

To the Board of Trustees  
Great Falls School District 1 & A  
Cascade County  
Great Falls, Montana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana (the District) for the year ended June 30, 2021, and have issued our report thereon dated January 10, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2021. Professional standards also require that we communicate to you the following information related to our audit.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District has adopted Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position as of July 1, 2020. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, as well as in the Statement of Activities.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciation of capital assets, which is based on the estimated useful life of an asset. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liabilities, which is based on actuarial amounts provided by the Legislative Auditor's Office, and management's estimate of the net other post-employment benefit liability, which is based on actuarial amounts provided by Healthcare Actuaries.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit. In fact, we found the management and staff of the District to be very helpful and cooperative in the performance of our audit. They are very capable and knowledgeable about the operational requirements of the District, as well as the requirements of its grants and awards with the State of Montana Office of Public Instruction. We were also appreciative of the ability to perform the audit remotely as much as possible.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 10, 2022.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of Funding Progress for the Health Plan, Schedule of Proportionate Share of the Net Pension Liabilities, and Schedule of Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Revenues and Expenditures – All Fund Accounts – Extracurricular Fund, the Schedule of Enrollment, and the Schedule of Expenditures of Federal Awards which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Letter of Transmittal or Organization – Board of Trustees and Officials, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

#### On the Horizon

As part of our responsibility as your independent auditor, we attempt to bring to your attention observations and suggestions to assist you in managing the continued growth in the entity. In the past year, there were several accounting standards finalized by the Governmental Accounting Standards Board (GASB). The following describes those upcoming accounting standard changes that will have the most effect on how the District will report its activity.

Effective immediately upon issuance on May 8, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)

- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

#### *Accounting for Leases*

In June 2017, GASB issued Statement No. 87, Leases. This standard will be effective for the District in fiscal year 2022, with early application encouraged. Early planning for this new standard will help with implementation.

The new standard provides a new definition of a lease, that being a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified by the contract for a period of time in an exchange-like transaction. The standard applies a right-of-use (ROU) model that requires a lessee to record an intangible ROU asset and a lease liability on the balance sheet for all leases longer than 12 months.

Leases will be classified under a single model for accounting based on the principle that leases are a financing of the right to use the underlying asset, thus all leases will be classified as finance leases and no operating lease classification.

This new treatment could take many of your current leases that can be considered operating, and require that they be added to your balance sheet as both an asset and a liability. Only those leases noted above that have a maximum possible lease term of 12 months or less can be considered a "short-term lease," and not required to be recorded on the District's Statement of Net Position.

#### Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Great Falls School District 1 & A, Cascade County, Great Falls, Montana and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson ZurMuehlen & Co., P.C.*

Great Falls, Montana  
January 10, 2022



**GREAT FALLS SCHOOL DISTRICT 1 & A**

**FINANCIAL REPORT**

**June 30, 2021**



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# ***Great Falls Public Schools***

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## **LETTER OF TRANSMITTAL**

The Great Falls School District, in its 133<sup>rd</sup> year of operation, is the second largest district in the state and the third largest employer in Great Falls. Approximately 2,000 local residents are employed by the school district in a variety of capacities. This includes teachers for just over 10,000 students enrolled in 21 schools. Approximately 600 support staff provide adult supervision in special education, assist in classrooms, prepare and serve meals, clean and maintain two million square feet of buildings, repair boilers and plumbing, and maintain 295 acres of grounds. Another 300, mostly part-time people, coach students in after school sports programs and approximately 225 people are employed on a regular basis as substitute teachers.

Great Falls, the seat for Cascade County operations, serves as a major hub for business for the central and northern part of the State. There are excellent medical, college and vocational technology education options for people in this area of the State as well. Because of the community size and number of businesses located here, there is a stable source of employment. More retired people are moving into the district to take advantage of the excellent health care system. Malmstrom Air Force Base also has a major impact on the vitality of the community. Below are a number of identified topics that have an impact on the general operations of the Great Falls Public School District.

## **FUNDING**

### **Funding Assumptions**

In preparing for the 2020-2021 budget, the District assumed the following:

- Rolling the 2019-2020 general educational program budget into the 2020-2021 school year required an additional \$1,986,000 in spending, due to contractual obligations and projected increases in health insurance premiums and general operational costs.
- Inflationary increases to the State funding formula along with ANB calculations, resulted in additional state funding for the 2020-2021 school year of approximately \$1,472,000.
- Comparing the expected budget increase required to maintain the same programs and the additional revenue from the State, there was a significant anticipated shortfall. The District made approximately \$513,000 in reductions to balance the budget.

### **COVID-19 Pandemic**

The COVID impact on the 2020-2021 school year continued from the 2019-2020 school year, when the Governor declared that all State of Montana schools utilize remote learning due to the COVID-19 pandemic. The District provided remote learning opportunities for all students for the remainder of the prior school year. While the District was shifting to provide a new environment for learning, it also had to address appropriate safety measures for all students and staff. This included Personal Protective Equipment (PPE) along with enhanced cleaning processes to ensure a safe environment when staff and students were able to return.



## **FUNDING (CONTINUED)**

### **COVID-19 Pandemic (Continued)**

As this was a national crisis, the Federal government helped states in the form of the Coronavirus Aid Relief and Economic Security Act (CARES Act). Contained in the CARES Act was the Elementary and Secondary School Emergency Relief Fund (ESSER). ESSER initially provided the District with \$2,382,399 to address the ongoing needs of the panic. The District allocated 47% of this money to address student achievement, 22% for food service operations, 6% for sanitation needs and 11% for community child care. The remainder of the money was set aside for unforeseen expenses and an allocation to private non-public students. The last date to obligate these funds was set at September 30, 2022. It became very difficult to receive cleaning products and PPE as prices doubled and there was a scarcity due to demand. The Governor also used CARES Act funds to help schools. The District allocation amount was \$4,391,123. These funds were required to be expended by December 30, 2020. The Governor also allocated targeted assistance to the District for the transportation fund. The pandemic impacted almost every area of District operation. Examples include the setup of classrooms for social distancing, reduced ridership on buses, increased technology purchases in order for students to access remote learning, and “hot spots” for connectivity for students who did not have reliable internet service at their residence. There have been mixed messages coming from both the federal and state level on the allotment percentage to private schools and homeschools within our district boundaries.

