	6.935 %	0.100 %	6.800 %	0.235 %
2000-2007	6.900 %	- %	6.900 %	6.800 %	0.100 %	6.800 %	0.100 %

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

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

- c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer Contributions:

a. Special Funding

- i. The State contributed 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a Statutory Appropriation from the General Fund of \$34,290,660.

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, 2021, was determined by taking the results of the June 30, 2020, 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, 2021 and 2020, 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 \$5,554,707 and the employer's proportionate share was 0.306345 percent.

As of measurement date	Net pension liability as of 6/30/2021	Net pension liability as of 6/30/2020	Percent of Collective NPL 6/30/2021	Percent of Collective NPL 6/30/2020*	Change in Percent of Collective NPL
District proportionate share	\$ 5,554,707	\$ 8,080,876	0.306345 %	0.306301 %	0.000044 %
State of Montana proportionate share associated with the District	1,808,648	2,800,803	0.099748 %	0.106163 %	(0.006415)%
Totals	\$ 7,363,355	\$ 10,881,679	0.406093 %	0.412464 %	(0.006371)%

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

- 1. The discount rate was lowered from 7.34% to 7.06%

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

2. The investment rate of return was lowered from 7.34% to 7.06%

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, 2021, the employer recognized \$112,432 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$459,614 for the state of Montana proportionate share of the pension expense associated with the employer.

As of measurement date	Pension Expense as of 6/30/2021
District proportionate share	\$ 112,432
District grant revenue - state of Montana proportionate share for the District	459,614
Totals	\$ 572,046

Recognition of Deferred Inflows and Outflows: At June 30, 2021, 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	\$ 59,279	\$ 40,210
Projected investment earnings vs actual investment earnings	-	2,250,269
Changes in assumptions	822,756	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	46,132
District contributions subsequent to the measurement date	538,047	-
Totals	\$ 1,420,082	\$ 2,336,611

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
2022	\$ 580,684
2023	(172,373)
2024	(543,498)
2025	(718,342)
Thereafter	-

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions.

Investment return (net of admin expense)	7.06%
Admin expense as % of payroll	0.28%
General wage growth*	3.50%
*includes inflation at	2.40%
Merit increases	0% to 4.80%
Postretirement benefit increases	
1. Guaranteed Annual Benefit Adjustment (GABA) each January	
• After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.	
• Members hired prior to July 1, 2007	3.0%
• Members hired between July 1, 2007 & June 30, 2013	1.5%
• Members hired on or after July 1, 2013	1.5%
• For each year PERS is funded at or above 90%	
• The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%	0%
• 0% whenever the amortization period for PERS is 40 years or more	
Mortality	
• Contributing members, service retired members & beneficiaries	RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males
• Disabled members	RP-2000 Combined Mortality Tables, with no projections

Discount Rate: The discount rate used to measure the TPL was 7.06%. 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 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 TPL. A municipal bond rate was not incorporated in the discount rate.

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

Target Allocations: The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	3.0 %	(0.33)%
Domestic Equity	30.0 %	5.90 %
Foreign Equity	17.0 %	7.14 %
Private Investments	15.0 %	9.13 %
Real assets	5.0 %	4.03 %
Real Estate	9.0 %	5.41 %
Core Fixed Income	15.0 %	1.14 %
Non-Core Fixed Income	6.0 %	3.02 %
Total	100.0 %	

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 7.06%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of measurement date	1% Decrease (6.06%)	Current Discount Rate	1% Increase (8.06%)
District's net pension liability	\$ 8,817,232	\$ 5,554,707	\$ 2,818,207

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.

Kalispell Public Schools

Notes to Financial Statements

Note 8: Employee Benefit Pension Plans (Continued)

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

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

At the plan level for the measurement period ended June 30, 2021, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 329 employers that have participants in the PERS-DCRP totaled \$1,103,889.

Pension plan fiduciary net position: The stand-alone financial statements of the Montana Public Employees Retirement Board (PERB) *Annual Comprehensive Financial Report* (ACFR) 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 <https://mpera.mt.gov/about/annualreports1/annualreports>.

Note 9: Other Postemployment Benefits

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

In accordance with section 2-18-704, MCA, the District also provides optional post-employment health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement policy and (2) surviving dependents of deceased employees. Retirement eligibility differs by retirement system. Administratively established premiums vary from \$867 to \$1,427 depending on the coverage selected. The District acts as a secondary payor for retired Medicare-eligible claimants.

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, 2022. The plan does not issue a stand-alone financial report.

a. Total OPEB Liability

Total OPEB liability	\$ 1,794,799
Covered employee payroll	31,783,195
Total OPEB liability as a percent of covered payroll	5.65 %

Kalispell Public Schools

Notes to Financial Statements

Note 9: Other Postemployment Benefits (Continued)

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 4.02 %

The discount rate was based on the average of multiple 6/30/2020 municipal bond rate sources.

c. Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of June 30, 2022 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, 2022
Measurement date	June 30, 2022
Inflation	4.02%
Salary increases	3.25%
Mortality	PERS and TRS; see "Actuarial Assumptions" for details
Actuarial cost method	Entry Age Normal

d. Changes in Total OPEB Liability

	June 30, 2022
Beginning of year balance, Restated	\$ 3,746,548
Changes for the year:	
Service cost	241,173
Interest on total OPEB liability	87,781
Difference in experience	(376,474)
Changes in assumptions and other inputs	(1,661,431)
Benefit payments	(242,798)
End of year balance	\$ 1,794,799

Kalispell Public Schools

Notes to Financial Statements

Note 9: Other Postemployment Benefits (Continued)

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 or 1 percentage point higher than the current discount rate.

	1% Decrease 3.02%	Current Discount Rate 4.02%	1% Increase 5.02%
Total OPEB liability	\$ 1,870,524	\$ 1,794,799	\$ 1,717,179

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 the trend rate that is 1 percentage point lower or 1 percentage point higher than the current trend rate.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 1,690,377	\$ 1,794,799	\$ 1,912,126

f. OPEB Expense

	June 30, 2022
Service cost	\$ 241,173
Interest on total OPEB liability	87,781
Recognition of deferred inflows/outflows of resources:	
Difference in experience	(376,474)
Recognition of assumption changes or inputs	(1,661,431)
Benefit payments	(242,798)
OPEB expense	\$ (1,951,749)

g. Schedule of Deferred Inflows and Deferred Outflows of Resources

	Original Amount	Date Established	Original Recognition Period*	Amount Recognized June 30, 2022	Deferred Outflows of Resources June 30, 2022	Deferred Inflows of Resources June 30, 2022
Differences between expected and actual experience	\$ 33,212	June 30, 2022	13.37	\$ -	\$ 33,212	\$ -
Changes in actuarial assumptions or other inputs	(2,071,118)	June 30, 2022	13.37	-	-	(2,071,118)
Totals	\$ (2,037,906)				\$ 33,212	\$ (2,071,118)

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

Kalispell Public Schools

Notes to Financial Statements

Note 9: Other Postemployment Benefits (Continued)

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
2023	\$ (152,445)
2024	(152,445)
2025	(152,445)
2026	(152,445)
2027	(152,445)
Thereafter	(1,275,681)

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 District's 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** 4.02%

2) **Projected Payroll Increases** 3.25%

3) **Participation**

- 20% of future retirees are assumed to elected medical coverage.
- 70% of the future retirees who elect coverage and are married are assumed to elect spousal coverage as well.

4) **Lapse Rates**

Age	Lapse Rate
65	95%
66	95%
67	95%
68	95%
69	95%
70 +	95%

5) **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%.
- Males are assumed to be 3 years older than females.

Kalispell Public Schools

Notes to Financial Statements

Note 9: Other Postemployment Benefits (Continued)

6) Mortality - Healthy

- For TRS, Mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table, set back two years for both males and females, with mortality improvements projected by Scale BB to 2022.
- For PERS, Mortality is assumed to follow the RP2000 Healthy Combined Mortality Table, set back one year for males, with mortality improvements projected to 2020 using Scale BB.

7) Mortality - Disabled

- For TRS, disabled mortality is assumed to follow the RP2000 Disabled Mortality Table, set back three-year for males and set forward two years for females, with mortality improvements projected by Scale BB to 2022.
- For PERS, disabled mortality is assumed to follow the RP2000 Healthy Combined Mortality Table with no projections.

8) Withdrawal Rates: PERS for all classified employees; TRS for all certified employees.

9) Disability Rates: PERS for all classified employees; TRS for all certified employees.

10) Retirement Rates: PERS for all classified employees; TRS for all certified employees.

11) Age 65 Per Capita Claim Costs: The annual age 65 per capita claims costs for the period July 1, 2019 to June 30, 2020 are as follows.

Coverage	Medical	Prescription Drug
Before Medicare Eligibility	12,917	2,293
After Medicare Eligibility	4,155	2,293

12) Retiree Contributions: The retiree contributions are a weighted average of all retiree contributions for the period July 1, 2019 to June 30, 2020.

	Retiree/ Surviving Spouse	Spouse
Medical and Prescription Drug		
Before Medicare Eligibility	10,431	4,315
After Medicare Eligibility	10,431	4,315

13) Aging Factors: Based on 2014 Society of Actuaries study.

Kalispell Public Schools

Notes to Financial Statements

Note 9: Other Postemployment Benefits (Continued)

14) Health Care Cost Trend Rate

Plan Year	Medical	Prescription Drug
2022	3.9%	3.9%
2023	7.0%	7.0%
2024	6.5%	6.5%
2025	6.0%	6.0%
2026	5.9%	5.9%
2027	5.7%	5.7%
2028	5.6%	5.6%
2029	5.5%	5.5%
2030	5.3%	5.3%
2031 - 2047	5.2%	5.2%
2048	5.1%	5.1%
2049 - 2050	5.0%	5.0%
2051 - 2053	4.9%	4.9%
2054 - 2057	4.9%	4.9%
2058 - 2062	4.7%	4.7%
2063 - 2069	4.6%	4.6%
2070	4.5%	4.5%
2071	4.4%	4.4%
2072	4.3%	4.3%
2073 - 2074	4.2%	4.2%
2075	4.1%	4.1%
2076 - 2077	4.0%	4.0%
2078	3.9%	3.9%
2079+	3.8%	3.8%

15) Changes Since Prior Valuation

- Interest / discount rate based on the average of multiple 6/30/2022 municipal bond rate sources.
- Projected Payroll Increases adjusted to 3.25% per 2021 Annual Report for TRS.
- Retiree participation and lapse rates updated based on premiums and actual participation.
- Decrements updated per the 2021 MPERA and TRS Annual Reports.

Kalispell Public Schools

Notes to Financial Statements

Note 9: Other Postemployment Benefits (Continued)

16) 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 by Retirement System

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.
- 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.

Kalispell Public Schools

Notes to Financial Statements

Note 9: Other Postemployment Benefits (Continued)

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. Summary of Participant Data

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

Monthly Health Insurance Premiums as of June 30, 2020	
Coverage Type	RM 3000
Retiree only	869
Retiree & Spouse	1,229
Medicare only	1,194
Medicare & Spouse	1,427

Participant Data: We relied on the following medical plan participation as of June 30, 2022:

	Participant Count	Average Age	Average Service Remaining
Active employees	552	46.4	14.2
Retirees	36	62.2	0.0

Note 10: Interfund Transfers

For the year ended June 30, 2022, the District made resource transfers of \$1,176,743, \$797,569, and \$639,767 from the elementary transportation, high school transportation and aggregate remaining funds, respectively, to the high school interlocal agreement fund pursuant to Montana Code Annotated Section 20-9-704. The interlocal agreement fund was established in order to pay for expenditures incurred for the general operation and maintenance across both the elementary and high school districts.