### **Data for Achievement Funding**

This State formula funding component required schools to create a comprehensive student data system. The District uses the funding for a student performance data dashboard that allows us to track a variety of student performance measures in real time, rather than just a few times per year. In both the 2017-2018 and 2018-2019 fiscal years, the revenue for this component was withheld by the State, leaving the District with a little over a \$215,000 revenue shortfall in the General Fund budget each year. In the 2019-2020 funding cycle, the State payment was reinstituted, with the District receiving almost \$225,000 in the 2020-2021 school year.

### **Multi-district Agreements**

The District continued its participation in two multi-district agreements. The technology-based agreement involves Belt Public Schools and Vaughn Elementary School. The second agreement, between the high school and elementary districts, provides an avenue to help balance the fiscal imbalance that exists due to increasing enrollment in the elementary and decreasing enrollment in the high school.

### **Student Services Department**

The goal of the Student Services department is to continue to provide a comprehensive core academic program. Because of the increasing number of students entering the District, this department has been adding staff to meet student legal requirements. The local permissive tuition levy helps provide the additional needed program support. This department manages the federal funding and special education programs for the District.

## **FUNDING (CONTINUED)**

### **Federal Funding**

Federal Funding for Title I, Title II, Title III and Title IV grants, known collectively as the consolidated grant application, remained consistent with slight changes due to changing demographics, but no funding changes over \$5,000, other than Title IV funds (Innovative Education Grant funds) that support our highest at risk students.

### **IDEA Funding**

This funding has remained stable with slight increases, while special education student enrollment continues to increase (96 students more in 2020-2021). These increases are significantly more than previous years, showing a trend of students enrolling in the District that have a higher rate for the need for IDEA/504 federal services. The result is that current state and federal dollars are inadequate to meet the needs of children with disabilities enrolled in Great Falls Public Schools. This situation is, in part, a result of the failure of the U.S. Congress to meet the original promise of funding 40% of the cost of special education. At this time, federal funds account for approximately 12% of the cost of special education.

Free and reduced lunch statistics are used to make staffing decisions based on the allocation of budget amounts for individual schools. Recent redistricting, with the addition of Giant Springs Elementary School, required that changes be made to Title I staffing patterns throughout the District. This shift will have an impact on staffing patterns within our elementary schools.

### **Perkins and Career and Technical Education Program**

While federal funding for vocational programs such as the Perkins Grant and Career and Technical Education programs increased for the past several years, the 2020-2021 grants had stable funding. This allowed our high schools to help disadvantaged and homeless students continue to work toward graduation. The goal of these programs is to make school meaningful and impactful while allowing all students are college and career ready.

### **Impact Aid Funds**

This funding has decreased over the past several years but appears to be reaching a level of stability since the 2019-2020 school year. Overall, Impact Aid is significantly smaller than it was one decade ago. It remains subject to the diverse staffing patterns related to the needs of Malmstrom Air Force Base. Currently, Impact Aid provides approximately \$722,000 per year in funding support for Great Falls Public Schools. Due to the COVID-19 pandemic, the federal government paid allocated amounts sooner than their regular standard schedule.

## **PRE-SCHOOL PROGRAM EARLY LEARNING FAMILY CENTER**

Skyline School continues to serve as an excellent location for the pre-school/transitional kindergarten program. This program continues to do an excellent job of serving our youngest students. The District also leases out space at Skyline School. The rental income helps support the ongoing costs associated with heating and lighting for this building which, in turn, helps support the quality educational programs for young children.

## **ENROLLMENT**

Enrollment has a major impact on the District's budget as state funds for education are mainly distributed on a per pupil formula. The COVID-19 pandemic created uncertainty among parents on the safety of sending their children to school. To address this concern, the District offered both a remote learning option and in person school option for students that included expanded safety measures by mandating masks and implementing other sanitary practices. The District experienced an overall decrease of eighty-two students from the previous school year. The number of elementary students decreased by seventy-five, middle school decreased by twenty-four students and high school increased by seventeen students.

The District continues to be optimistic about enrollment due to these factors:

- The promising economic growth forecasted for Great Falls.
- The new affordable housing developments that are being constructed.

While optimistic, there is uncertainty concerning the impact that COVID-19 will have on school enrollment as well as the impact to each of the above-identified factors.

## **EDUCATIONAL PROGRAMMING INFORMATION**

### **Staffing**

Positions in special education, chemistry, counseling, student support (aides, substitute teachers, crossing guards, and para-educators) and food services continue to be hard to fill. For the past few years, the District has not filled all elementary teaching positions at the start of the school year due to the lack of high quality applicants. In some cases, non-competitive salaries are a factor.

Benefits are a key factor in the recruitment and retention of staff. The District's Insurance Committee studies the trends and works to recommend a suitable health insurance plan at a price that employees and the District can afford. After experiencing a year with no premium increases for staff, the District experienced a 14.6% increase. The District is in its fourth year of operation as a self-insurance fund.

### **Student Demographics**

Just over 73% of the students attending school in Great Falls are Caucasian. Native American students comprise 8.83% of the student body which makes Great Falls the second largest Montana district for Native American students. Multiracial and Hispanic students make up 15.94 % of the student population and African Americans make up 1.69% of the student demographics. 10.3% of the students are classified as needing special education services and 4.4% are classified as Limited English Proficient. Malmstrom Air Force Base is located in Great Falls with 11.35% of the students being associated with the military.

## **EDUCATIONAL PROGRAMMING INFORMATION (CONTINUED)**

### **Poverty and Homeless Students**

During the 2020-2021 school year, all students were offered a free lunch due to the COVID-19 pandemic. Cascade County has the highest percent of Free/Reduced Lunch eligibility students in the AA counties in Montana. Homeless students in the District increased from the 2020-2021 school year, creating another new high of over 500 students for the District. The number of homeless students has had a major impact on the transportation budget because the District is required to allow each homeless student to attend the school they were enrolled in at the time they became homeless.

## **FACILITIES ACTION PLAN AND OTHER IMPROVEMENTS**

### **Facilities Action Plan**

The Great Falls School District has a reputation for the quality of the care for district facilities. The average age of buildings in the District is 60 years. Millions of dollars are needed to repair heating and plumbing systems, circulate adequate fresh air, save energy on utility use, and bring schools in line with life safety requirements such as: security, alarm systems, and egress/lock systems. The District continues to address the items identified in the Facilities Condition Inventory (FCI), which identifies the areas needing to be addressed in each building.