Note 11: Non-Monetary Transactions

The District received \$139,975 in USDA Commodities during the 2021–2022 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.

Kalispell Public Schools

Notes to Financial Statements

Note 12: Risk Management

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

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

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

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

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

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

A reconciliation of claims payable at June 30, 2022, is as follows:

	2022	2021
Beginning claims payable 2021	\$ 634,000	\$ 653,007
Add: claims incurred	5,974,035	7,814,841
Less: claims paid	(6,112,035)	(7,833,848)
Ending claims payable 2022	\$ 496,000	\$ 634,000

Kalispell Public Schools

Notes to Financial Statements

Note 13: 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.

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 14: 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, 2022, 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.

Kalispell Public Schools

Notes to Financial Statements

Note 15: 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, 2022, the District's portion of the property taxes abated by Flathead County totaled \$800 as follows:

Company	Amount
R Thompson Farms LLC	\$ 800

Note 16: Prior Period Restatement

The District for the year ended June 30, 2022, obtained an updated other postemployment benefit obligation valuation following GASB Statement 75. The District had last obtained the valuation for the year ended June 30, 2019. This update required the District to restate 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 account for the updated valuation of GASB Statement 75 was \$3,490,130 increasing the net June 30, 2021, OPEB obligation from \$505,549 to \$3,746,548, decreasing deferred outflow amount of \$148,820 to \$141,370 and decreasing deferred inflow amount of \$430,593 to \$390,938.

Required Supplementary Information

Kalispell Public Schools

Budgetary Comparison Schedule

<i>For the Year Ended June 30, 2022</i>		General Fund	
	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	\$ 11,302,837	\$ 11,302,837	\$ 11,294,451
Tuition	60,000	60,000	91,463
Intergovernmental revenues:			
State	32,165,456	32,165,456	32,165,456
Interest on investments	22,053	22,053	16,398
Other revenue	-	-	592
 Total revenues before reappropriations	 43,550,346	 43,550,346	 43,568,360
Budgeted reappropriations	-	-	
 Total revenues and reappropriations	 43,550,346	 43,550,346	
Expenditures:			
Current:			
Instruction	43,550,346	43,550,346	26,951,666
Supporting services	-	-	10,189,846
Operations and maintenance	-	-	4,175,636
Student transportation	-	-	35,371
Extracurricular	-	-	1,592,600
Capital outlay	-	-	344,107
Debt service	-	-	52,475
 Total expenditures	 43,550,346	 43,550,346	 43,341,701
 Excess (deficiency) of revenues over expenditures	 \$ -	 \$ -	 226,659
 Fund balance, beginning (Non-GAAP budgetary basis)			5,853,501
 Fund balance, ending (Non-GAAP budgetary basis)			6,080,160
 Adjustments to generally accepted accounting principals			
Current year encumbrances included in expenditures			-
 Fund balance, ending (GAAP basis)			\$ 6,080,160

See Independent Auditor's Report.
See accompanying notes to this schedule.

Kalispell Public Schools

Budgetary Comparison Schedule

For the Year Ended June 30, 2022

Elementary Transportation Fund

	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	\$ 3,060,910	\$ 3,060,910	\$ 3,039,094
County	161,567	161,567	158,584
State	161,568	161,568	158,584
Interest on investments	1,000	1,000	3,579
Student transportation	-	-	16,117
 Total revenues before reappropriations	 3,385,045	 3,385,045	 3,375,958
Budgeted reappropriations	-	-	
 Total revenues and reappropriations	 3,385,045	 3,385,045	
Expenditures:			
Current:			
Supporting services	3,385,045	3,385,045	240,269
Operations and maintenance	-	-	8,161
Student transportation	-	-	1,444,629
Capital outlay	-	-	171,943
 Total expenditures	 3,385,045	 3,385,045	 1,865,002
 Excess (deficiency) of revenues over expenditures	 \$ -	 \$ -	 1,510,956
Other Financing Sources (Uses):			
Operating transfers in (out)			(1,176,743)
Proceeds from sale of asset			1,980
 Total other financing sources (uses)			 (1,174,763)
 Excess (deficiency) of revenues and other sources over expenditures			 336,193
 Fund balance, beginning (Non-GAAP budgetary basis)			 445,365
 Fund balance, ending (Non-GAAP budgetary basis)			 781,558
 Adjustments to generally accepted accounting principals			
Current year encumbrances included in expenditures			-
 Fund balance, ending (GAAP basis)			 \$ 781,558

See Independent Auditor's Report.
See accompanying notes to this schedule.

Kalispell Public Schools

Budgetary Comparison Schedule

For the Year Ended June 30, 2022

High School Transportation Fund

	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	\$ 3,082,880	\$ 3,082,880	\$ 3,080,929
County	210,098	210,098	189,826
State	210,098	210,098	189,826
Interest on investments	-	-	3,215
 Total revenues before reappropriations	 3,503,076	 3,503,076	 3,463,796
Budgeted reappropriations	-	-	
 Total revenues and reappropriations	 3,503,076	 3,503,076	
 Expenditures:			
Current:			
Supporting services	3,503,076	3,503,076	259,449
Operations and maintenance	-	-	11,335
Student transportation	-	-	1,878,539
Capital outlay	-	-	258,010
 Total expenditures	 3,503,076	 3,503,076	 2,407,333
 Excess of revenues over expenditures	 \$ -	 \$ -	 1,056,463
 Other Financing Sources (Uses):			
Operating transfers in (out)			(797,569)
Proceeds from sale of asset			874
 Total other financing sources (uses)			 (796,695)
 Excess (deficiency) of revenues and other sources over expenditures			 259,768
 Fund balance, beginning (Non-GAAP budgetary basis)			 558,969
 Fund balance, ending (Non-GAAP budgetary basis)			 818,737
 Adjustments to generally accepted accounting principals			
Current year encumbrances included in expenditures			-
 Fund balance, ending (GAAP basis)			 \$ 818,737

See Independent Auditor's Report.
See accompanying notes to this schedule.

Kalispell Public Schools

Notes to Budgetary Comparison Schedule

1) Budgetary Process

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

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

2) Budgets

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

Kalispell Public Schools

Notes to Budgetary Comparison Schedule

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

a. Budgetary policy follows:

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

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

Kalispell Public Schools

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

Determined as of the Measurement Date

	2022	2021	2020	2019	2018
District's proportion of the net pension liability	2.4147 %	2.3064 %	2.3028 %	2.2509 %	2.2422 %
District's proportionate share of the net pension liability associated with the District	\$40,000,278	\$51,880,991	\$44,403,312	\$41,778,775	\$37,804,696
State of Montana's proportionate share of the net pension liability associated with the District	22,824,479	30,681,337	26,882,040	25,949,411	23,996,858
Total	62,824,757	82,562,328	71,285,352	67,728,186	61,801,554
District's covered payroll	34,392,499	31,746,226	31,256,032	30,065,117	29,573,449
District's proportionate share of the net pension liability as a percentage of its covered payroll	116.31 %	163.42 %	142.06 %	138.96 %	127.83 %
Plan fiduciary net position as a percentage of the total pension liability	75.54 %	64.95 %	68.64 %	69.09 %	70.09 %

	2017	2016	2015
District's proportion of the net pension liability	2.2124 %	1.9640 %	2.0854 %
District's proportionate share of the net pension liability associated with the District	\$40,417,148	\$32,268,723	\$32,091,716
State of Montana's proportionate share of the net pension liability associated with the District	26,332,455	21,607,338	21,980,918
Total	66,749,603	53,876,061	54,072,634
District's covered payroll	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	140.37 %	118.12 %	122.03 %
Plan fiduciary net position as a percentage of the total pension liability	66.69 %	69.30 %	70.36 %

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

Kalispell Public Schools

Schedule of Contributions

Teacher's Retirement System of Montana

Determined as of the Reporting Date

	2022	2021	2020	2019	2018
Contractually required contributions	\$ 3,756,525	\$ 3,217,032	\$ 3,126,195	\$ 3,097,289	\$ 2,932,784
Contributions in relation to the contractually required contributions	3,756,525	3,217,032	3,126,195	3,097,289	2,932,784
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	35,398,314	34,392,499	31,746,226	31,256,032	30,065,117
Contributions as a percentage of covered payroll	10.61 %	9.35 %	9.85 %	9.91 %	9.75 %

	2017	2016	2015
Contractually required contributions	\$ 2,880,970	\$ 2,688,049	\$ 2,397,954
Contributions in relation to the contractually required contributions	2,880,970	2,688,049	2,397,954
Contribution deficiency (excess)	0	0	0
District's covered payroll	29,573,449	28,793,021	27,317,549
Contributions as a percentage of covered payroll	9.74 %	9.34 %	8.78 %

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

Kalispell Public Schools

Notes to Required Supplementary Information

Teachers Retirement System of Montana

Changes of Benefit Terms:

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

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

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

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

Kalispell Public Schools

Notes to Required Supplementary Information

Teachers Retirement System of Montana (Continued)

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

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

Changes in actuarial assumptions and other inputs:

The following changes were adopted in 2021:

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

The following changes were adopted in 2020:

- The discount rate was lowered from 7.5% to 7.34%.
- The investment rate of return assumption was lowered 7.50% to 7.34%
- The inflation rate was reduced from 2.50% to 2.40%.

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

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

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

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

Kalispell Public Schools

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

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

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

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

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

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

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

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

Kalispell Public Schools

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

- Mortality among disabled members was updated to the following:
 - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	29 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent , net of pension plan investment expense, and including inflation

Kalispell Public Schools

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

Determined as of the Measurement Date

	2021	2020	2019	2018	2017
District's proportion of the net pension liability (percentage)	0.306345 %	0.306301 %	0.313409 %	0.307123 %	0.403642 %
District's net pension liability (amount)	\$ 5,554,707	\$ 8,080,876	\$ 6,551,232	\$ 6,410,101	\$ 7,861,440
State's net pension liability (amount)	1,808,648	2,800,803	2,342,201	2,374,626	384,185
Total	7,363,355	10,881,679	8,893,433	8,784,727	8,245,625
District's covered payroll	5,580,189	5,304,143	5,339,436	5,236,533	5,175,460
District's proportionate share as a percent of covered payroll	99.54 %	152.35 %	122.70 %	122.41 %	151.90 %
Plan fiduciary net position as a percent of total pension liability	79.91 %	68.90 %	73.85 %	73.47 %	73.75 %

	2016	2015	2014
District's proportion of the net pension liability (percentage)	0.411158 %	0.386458 %	0.403503 %
District's net pension liability (amount)	\$ 7,003,438	\$ 5,402,190	\$ 5,027,685
State's net pension liability (amount)	327,310	253,848	235,027
Total	7,330,748	5,656,038	5,262,712
District's covered payroll	5,091,166	4,663,023	4,750,310
District's proportionate share as a percent of covered payroll	137.56 %	115.85 %	105.84 %
Plan fiduciary net position as a percent of total pension liability	74.71 %	78.40 %	79.87 %

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

Kalispell Public Schools

Schedule of Contributions

Montana Public Employees Retirement System

Determined as of the Reporting Date

	2022	2021	2020	2019	2018
Contractually required DB contributions	\$ 538,047	\$ 479,537	\$ 450,265	\$ 444,759	\$ 427,804
Contributions in relation to the contractually required contributions	538,047	479,537	450,265	444,759	427,804
Contribution deficiency (excess)	0	0	0	0	0
District's covered payroll	6,251,941	5,580,189	5,304,143	5,339,436	5,236,533
Contributions as a percent of covered payroll	8.61 %	8.59 %	8.49 %	8.33 %	8.17 %