In 2016, the voters approved the elementary and high school district bonds totaling \$98.865 million. The approved Facilities Action Plan provides for \$45,907,033 in elementary district projects and \$52,951,752 in high school district projects. The elementary project work is nearly complete with Longfellow Elementary School that opened at the beginning of the 2020-2021 school year. Continued upgrading of infrastructure is occurring in District-wide buildings.

High school projects completed include upgraded infrastructure at Great Falls High School, C.M. Russell High School and Paris Gibson Education Center. At Great Falls High School, the Career and Technical Education (CTE) building, lunch/dining areas, along with building entrances are now centered in a HUB between the existing main building and south campus. A nearly two million-dollar renovation of the Great Falls High School auditorium has been completed. This project was coordinated through the Great Falls Public School Foundation via a generous gift by the Ian and Nancy Davidson family.

### **Energy Improvements**

During the 2010-2011 school year, the District spent \$8.3 million on energy upgrades throughout the District. Energy cost savings continue to be on target each year to provide the funding to make the annual loan payment. The loans are scheduled to be paid off in 2026. The District continues to take advantage of North Western Energy rebates to make the District more energy efficient. Great Falls Public Schools electricians continue to replace existing lighting with more energy efficient LED lights. New construction is focused on energy efficiency as well.

## **FACILITIES ACTION PLAN AND OTHER IMPROVEMENTS (CONTINUED)**

### **Completed Facility Improvements**

During the 2020-2021 school year, many facility improvements included paving, mechanical system work, utilities upgrades, window replacement projects, parking lot asphalt, carpeting, sidewalk replacements, drain collection and landscaping. The District also focused on safety issues including the installation of door entry and emergency alert systems.

### **Technology**

The District's goal is to infuse the tools of modern business and research into the school setting by increasing student access to technology. The District receives \$225,000 in funding annually through a Technology Levy to improve the infrastructure in the District. The District will continue to address infrastructure and equipment issues. Great Falls Public Schools receives the second lowest amount on a per pupil basis in the form of a technology levy when comparing the AA and A Montana school districts. In school year 2020-2021, federal relief money was also used to help provide computers and access points for students during remote learning.

### **District Reserves – GASB 54**

Policy 7515 implemented Governmental Accounting Standards Board (GASB) 54. This accounting standard requires districts to designate fund balances into specific categories of non-spendable, restricted, committed, assigned, and unassigned. This policy, which is required of all governmental units, helps the District provide a clearer picture of reserves and their purpose to local patrons.

### **GASB 84**

The District implemented the newly required GASB 84. It pertains to the accounting and financial reporting of fiduciary funds. The District determined that funds previously being reported as private-purpose trust funds met the criteria to be reported as special revenue funds. The beginning net position for the nonmajor governmental funds and the government-wide governmental activities has been restated to reflect the change from private-purpose trust funds to special revenue funds.

## **CONTACT FOR ADDITIONAL INFORMATION**

If you have questions about this report or need additional information, contact Brian Patrick, the Director of Business Operations for the Great Falls Public School District at 406-268-6050.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
ORGANIZATION  
June 30, 2021

BOARD OF TRUSTEES

Jeff Gray ..... Chairperson  
Gordon Johnson..... Vice-Chairperson  
Bill Bronson..... Trustee  
Mark Finnicum ..... Trustee  
Nathan Reiff ..... Trustee  
Kim Skornogoski..... Trustee  
Marlee Sunchild..... Trustee

OFFICIALS

Tom Moore ..... District Superintendent of Schools  
Diane Heikkila..... County Superintendent of Schools  
Joshua Racki ..... County Attorney  
Brian Patrick ..... Director of Business Operations

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Great Falls School District 1 & A  
Cascade County  
Great Falls, Montana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the District has adopted GASB Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental schedules on pages 84 and 85 are presented for purposes of additional analysis as required by the Montana Office of Public Instruction and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplemental schedules on pages 84 and 85 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.



Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The letter of transmittal on pages 1 through 6 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

*Anderson Zurmuehlen & Co., P.C.*

Great Falls, Montana  
January 10, 2022

**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**GREAT FALLS, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2021 (Unaudited)**

The discussion and analysis of Great Falls School District 1 & A, Cascade County, Great Falls, Montana's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2021 are as follows:

- Total current assets, which include cash, investments, receivables, inventories and prepaid expenses, increased by \$792,773.
- Long term assets increased by \$7,878,740 due to the improvements made on the District facilities as result of the prior bond passage.
- Current liabilities increased by \$33,245, while long-term liabilities increased by \$12,307,573, due to the increased pension liabilities.
- In total, net position increased \$6,631,027, from a negative \$29,475,257, after restatement, to a negative \$22,844,230, which represents a 22.50% increase. In fiscal year 2020, net position decreased \$2,868,614, from a negative \$26,606,643, after restatement, to a negative \$29,475,257, which represented a 10.786% decrease.
- Total revenues for the District increased by \$19,067,925 or 16.61%.
- General revenues accounted for \$108,205,910 in revenue or 80.82% of all revenues. Program specific revenues, in the form of charges for services and operating grants and contributions, accounted for \$25,674,318 or 19.18% of total revenues of \$133,880,228. When compared to fiscal year 2020, general revenues increased by \$9,211,101 while program specific revenues increased by \$9,856,824, for a net increase in total revenues of \$19,067,925.
- The District had \$133,214,258 in expenses, which included an increase in Instructional Services of \$10,060,043, or 14.06%. \$25,674,318 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes, state and county equalization and federal impact aid) of \$108,205,910 were just enough to provide for these programs so reserves were not needed to fund any difference.
- Among the major funds, the general fund had \$82,911,839 in revenues, \$78,348,318 in expenditures, \$3,016,160 of transfers out, and \$150,000 in sale of capital assets, leading to an increase in fund balance of \$1,697,361.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2021 (Unaudited)

**USING THIS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)  
REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the 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 tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund.

**REPORTING THE DISTRICT AS A WHOLE**

**Statement of Net Position and Statements of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private – sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in Montana restricting revenue growth, facility condition, required educational programs and other factors.

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The analysis of the District's major funds begins on page 23. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the elementary impact aid fund and the elementary miscellaneous programs fund.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
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**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS (CONTINUED)**

**Governmental Funds**

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

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for 2021 compared to 2020.