	2017	2016	2015
Contractually required DB contributions	\$ 419,110	\$ 411,654	\$ 371,646
Plan choice rate required contributions	0	9,176	18,211
Contributions in relation to the contractually required contributions	419,110	420,830	389,857
Contribution deficiency (excess)	0	0	0
District's covered payroll	5,175,460	5,091,166	4,663,023
Contributions as a percent of covered payroll	8.10 %	8.27 %	8.36 %

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

Kalispell Public Schools

Notes to Required Supplementary Information

Montana Public Employees Retirement System

Changes of Benefit Terms:

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

2017:

Working Retiree Limitations - for PERS

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

Refunds

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

Interest credited to member accounts

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

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

Kalispell Public Schools

Notes to Required Supplementary Information

Montana Public Employees Retirement System (Continued)

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculation of actuarially determined contributions

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

General wage growth*	3.50%
Investment rate of return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin expense as % of payroll	0.28%

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.

Kalispell Public Schools

Schedule of Changes in Total Liability and Related Ratios Other Postemployment Benefits

Total OPEB liability	2022
Service cost	\$ 241,173
Interest on total OPEB liability	87,781
Differences in experience	(376,474)
Changes of assumptions	(1,661,431)
Benefit payments	(242,798)
Net change in total OPEB liability	(1,951,749)
Total OPEB liability, beginning of year, restated	3,746,548
Total OPEB liability, end of year	\$ 1,794,799
Covered payroll	31,783,195
Total liability as a percentage of covered payroll	5.65 %

Governmental Accounting Standards Board Statement 75 requires this information to be provided for 10 years.
Additional years will be displayed as they become available.

Supplementary Information

Kalispell Public Schools

Elementary Extracurricular Fund

Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2021	Receipts	Disbursements	Transfers	Net Position June 30, 2022
02/STUDENT STOR	3,114	2,086	1,495	0	3,705
EDG BANK FEES	(19)	(2)	0	19	(2)
EDG/TOYOTA/ INCOME	957	580	416	0	1,121
EDG/YEARBOOK	1,272	0	0	0	1,272
ELR BANK FEES	(19)	(2)	0	19	(2)
ELR/TOYOTA/ INCOME	537	0	0	0	537
HED BANK FEE	(19)	(2)	0	19	(2)
HED/TOYOTA/ INCOME	537	0	111	0	426
PET BANK FEES	(21)	(1)	0	20	(2)
PET/TOYOTA	537	0	0	(537)	0
PTR/ACT ADMIN	0	46	0	0	46
RKN BANK FEE	(19)	(2)	0	19	(2)
RUS BANK FEES	(18)	(1)	0	17	(2)
RUS/DISTRICT TRANSFER	0	0	0	0	0
RUS/TOYOTA/ INCOME	526	0	0	0	526
SA/EDG/ACT/DIST TRAN	10	0	0	(10)	0
SA/EDG/ACT/FLDTRP/FLDTRP	0	0	0	0	0
SA/EDG/ACT/HARDSHIP	253	1,758	0	0	2,011
SA/EDG/ACT/LIB/BKFAIR	0	4,606	4,606	0	0
SA/EDG/ACT/MUSIC	(238)	1,078	1,300	238	(222)
SA/EDG/MUSIC	21	0	0	0	21
SA/ELR/ACT/ANNUAL	685	0	0	(229)	456
SA/ELR/ACT/LIB/BKFR	1,000	0	0	0	1,000
SA/ELR/ACT/TOYOTA	472	256	0	0	728
SA/HED/ACT/ANNUAL	629	217	603	0	243
SA/HED/ACT/ART/ORIG WORKS	2,452	1,446	2,279	0	1,619
SA/HED/ACT/HEADPHONES	899	12	0	(1)	910
SA/HED/ACT/LIB/BKFR	110	3,544	3,538	(1)	115
SA/HED/ACT/MUSIC	808	703	488	0	1,023
SA/HED/ACT/PRIN	0	0	0	0	0
SA/HED/ACT/TOYOTA/TOYOTA	120	224	79	(1)	264
SA/PECT/ACT/STDSTR	4,596	3,494	3,003	1	5,088
SA/PERT/ACT/FIELD TRIP	1,041	0	22	0	1,019
SA/PET/ACT/ANNUAL	224	0	0	0	224
SA/PET/ACT/LIB/BKFR	2,422	1,690	1,690	(1)	2,421
SA/PET/ACT/MUSIC ELEM	(5)	0	0	5	0
SA/PET/ACT/TOYOTA/TOYOTA	248	128	0	537	913
SA/PTR/ACT/PETSV	42	0	0	0	42
SA/RKN/ACT/FIELD TRIP	117	0	0	0	117
SA/RKN/ACT/LIB	141	3,220	3,154	(414)	(207)
SA/RKN/ACT/MUSELEM/REC	0	258	285	0	(27)
SA/RKN/ACT/TOYOTA	492	0	0	0	492
SA/RSL/ACT/LIB/BKFR	20	0	0	0	20
SA/RSL/ACT/MUSIC	0	319	256	0	63
SA/RSL/ACT/TOYOTA	100	112	0	0	212
Z-ALT ATT CTR	(300)	0	0	300	0
TOTAL	23,724	25,767	23,325	0	26,166

See Independent Auditor's Report.

Kalispell Public Schools

Middle School Extracurricular Fund

Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2021	Receipts	Disbursements	Transfers	Net Position June 30, 2022
FHS/GHS 2025	26	10,307	3,851	41	6,523
LIBRARY	1,245	716	977	1	985
ART	2,921	3,618	4,234	0	2,305
BAND	10,833	11,813	10,604	(3,156)	8,886
ORCHESTRA	14,463	5,921	3,710	3,150	19,824
CHOIR	(33)	6,401	5,153	33	1,248
DRAMA	6,355	9,872	9,838	(34)	6,355
ACT ADM/FUNDRAISER	13,535	9,009	4,387	1	18,158
ACTIVITIES ADMN	3,995	0	0	(3,995)	0
ANNUAL	11,352	18,350	15,124	(1)	14,577
FACS	4,979	11,812	11,707	0	5,084
MATH COUNTS	570	580	708	(1)	441
HEALTH ENHANCEM	1,849	14,413	7,699	0	8,563
MY VOICE	2,317	1,556	1,186	1	2,688
TECH ED	3,073	5,710	5,410	0	3,373
DC TRIP	564	6,466	6,336	0	694
KM/POD 1	0	5,892	5,920	0	(28)
KINTLA	547	2,180	1,010	0	1,717
AVALANCHE	532	2,060	1,970	0	622
PTARMIGAN	107	0	0	0	107
TEXTS-GENRAL	85	95	44	(41)	95
TUITION	25,895	18,605	25,894	(1)	18,605
BANK FEES	(2,475)		(2,475)	0	0
KM/ATHL ADM/DONATIONS	0	9,944	2,305	4,002	11,641
KM/FHS/GHS 2024	0	2,516	712	0	1,804
TOTAL	102,735	157,836	126,304	0	134,267

See Independent Auditor's Report.

Kalispell Public Schools

Glacier High School Extracurricular Fund

Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2021	Receipts	Disbursements	Transfers	Net Position June 30, 2022
ACT ADMIN	1,194	60,929	1,467	0	60,656
ART ACTIVITIES	3,368	1,545	2,794	1	2,120
CHEER	9,997	2,485	1,937	0	10,545
NATL HONOR SOC	5,649	1,776	630	1	6,796
ALPINE SKI CLUB	1,083	0	0	0	1,083
JOURNALISM	419	0	0	0	419
LIBRARY	5,214	1,061	979	(1)	5,295
ART	17,749	12,173	4,483	(1)	25,438
PEP BAND	3,000	397	5,070	0	(1,673)
BAND	26,607	21,574	10,591	0	37,590
ORCHESTRA	7,819	8,130	1,032	36	14,953
CHOIR	22,382	26,220	24,278	1	24,325
SPEECH	8,602	12,875	15,839	0	5,638
DRAMA	19,173	22,299	7,023	0	34,449
STUDENT COUNCIL	7,133	13,492	7,957	0	12,668
DIST MUSIC FEST	1,334	34,710	20,579	0	15,465
ACT ADMIN	8,325	1,708	20,663	(1)	(10,631)
ASTRONOMY CLUB	1,732	0	1,695	1	38
OUTSIDE CLUBS/FUND-B	8,140	0	3,250	1	4,891
SCIENCE CLUB	881	0	0	0	881
SPANISH CLUB	1,536	4,664	3,577	0	2,623
YEARBOOK	(1,098)	16,605	4,940	1	10,568
SOCIAL SCIENCES	2,007	342		0	2,349
BPA	489	125	144	0	470
DECA	13,991	31,229	41,197	0	4,023
UPWARD BOUND	1,368	0	0	0	1,368
SPEECH CLUB	(990)	2,340	11,279	0	(9,929)
GUIDANCE/EXAM FEES	94	48,542	44,787	0	3,849
HEALTH ENHANCE	4,915	2,360	1,425	0	5,850
SPEC ED BUS	2,814	0	1,339	0	1,475
FRENCH CLUB	470	4,621	3,574	1	1,518
MATH TECHNOLOGY	2,750	2,144	579	0	4,315
TOYOTA DISTRICT SALES	8	0	0	0	8
SPONSOR/DONATION	8,605	500	678	0	8,427
GSA CLUB-GHS	555	463	71	1	948
STRENGTH & COND	2,263	0	0	0	2,263
VO-TECH	6,452	10,448	6,319	0	10,581
TSA	89	1,166	1,337	0	(82)
AG ED	61	2,761	0	0	2,822
WOLFPACK CLUB	279	0	250	0	29
PRO-START	1,161	0	0	0	1,161
FIN HARDSHIP/FUND-B	18,614	0	12,307	0	6,307
PROGRAM SALES	17,320	2,980	1,721	0	18,579
CLOSE UP	841	0	0	0	841
CROSSTOWN CRAZE	4,545	0	0	0	4,545
STUDENT STORE	48,589	141,883	109,468	1	81,005
TEXTBOOK FINES	838	1,873	0	(1)	2,710
SUBTOTAL	298,367	496,420	375,259	41	419,569

See Independent Auditor's Report.

Kalispell Public Schools

Glacier High School Extracurricular Fund

Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2021	Receipts	Disbursements	Transfers	Net Position June 30, 2022
BALANCE FROM PREVIOUS PAGE	298,367	496,420	375,259	41	419,569
TUITION	870	15,585	0	0	16,455
BOOSTER CLUB	60,444	66,331	61,490	1	65,286
BANK FEES	(2,995)	418	(2,995)	581	999
ACTIVITIES	64,511	1,020	0	(4,927)	60,604
BBBALL	8,492	9,631	15,930	(49)	2,144
GBBALL	11,030	8,511	12,935	1	6,607
XCOUNTRY	2,057	2,514	5,262	1	(690)
FOOTBALL	(443)	35,082	47,018	4,239	(8,140)
GOLF	5,349	2,555	5,356	0	2,548
TENNIS	7,526	4,968	3,678	739	9,555
WRESTLING	7,456	3,826	12,450	0	(1,168)
BTRACK	7,765	5,211	7,126	1	5,851
GTRACK	6,100	3,755	5,699	1	4,157
VOLLEYBALL	11,301	16,976	25,002	0	3,275
SOFTBALL	6,521	4,674	5,699	(1)	5,495
BSOC	3,966	6,250	9,875	0	341
SWIM	10,066	220	433	0	9,853
INTRAMURALS	1,389	0	0	0	1,389
ATHLETIC TRAINING	4,047	0	5,022	(1)	(976)
GSOC	4,828	2,974	5,381	0	2,421
ATH REV	448	23,404	(34,432)	(627)	57,657
SPEC OLYMPICS	4,388	3,450	4,682	0	3,156
GHS FLAG FOOTBALL	0	0	716	0	(716)
BENEVOLENCE/FUNDRAISER	55	0	0	0	55
TOTAL	523,538	713,775	571,586	0	665,727

See Independent Auditor's Report.