**Table 1 – Net Position**

	2021	2020	Annual Change	
			Amount	Percent
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
Current assets, including cash, investments, receivables, inventories, and prepaid expenses	\$ 51,357,174	\$ 50,564,401	\$ 792,773	1.57%
Long-term assets, including investments and capital assets comprised of land, buildings, improvements, machinery/equipment	<u>117,789,451</u>	<u>109,910,711</u>	<u>7,878,740</u>	7.17%
Total assets	<u>169,146,625</u>	<u>160,475,112</u>	<u>8,671,513</u>	5.40%
Deferred outflows of resources	<u>23,529,351</u>	<u>12,994,722</u>	<u>10,534,629</u>	81.07%
Total assets and deferred outflows of resources	<u>192,675,976</u>	<u>173,469,834</u>	<u>19,206,142</u>	11.07%
<b>LIABILITIES AND DEFERRED INFLOWS</b>				
Current liabilities	4,926,456	4,893,211	33,245	0.68%
Long-term liabilities	<u>207,368,370</u>	<u>195,060,797</u>	<u>12,307,573</u>	6.31%
Total liabilities	<u>212,294,826</u>	<u>199,954,008</u>	<u>12,340,818</u>	6.17%
Deferred inflows of resources	<u>3,225,380</u>	<u>2,991,083</u>	<u>234,297</u>	7.83%
Total liabilities and deferred inflows of resources	<u>215,520,206</u>	<u>202,945,091</u>	<u>12,575,115</u>	6.20%
<b>NET POSITION</b>				
Net investment in capital assets	20,469,944	7,434,670	13,035,274	175.33%
Restricted	42,610,543	44,650,277	(2,039,734)	-4.57%
Unrestricted	<u>(85,924,717)</u>	<u>(81,560,204)</u>	<u>(4,364,513)</u>	-5.35%
Total net position	<u>\$ (22,844,230)</u>	<u>\$ (29,475,257)</u>	<u>\$ 6,631,027</u>	22.50%

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2021 (Unaudited)

**THE DISTRICT AS A WHOLE (CONTINUED)**

Total current and long term assets of governmental activities increased by \$8,671,513. Cash and cash equivalents increased by \$270,689 and taxes receivable decreased by \$318,781. Due from other governments decreased by \$2,353,480, inventories and prepaid assets increased by \$86,006 and capital assets increased by \$10,987,079. Current liabilities increased by \$33,245, while long-term liabilities in the form of debt for the energy project improvements, compensated absences payable, the PERS and TRS pension liabilities, the OPEB liability and the bonds issued for facilities improvement increased by \$12,307,573. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints, decreased by \$4,364,513, while restricted net position decreased by \$2,039,734. The net decrease in unrestricted net position is due to GASB Statement No. 68, which required districts to state the long term impact of potential retirements. The net decrease in restricted net position is due to the continued use of the bond proceeds.

Table 2 shows the changes in net position for fiscal years 2021 and 2020.

**Table 2 – Changes in Net Position**

	2021	2020	Annual Change		Percent of Total
			Amount	Percent	
REVENUES					
Program revenues:					
Charges for services	\$ 1,737,815	\$ 892,496	\$ 845,319	94.71%	1.30%
Operating grants and contributions	23,936,503	14,924,998	9,011,505	60.38%	17.88%
General revenues:					
District levy	38,308,975	34,225,422	4,083,553	11.93%	28.61%
Direct state aid	33,589,159	32,782,456	806,703	2.46%	25.09%
State guaranteed tax base subsidy	16,705,840	15,055,484	1,650,356	10.96%	12.48%
Other state revenue	501,945	376,739	125,206	33.23%	0.37%
PERS and TRS support revenue	7,239,798	5,451,273	1,788,525	32.81%	5.41%
Federal impact aid revenue	722,561	697,390	25,171	3.61%	0.54%
County retirement distribution	9,722,949	10,375,990	(653,041)	-6.29%	7.26%
Interest and increase (decrease) in fair market value of investments	(100,726)	831,615	(932,341)	-112.11%	-0.08%
Miscellaneous	1,382,924	947,879	435,045	45.90%	1.03%
Special item - gain on disposal of assets	132,485	2,487	129,998	5227.10%	0.10%
Transfers	-	(1,751,926)	1,751,926	-100.00%	0.00%
Total revenues	<u>133,880,228</u>	<u>114,812,303</u>	<u>19,067,925</u>	16.61%	100.00%

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2021 (Unaudited)

**THE DISTRICT AS A WHOLE (CONTINUED)**

**Table 2 – Changes in Net Position (Continued)**

	2021	2020	Annual Change		Percent of Total
			Amount	Percent	
<b>PROGRAM EXPENSES</b>					
Regular Programs:					
Instructional services	59,088,899	55,594,011	3,494,888	6.29%	44.36%
Supportive services	3,324,594	4,344,783	(1,020,189)	-23.48%	2.50%
Education. media services	1,964,004	1,721,931	242,073	14.06%	1.47%
General admin. services	2,812,650	2,434,113	378,537	15.55%	2.11%
School admin. services	5,500,979	5,142,492	358,487	6.97%	4.13%
Business services	2,815,032	2,371,221	443,811	18.72%	2.11%
Operation and maintenance services	14,308,345	12,478,471	1,829,874	14.66%	10.74%
Special programs:					
Instructional services	20,757,506	14,131,132	6,626,374	46.89%	15.58%
Supportive services	5,200,210	4,354,998	845,212	19.41%	3.90%
School admin. services	614,880	466,368	148,512	31.84%	0.46%
Student transportation services	1,177,364	1,067,511	109,853	10.29%	0.88%
Vocational programs:					
Instructional services	1,742,053	1,803,272	(61,219)	-3.39%	1.31%
Extracurricular activities	3,128,306	1,543,658	1,584,648	102.66%	2.35%
School food services	4,210,349	4,140,690	69,659	1.68%	3.16%
Student transportation services	2,488,159	1,872,893	615,266	32.85%	1.87%
Interest on long term debt	4,080,928	4,225,024	(144,096)	-3.41%	3.06%
Total expenses	<u>133,214,258</u>	<u>117,692,568</u>	<u>15,521,690</u>	13.19%	100.00%
Change in net position	<u>\$ 665,970</u>	<u>\$ (2,880,265)</u>	<u>\$ 3,546,235</u>	-123.12%	