Kalispell Public Schools

Flathead High School Extracurricular Fund

Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2021	Receipts	Disbursements	Transfers	Net Position June 30, 2022
ACTIVITIES ADMN	5,132	25,802	98	(4,116)	26,720
ART ACTIVITIES	8,500	595	5,178	0	3,917
CHEER	7,270	7,834	12,474	(1)	2,629
NATL HONOR SOC	327	365	352	0	340
ALPINE SKI CLUB	337	0	0	0	337
LIBRARY	1,892	2,149	963	(1)	3,077
ART	5,973	15,074	13,251	0	7,796
PEP BAND	5,978	6	0	0	5,984
BAND	3,884	8,922	5,672	0	7,134
FUND-ORCHESTRA	6,159	4,898	340	0	10,717
FUND-CHOIR	12,794	28,289	31,338	0	9,745
SPEECH	15,560	28,496	31,988	0	12,068
DRAMA CLUB	22,028	27,700	33,356	0	16,372
STUDENT COUNCIL	2,221	14,795	7,160	0	9,856
DIST MUSIC FEST	15,860	0	15,860	0	0
ACT ADMIN	(6,773)	2,657	15,453	(1)	(19,570)
OUTSIDE CLUBS/FUND-B	180	0	59	0	121
SCIENCE CLUB	(11,660)	504	425	15,416	3,835
SPANISH CLUB	933	834	1,469	0	298
YEARBOOK	26,562	28,820	15,822	0	39,560
MOCK TRIAL	(200)	0	0	0	(200)
NEWSPAPER	(264)	0	0	0	(264)
MUN	(1,064)	700	1,397	(1)	(1,762)
BPA	1,055	9,300	9,018	1	1,338
DECA	(14,584)	92,345	89,402	0	(11,641)
FCCLA	(804)	0	629	0	(1,433)
SPEECH-NSDA	(349)	18	142	(1)	(474)
GUIDANCE DEPT	158	2,755	2,840	0	73
HEALTH ENHANCE	(5,226)	50	0	0	(5,176)
HOSA	172	7,879	5,376	0	2,675
ESS/FUNDRAISER	684	0	0	0	684
FRENCH CLUB	2,173	913	1,510	(1)	1,575
MATH TECHNOLOGY	3,723	239	0	0	3,962
HE/MAN SHE-RA BOOK CLUB	129	410	476	0	63
TOYOTA	(1,333)	0	0	1,333	0
SPONSOR/POSTER	(198)	1,546	830	0	518
GSA CLUB	0	166	0	0	166
VO-TECH	12,904	10,401	12,776	0	10,529
VO-AG	12,443	12,353	19,862	0	4,934
BRAVES CLUB	1,531	2,490	5,779	0	(1,758)
PRO START	6,038	0	0	0	6,038
FIN HARDSHIP/FUND-B	1,210	0	0	0	1,210
ASIAN CULTURE	2,441	0	0	1	2,442
D&D	0	435	365	1	71
GUITAR CLASS	277	150	0	0	427
BUS/INFRO MULTIMEDIA	1,870	180	0	0	2,050
SUBTOTAL	145,943	340,070	341,660	12,630	156,983

See Independent Auditor's Report.

Kalispell Public Schools

Flathead High School Extracurricular Fund

Schedule of Cash Receipts, Disbursements and Changes in Fund Balance

Student Activity	Net Position July 1, 2021	Receipts	Disbursements	Transfers	Net Position June 30, 2022
BALANCE FROM PREVIOUS PAGE	145,943	340,070	341,660	12,630	156,983
SPORTS MEDICINE	1,845	867	15	0	2,697
SSRC	1,629	0	42	1	1,588
IB GENERAL	5,047	37,908	37,788	0	5,167
CROSSTOWN CRAZE/DONATION	4,418	0	500	0	3,918
SCIENCE TRIP	15,415	19,957	14,697	(15,415)	5,260
STUDENT STORE	33,519	82,859	47,247	0	69,131
DISTRICT TRANSFER	0	0	(307)	0	307
TEXTBOOK FINES	(18)	63	0	0	45
TUITION	0	15,229	0	0	15,229
BOOSTER	0	30,000	500	0	29,500
BANK FEES	8,267	0	0	(4,110)	4,157
ACTIVITIES	13,000	0	0	(1,333)	11,667
BBBALL	1,917	45,001	38,864	0	8,054
GBBALL	(2,688)	5,171	19,675	0	(17,192)
XCOUNTRY	(2,697)	8,419	11,198	0	(5,476)
FOOTBALL	9,185	16,665	47,463	0	(21,613)
GOLF	11,117	4,830	7,252	0	8,695
TENNIS	7,433	305	7,494	0	244
WRESTLING	12,304	6,145	39,444	0	(20,995)
BTRACK	12,928	1,116	7,876	0	6,168
GTRACK	13,238	5,092	11,734	2	6,598
VOLLEYBALL	6,044	8,231	10,393	0	3,882
SOFTBALL	8,369	2,756	8,839	1	2,287
BSOC	12,862	5,010	12,844	0	5,028
SWIM	6,227	370	6,606	1	(8)
INTRAMURALS	800	0	0	0	800
ATHLETIC TRAINING	3,788	0	2,833	1	956
GSOC	(1,171)	2,265	6,337	0	(5,243)
ACT ADMIN/ACT TICKET	3,889	48,406	426	8,222	60,091
FLAG FOOTBALL	0	0	1,060	0	(1,060)
TOTAL	332,610	686,735	682,480	0	336,865

See Independent Auditor's Report.