**Governmental Activities**

General revenues accounted for \$108,205,910 or 80.82% of total revenues. These general revenues increased when compared to fiscal year 2020 by \$9,211,101. Total property tax levies in the form of a District Levy increased by \$4,083,553 and made up 28.61% of revenues for government activities for the District for fiscal year 2021. This remaining increases are primarily the result of increased in the State Guaranteed Tax Base aid, as well as PERS and TRS support revenue. For the combined budgeted funds, there was a 16.64 increase in in mills levied. A majority of the increase can be attributed to the successful passage of an Elementary General Fund Budget Levy of \$1,750,000. The Elementary General Fund Budget mills increased over the previous year by 11.52 mills. The decrease in the District Taxable Valuation also had an impact on the mills increasing. The Elementary District Taxable Value decreased from \$145,253,305 to \$141,806,059 and the High School District Taxable Value decreased from \$147,953,291 to \$144,329,779. The combined District General Fund Operational Budgets increased \$3,259,941 from the previous year. In analyzing individual funds, the Debt Service Fund experienced a 4.26 mill increase. This was due to the lower taxable valuation and the decreased revenues due to the Calumet tax protest. All building project bonds from 2016 have been sold so there will be no new bond related additions to the tax rolls in the Building Fund. The State provided \$450,729 in Guaranteed Tax Base money to help offset the total budget for the Building Reserve Fund. The Transportation Fund had a .55 increase that was due to increased costs associated with the bus contract.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
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**THE DISTRICT AS A WHOLE (CONTINUED)**

**Governmental Activities (Continued)**

Operating grants and contributions, which make up 17.88% of total revenues, increased by \$9,011,505, due to the impacts of COVID-19 on the Food Services program. The standard regulations for the food service program were adjusted to allow all students to eat free. This eliminated the income for regular-pay students, but was made up by those students receiving the federal reimbursement. Accordingly, more students participated in the breakfast and lunch programs. Increased revenues were offset by higher prices for food and supplies. Interest and the increase in fair market value of investments decreased \$932,341 or 112.11% due to the planned reduction of balances in the bond investment funds for the bond projects. As the overall balances decrease, combined with a lower interest rate, the fair value of the investments will decrease.

Instructional service expenses include activities dealing directly with interaction between teachers and students. Instructional service expenses, included in regular, special and vocational program categories, compose 61.25% of the District expenses.

	2021	2020	Annual Change		Percent of Total Expenses
			Amount	Percent	
Instructional services					
Regular programs	\$ 59,088,899	\$ 55,594,011	\$ 3,494,888	6.29%	44.36%
Special programs	20,757,506	14,131,132	6,626,374	46.89%	15.58%
Vocational programs	1,742,053	1,803,272	(61,219)	-3.39%	1.31%
Total instructional services	<u>\$ 81,588,458</u>	<u>\$ 71,528,415</u>	<u>\$10,060,043</u>	14.06%	61.25%

The remaining 38.76% of District expenses consist of expenses relating to the following support areas: supportive services, educational media services, general administrative services, school administrative services, business services, operation and maintenance services, central services, student transportation services, and school food services.

Supportive services include activities which provide administration, technical and logistical support to enhance instruction including student aides for a day care, playground, study hall, bus aides, guidance services, counseling services, psychological services, speech pathology service, occupational and physical therapy services, curriculum development and staff development services. The supportive services portion of the budget decreased by \$174,977. This is a 4.07% decrease from the previous year.

Educational media services include activities concerned with the use of teaching and learning resources, audiovisual services, computer assisted instruction and library and media services.

General administrative services include activities of establishing policy by the Board of Trustees and administrating policy by the Superintendent in connection with operating the District.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2021 (Unaudited)

**THE DISTRICT AS A WHOLE (CONTINUED)**

**Governmental Activities (Continued)**

School administrative services include activities concerned with overall administrative responsibility for a group of schools.

Business services include activities concerned with paying for, transporting, exchanging and maintaining goods and services for the District. Included are fiscal and internal services necessary for operating the District.

Operation and maintenance services include activities concerned with keeping the physical plant open, comfortable, and safe for use and in effective working condition and state of repair. The operations and maintenance service portion of the budget increased by \$1,829,874. This is a 14.66% increase from the previous year. The previous year was low due to the large number of bond projects and limited time by our staff to address District facilities issues. With increased square footage due to bond projects, additional staff were hired to clean and maintain these areas. With additional time to work in buildings due to remote learning, additional and more major facility projects were added to the summer work list. Many adjustments were made throughout the District to create a safer working and learning environment due to the COVID pandemic. A shortage of needed items due to high demand caused drastically increased prices. The national supply chain has become dysfunctional due to COVID.

Central services include activities for supporting the District's information technology system including administrative network, data processing for managerial, administrative and student data analysis.

Student transportation services include activities concerned with the conveyance of students to and from school as provided by State and Federal law. There was an increase of \$725,119 in student transportation services for the fiscal year. Bus routes were adjusted to half capacity in order to address the distancing requirements for safe travel under COVID. The District made additional payments from Elementary and Secondary School Emergency Relief Fund (ESSER) funds to assist the bus company in addressing more stringent cleaning standards. Flexibility was granted by the State to spend Transportation money in order to address needs associated with COVID.

Extracurricular activities include school sponsored activities that are not part of the regular instructional programs and they also include school sponsored athletic sports involving competition between schools. Extracurricular activities increased \$1,584,648 over the prior fiscal year, which equates to a 102.66% increase in expenditures. The larger than normal increase over the previous year is attributed the cancelation of extracurricular events during the previous spring. A full schedule of extra-curricular was completed during the 2020-2021 school year. Travel schedules were adjusted in order to help alleviate the problems schools were having due to the shortage of bus drivers and the availability of referees.



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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2021 (Unaudited)

**THE DISTRICT AS A WHOLE (CONTINUED)**

**Governmental Activities (Continued)**

School food services include activities concerned with providing food to students and staff in a school or school district. It includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food. School food services spent \$69,659 less than the prior fiscal year, which is a 1.68% decrease.

This slight decrease demonstrates less money being spent on renovation and minor remodeling. A high rate of staff turnover affects the budget as well due to new employees starting at the bottom of the pay scales. The COVID pandemic caused a major shift in how students were served meals. The Summer Feeding Program guidelines were extended to the 2020-2021 school year, so all students ate for free. Federal ESSER money also helped to offset regular costs associated with the program.

The dependence on tax revenues is apparent. Over 59% of the District's instructional services activities (\$81,588,458) are supported through local taxes (district levy and county retirement distribution) and for all activities, general revenue support is 80.82%. The community as a whole is the primary support for the District.

**The District's Funds**

Information about the activity of the District's major funds for the fiscal year ended June 30, 2021 begins on page 23. These funds are accounted for using the modified accrual basis of accounting. Governmental funds in total had revenues of \$134,796,238 and expenditures of \$141,210,672, which was a decrease of \$5,804,631 in expenditures from the prior year. The excess of expenditures over revenues for the year was \$6,414,434, before other financing sources of \$181,280. The majority of this deficit is attributed to the Capital Outlay that covers the cost of construction by the bonds.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The District's budget is prepared according to Montana law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2021, the District continued to fine-tune the classification of expenditure accounts based upon recommended State accounting guidelines. Significant budgetary changes in services categories resulted in the process. Program expenditures were reclassified in supportive services, educational media services, and business services, and budget variances compared to the prior fiscal year changed due to the re-categorization of accounts.

**CAPITAL ASSETS**

At the end of fiscal year 2021, the District had \$107,932,973 invested in land, buildings, machinery and equipment, net of depreciation.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2021 (Unaudited)

**CAPITAL ASSETS (CONTINUED)**

Table 3 shows fiscal year 2021 balances compared to fiscal year 2020:

**Table 3 – Capital Assets (Net of Depreciation)**

	2021	2020	Annual Change		Percent of Total
			Amount	Percent	
Land	\$ 1,577,610	\$ 1,448,518	\$ 129,092	8.91%	1.46%
Construction in progress	56,907,819	48,960,218	7,947,601	16.23%	52.73%
Buildings	46,174,596	44,017,829	2,156,767	4.90%	42.78%
Machinery and equipment	3,272,948	2,519,329	753,619	29.91%	3.03%
Totals	<u>\$107,932,973</u>	<u>\$ 96,945,894</u>	<u>\$ 10,987,079</u>	11.33%	100.00%

Overall net capital assets increased by \$10,987,079 when compared to fiscal year 2020. Increases in the net cost of buildings and machinery and equipment were the result of purchases made for construction in progress. See notes to the basic financial statements for a breakdown of depreciation expense on page 43.

**DEBT ADMINISTRATION**

At June 30, 2021, the District has a long term debt obligation of \$207,368,370. \$110,687,359 comes from the District's PERS and TRS pension liabilities, as well as the total OPEB liability. The compensated absences payable of \$9,320,970 is the District's long-term debt accrual for future compensation for unclaimed leave accumulated per law. \$86,734,352 comes from (1) low interest energy bonds initiated in fiscal year 2011 to fund a major energy renovation in the district and (2) general obligation bonds issued in fiscal year 2017 in the amount of \$58,710,000 and (3) general obligation bonds issued in fiscal year 2018 in the amount of \$40,155,000.

The energy bonds are being paid back over fifteen years by using the savings in projected energy costs. The general obligation bonds are being paid back over twenty years. The general obligation bonds issued equate to 100% of the total of \$98,865,000 in bonds approved by the voters. The remainder of \$625,689 comes from the IBNR payable in the Self Insurance Fund.

Long-term debt balances are as follows:

IBNR payable	\$ 625,689
Compensated absences payable	9,320,970
Bonds payable, net of current portion	86,734,352
Total OPEB liability	7,195,057
TRS pension liability	89,613,036
PERS pension liability	<u>13,879,266</u>
	<u>\$ 207,368,370</u>

For an analysis of the activity in long-term debt for fiscal year 2021, see the long-term debt note to the basic financial statements beginning on page 43.

**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**GREAT FALLS, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**Year Ended June 30, 2021 (Unaudited)**

**CURRENT FINANCIAL ISSUES AND CONCERNS**

The COVID 19 pandemic continued to have a major impact on school operations. The District intensified its cleaning procedures while purchasing Personal Protective Equipment (PPE) and cleaning supplies. Due to the high demand nationwide for PPE and cleaning solutions, items were not only difficult to obtain but prices doubled on many products. The Federal CARES Act provided an initial \$2,382,399 in funding to help address these impacts. The Governor's CARES Act allocation provided a \$4,391,123 allocation that was required to be expended by December 30, 2020. The Federal Government also provided additional assistance in the form of ESSER II and ESSER III funds. The District focused the Strategic Plan to the areas of Reintegration, Reengagement and Remediation. ESSER II funds were allocated to each of these Strategic Plan areas to include \$1,907,641 for Reintegration, \$2,204,389 for Reengagement, and \$5,920,028 for Remediation. ESSER III funds were allocated in the following manner: \$862,074 for Reengagement, \$8,364,987 for Remediation, \$1,396,451 for Reintegration and \$11,644,746 for Infrastructure, PPE and Community Impact.

The Federal stimulus money has allowed the District provide a comprehensive program, including the additional services of counseling and after school support in order to help catch students back up from their learning loss due to COVID. Without sufficient annual growth in enrollment, the State funding formula will not adequately support the annual ongoing budgetary increases due mainly to inflation and increases in staffing costs.

The District's self-insured program experienced a substantial increase of 14.6% in premiums due to the number of high claims experienced during the year. The Total Family Premium on the Main Plan, which is split between the District and the employee, increased over \$244 per month. This will impact the District General Fund budgets by approximately \$680,000, while staff will experience the same increase.

Bond projects in process at the end of the 2020-2021 school year included East Middle School windows, North Middle School roof, Paris Gibson windows and Lewis & Clark Elementary mechanical work and temperature controls in various buildings. The major focus for the remaining bond money will include digital controls in many buildings.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the School District's finance and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Brian Patrick, Director of Business Operations, Great Falls School District 1 & A, Cascade County, 1100 4<sup>th</sup> Street South, Great Falls, MT 59403 or e-mail at [brian\\_patrick@gfps.k12.mt.us](mailto:brian_patrick@gfps.k12.mt.us).