Kalispell Public Schools

Schedule of Reported Enrollment

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	423	423	0
Grades 1-6	1,981	1,981	0
Grades 7-8	731	731	0
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	424	424	0
Grades 1-6	1,981	1,981	0
Grades 7-8	740	740	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	12	11	0	0	12	11	0
1-6	0	1	0	3	0	1	0	3	0
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	10	8	0	0	10	8	0
1-6	0	0	0	0	0	0	0	0	0
7-8	0	1	0	5	0	1	0	5	0

Kalispell Public Schools

Schedule of Reported Enrollment (Continued)

Students Grade 9-12:

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Grade 9-12	3,027	3,027	0
19-year olds included	3	3	0
Job Corps	2	2	0
Youth challenge	5	5	0
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Grade 9-12	2,850	2,850	0
19-year olds included	1	1	0
Job Corps	1	1	0
Youth challenge	6	6	0
Early Graduates	96	96	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	1	0	0	0	1	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	0	0	1	2	0	0	1	2	0

Kalispell Public Schools

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Disbursements or Expenditures
U.S. Department of Education			
<i>Passed through Montana Office of Public Instruction</i>			
Covid - 19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15031912020	150,318
Covid - 19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15031912021	80,000
Covid - 19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15031912021	4,089,848
Covid - 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	15031912021	708,821
Covid - 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	15031912021	11,849
Total Education Stabilization Fund			5,040,836
Title 1 Grants to Local Educational Agencies	84.010	150310312022	1,210,616
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	150310772021	1,369,034
Special Education - Preschool Grants	84.173	150310772021	39,751
Covid - 19 - American Rescue Plan - Special Education - Grants to States	84.027X	150310702022	55,447
Covid - 19 - American Rescue Plan - Special Education - Preschool Grants	84.173X	150310712022	19,249
Total Special Education Cluster			1,483,481
Improving Teacher Quality State Grants	84.367	150310142022	514,600
Education for Homeless Children and Youth	84.196	150310572022	34,528
Career and Technical Education - Basic Grants to States	84.048	150311812022	188,199
Student Support and Academic Enrichment	84.424A		89,062
Total Passed through Montana Office of Public Instruction			8,561,322
<i>Passed through Montana Department of Public Health and Human Services</i>			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		142,174
Total Passed through Montana Department of Public Health and Human Services			142,174
<i>Passed through Missoula County Public Schools</i>			
English Language Acquisition State Grants	84.365		3,272
Total Passed through Missoula County Public Schools			3,272
Total Department of Education			8,706,768

See Independent Auditor's Report.
See accompanying notes to this schedule.

Kalispell Public Schools

Schedule of Expenditures of Federal Awards (Continued)

Federal Grantor/Pass Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Disbursements or Expenditures
U.S. Department of Health and Human Services <i>Passed through Montana Office of Public Instruction</i>			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	\$94.323		\$ 229,581
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		40,335
Total Department of Health and Human services			<u>269,916</u>
U.S. Department of Agriculture <i>Passed through Montana Office of Public Instruction</i>			
Child Nutrition Cluster			
Cash Assistance:			
National School Lunch Program	10.555		2,718,595
Noncash Assistance			
National School Lunch Program (Commodities)	10.555		139,975
Total National School Lunch Program			<u>2,858,570</u>
School Breakfast Program	10.553		414,530
Summer Food Services Program for Children	10.559		136,688
Fresh Fruit and Vegetables	10.582		65,530
Total Child Nutrition Cluster			<u>3,475,318</u>
Total Department of Agriculture			<u>3,475,318</u>
Total Federal Financial Assistance			<u>\$ 12,452,002</u>

Kalispell Public Schools

Notes to Schedule of Expenditures of Federal Awards

Note 1: Basis of Accounting

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

Note 2: Nonmonetary Transactions

The District received \$139,975 in USDA Commodities during the 2021-2022 fiscal year. The commodities received are valued at the average wholesale price as determined by the distributing agency. All commodities received by the District were treated as an expense of the Fund receiving the commodities.

Note 3: Indirect Cost Rate

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

Note 4: Subrecipients

The District does not have any subrecipients or subrecipient expenditures.

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

Board of Trustees
Kalispell Public Schools
Kalispell, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America 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, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Kalispell Public Schools's basic financial statements, and have issued our report thereon dated March 22, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kalispell Public Schools'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kalispell Public Schools'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 Kalispell Public Schools's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Wipfli LLP

Billings, Montana

March 22, 2023

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

Board of Trustees
Kalispell Public Schools
Kalispell, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kalispell Public Schools's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. Kalispell Public Schools's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kalispell Public Schools's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kalispell Public Schools's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", and "l" being particularly prominent.

Wipfli LLP

Billings, Montana

March 22, 2023

Kalispell Public Schools

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs

<u>AL Number(s)</u>	<u>Federal Program or Cluster</u>
10.553, 10.555, 10.559, 10.582	Child Nutrition Cluster
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)
84.425W	American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children and Youth

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

Auditee qualified as low-risk auditee? _____ Yes X No

Kalispell Public Schools

Schedule of Findings and Questioned Costs (Continued)

Section II - Financial Statement Findings - None

Section III - Federal Award Findings and Questioned Costs - None

Section IV - Auditees Summary Schedule of Prior Year Audit Findings

Finding 2021-001 OPEB - Implemented

Finding 2021-002 Budget - Implemented