## FINANCIAL STATEMENTS

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
STATEMENT OF NET POSITION  
June 30, 2021

	Governmental Activities
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current assets:	
Cash and investments	\$ 48,519,712
Taxes receivable	849,797
Due from other governments	296,465
Inventories	651,365
Prepaid expenses	<u>1,039,835</u>
Total current assets	<u>51,357,174</u>
Noncurrent assets:	
Cash and investments	9,856,478
Capital assets:	
Land and improvements	1,577,610
Buildings and improvements	90,851,240
Machinery and equipment	8,462,747
Construction in progress	56,907,819
Less accumulated depreciation	<u>(49,866,443)</u>
Total capital assets, net of depreciation	<u>107,932,973</u>
Total noncurrent assets	<u>117,789,451</u>
Deferred outflows of resources:	
Pension contributions and adjustments	20,866,052
OPEB contributions and adjustments	<u>2,663,299</u>
Total deferred outflows of resources	<u>23,529,351</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 192,675,976</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
Current liabilities:	
Other current liabilities	\$ 542,723
Current portion of bonds payable	<u>4,383,733</u>
Total current liabilities	<u>4,926,456</u>
Noncurrent liabilities:	
IBNR liability	625,689
Compensated absences payable	9,320,970
Bonds payable (net of current portion)	86,734,352
Total OPEB liability	7,195,057
TRS pension liability	89,613,036
PERS pension liability	<u>13,879,266</u>
Total noncurrent liabilities	<u>207,368,370</u>
Deferred inflows of resources:	
Pension adjustments	1,616,653
OPEB adjustments	<u>1,608,727</u>
Total deferred inflows of resources	<u>3,225,380</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>215,520,206</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	20,469,944
Restricted for:	
Debt service	746,345
Program	41,864,198
Unrestricted	<u>(85,924,717)</u>
<b>TOTAL NET POSITION</b>	<b><u>(22,844,230)</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 192,675,976</u></b>

The Notes to Financial Statements are an integral part of this statement.

**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**GREAT FALLS, MONTANA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**

		Program Revenues			Net (Expense)
					Revenue and Changes
					in Net Position

**GENERAL REVENUES:**

District levy	38,308,975
Direct state aid	33,589,159
State guaranteed tax base subsidy	16,705,840
Other state revenue	501,945
PERS and TRS support revenue	7,239,798
Federal impact aid revenue	722,561
County retirement distribution	9,722,949
Interest and decrease in fair market value of investments	(100,726)
Miscellaneous	1,382,924
Special item - gain on disposal of capital assets	132,485
Total general revenues	<u>108,205,910</u>
<b>Change in net position</b>	<u>665,970</u>
Net position at July 1	(29,475,257)
Prior period adjustments	<u>5,965,057</u>
Net position at July 1, as restated	<u>(23,510,200)</u>
Net position at June 30	<u><u>\$ (22,844,230)</u></u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2021

	General Fund	Impact Aid Elementary	Miscellaneous Programs Elementary	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 9,711,281	\$ 10,106,692	\$ 3,776,374	\$ 32,787,227	\$ 56,381,574
Taxes receivable	527,172	-	-	322,625	849,797
Due from other governments	23,859	-	212,406	60,200	296,465
Inventories	495,059	-	-	156,306	651,365
Prepaid expenses	<u>992,835</u>	<u>47,000</u>	<u>-</u>	<u>-</u>	<u>1,039,835</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,750,206</u>	<u>\$ 10,153,692</u>	<u>\$ 3,988,780</u>	<u>\$ 33,326,358</u>	<u>\$ 59,219,036</u>
<b>LIABILITIES</b>					
Other current liabilities	<u>\$ 542,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,723</u>
<b>TOTAL LIABILITIES</b>	<u>542,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,723</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned revenue for taxes receivable	<u>527,172</u>	<u>-</u>	<u>-</u>	<u>322,625</u>	<u>849,797</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>527,172</u>	<u>-</u>	<u>-</u>	<u>322,625</u>	<u>849,797</u>
<b>FUND BALANCES</b>					
Nonspendable	1,487,894	47,000	-	156,306	1,691,200
Restricted	792,436	10,106,692	-	30,965,070	41,864,198
Committed	8,007,952	-	-	-	8,007,952
Assigned	129,380	-	3,988,780	1,882,357	6,000,517
Unassigned	<u>262,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,649</u>
<b>TOTAL FUND BALANCE</b>	<u>10,680,311</u>	<u>10,153,692</u>	<u>3,988,780</u>	<u>33,003,733</u>	<u>57,826,516</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 11,750,206</u>	<u>\$ 10,153,692</u>	<u>\$ 3,988,780</u>	<u>\$ 33,326,358</u>	<u>\$ 59,219,036</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2021

Total fund balance - governmental funds	\$ 57,826,516
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not reported as assets in governmental funds. The cost of the assets is \$157,688,051, and the accumulated depreciation is \$49,833,347.	107,854,704
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Property taxes receivable expected to be collected in the following year, but are not available soon enough to pay for the current period's expenditures, and therefore are reflected as unearned revenue in governmental funds.	849,797
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of compensated absences payable of \$9,320,970, bonds payable of \$91,118,085, the net other post-employment benefits obligation of \$7,195,057, the PERS pension liability of \$13,879,266, and the TRS pension liability of \$89,613,036.	(211,126,414)
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in governmental funds. Deferred outflows for PERS were \$3,209,855, TRS were \$17,656,197, and OPEB were \$2,663,299, for a total of \$23,529,351. Deferred inflows for PERS were \$1,053,308, TRS were \$563,345, and OPEB were \$1,608,727, for a total of \$3,225,380.	20,303,971
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An internal service fund is used by management to charge the costs of purchasing services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	<u>1,447,196</u>
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Total net position - governmental activities	<u>\$ (22,844,230)</u>
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**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**GREAT FALLS, MONTANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2021**

	General Fund	Impact Aid Elementary	Miscellaneous Programs Elementary	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
District levy	\$ 23,825,882	\$ -	\$ -	\$ 15,531,588	\$ 39,357,470
Interest and decrease in fair market value of investments	849	(4,324)	(1,805)	(95,446)	(100,726)
Miscellaneous	-	2,137	157,757	1,223,030	1,382,924
Direct state aid	33,589,159	-	-	-	33,589,159
State guaranteed tax base subsidy	16,378,734	-	-	327,106	16,705,840
State special education	2,319,864	-	-	-	2,319,864
Other state payments	-	-	-	501,945	501,945
Federal/state/local aid	-	672,729	14,284,914	6,657,993	21,615,636
County reimbursement	-	-	-	10,084,731	10,084,731
State reimbursement	-	-	-	361,782	361,782
Student extracurricular activity receipts	-	-	-	1,358,171	1,358,171
PERS and TRS support revenue	6,711,115	28,579	84,894	415,210	7,239,798
Tuition and fees	86,236	-	-	134,502	220,738
Lunch sales	-	-	-	158,906	158,906
Total	<u>82,911,839</u>	<u>699,121</u>	<u>14,525,760</u>	<u>36,659,518</u>	<u>134,796,238</u>
<b>EXPENDITURES</b>					
Current:					
Regular Programs:					
Instructional services	45,073,119	226,122	126,333	8,996,760	54,422,334
Supportive services	2,633,832	-	49,786	265,794	2,949,412
Educational media services	1,615,390	-	-	194,938	1,810,328
General administrative services	2,244,501	743	1,174	337,609	2,584,027
School administrative services	4,666,043	-	-	457,311	5,123,354
Business services	2,559,410	-	948	205,099	2,765,457
Operation and mainten- ance services	9,844,799	2,438	101,284	2,028,373	11,976,894
Special Programs:					
Instructional services	2,454,526	70,404	12,679,223	5,146,264	20,350,417
Supportive services	2,934,911	109,222	1,693,240	158,094	4,895,467
School administrative services	64,085	-	234,158	316,006	614,249
Student transportation services	-	-	-	1,170,554	1,170,554
Vocational Programs:					
Instructional services	1,535,481	-	-	73,677	1,609,158
Extracurricular activities	1,450,866	-	-	1,525,436	2,976,302
School food services	-	-	-	4,041,272	4,041,272
Student transportation services	-	-	-	2,487,307	2,487,307
Capital outlay	583,735	41,995	114,445	12,399,870	13,140,045
Debt service	687,620	-	-	7,606,475	8,294,095
Total	<u>78,348,318</u>	<u>450,924</u>	<u>15,000,591</u>	<u>47,410,839</u>	<u>141,210,672</u>
Excess of revenues over expenditures	<u>4,563,521</u>	<u>248,197</u>	<u>(474,831)</u>	<u>(10,751,321)</u>	<u>(6,414,434)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfer in (out)	(3,016,160)	-	-	3,016,160	-
Sale of capital assets	150,000	-	-	31,280	181,280
	<u>(2,866,160)</u>	<u>-</u>	<u>-</u>	<u>3,047,440</u>	<u>181,280</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>1,697,361</u>	<u>248,197</u>	<u>(474,831)</u>	<u>(7,703,881)</u>	<u>(6,233,154)</u>
Fund balance at July 1	8,968,677	9,905,495	4,463,611	35,384,692	58,722,475
Prior period adjustments	14,273	-	-	5,322,922	5,337,195
Fund balance at July 1, as restated	<u>8,982,950</u>	<u>9,905,495</u>	<u>4,463,611</u>	<u>40,707,614</u>	<u>64,059,670</u>
Fund balance at June 30	<u>\$ 10,680,311</u>	<u>\$ 10,153,692</u>	<u>\$ 3,988,780</u>	<u>\$ 33,003,733</u>	<u>\$ 57,826,516</u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES  
For the Year Ended June 30, 2021

Total net change in fund balance - governmental funds \$ (6,233,154)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$13,140,045) exceeds depreciation expense (\$2,732,033). 10,408,012

Sale of capital assets in governmental funds represents gross proceeds received from the sale, while the statement of activities reflects the loss on the sale (gross proceeds less net cost). (48,795)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are unearned in the governmental funds, but have been recognized as revenue in previous periods in the statement of activities. Unearned tax revenues decreased by this amount this year. (1,048,495)

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or paid. This is the amount by which vacation and sick leave earned exceeded the amounts used. (512,585)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,213,167

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. The cost of pension benefits earned that exceeded the employee contributions, is reported within governmental activities. (6,316,599)

In the statement of activities, the accrued cost associated with the provision of other post-employment benefits as part of the employees overall compensation package is expensed, but is not recognized as an expenditure in governmental funds until paid. 225,628

The net loss (\$32,766) of certain activities of internal service funds is reported within governmental activities, not including depreciation expense (\$11,557). (21,209)

Total change in net position - governmental activities \$ 665,970

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2021

ASSETS

Cash and investments	\$ 1,994,616
Capital assets, net of accumulated depreciation	<u>78,269</u>
Total assets	<u><u>\$ 2,072,885</u></u>

LIABILITIES

IBNR payable	<u>\$ 625,689</u>
Total liabilities	<u>625,689</u>

NET POSITION

Net investment in capital assets	78,269
Unrestricted	<u>1,368,927</u>
Total net position	<u>1,447,196</u>
 Total liabilities and net position	 <u><u>\$ 2,072,885</u></u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A  
 CASCADE COUNTY  
 GREAT FALLS, MONTANA  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
 INTERNAL SERVICE FUNDS  
 For The Year Ended June 30, 2021

OPERATING REVENUES

Health insurance premiums	\$ 11,139,942
Charges for services	200,981
Interest income	<u>2</u>
Total operating revenues	<u>11,340,925</u>

OPERATING EXPENSES

Health insurance payments	9,935,897
Personal services - salaries	119,075
Personal services - benefits	16,845
Stop loss insurance	1,121,184
Other purchased services	100,827
Miscellaneous	68,306
Depreciation	<u>11,557</u>

Total operating expenses	<u>11,373,691</u>
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Change in net position	(32,766)
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Net position, beginning of year	<u>1,479,962</u>
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Net position, end of year	<u><u>\$ 1,447,196</u></u>
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The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS  
For The Year Ended June 30, 2021

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from internal services	\$ 200,983
Cash received from health insurance	11,139,942
Cash paid to employees	(97,447)
Cash paid to suppliers for goods and services for internal services	(169,133)
Cash paid to suppliers for goods and services for health insurance	<u>(11,308,136)</u>
Net cash flows from operating activities	<u>(233,791)</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>-</u>
Net cash flows from capital and related financing activities	<u>-</u>

Net increase in cash and cash equivalents (233,791)

Cash and cash equivalents, beginning of year 2,228,407

Cash and cash equivalents, end of year \$ 1,994,616

RECONCILIATION OF OPERATING INCOME TO  
NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ (32,766)
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation expense	11,557
Change in payables	<u>(212,582)</u>
Net cash flows from operating activities	<u><u>\$ (233,791)</u></u>

The Notes to Financial Statements are an integral part of this statement.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**New Accounting Pronouncements**

The District implemented the provisions of the following GASB pronouncement for the year ended June 30, 2021:

- Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve the guidance for the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for fiscal years beginning after December 15, 2019.

**Reporting Entity**

The District is a primary government, meeting the criteria embodied in GASB Statement No. 61, "The Financial Reporting Entity" of a separately elected governing body, a separate legal standing, and fiscal independency. The District supplies public education services at all levels below the college and university level and actually consists of two legally separate districts - the high school district and the elementary district. Both districts must be maintained separately per state law because of differences in funding provided by the state legislature, but are under common control of a single school board and therefore reported together on the basic financial statements. The school system was established by an act of the State legislature which designated the school board as the governing authority. Members of the school board are elected by the public. The school board has control over hiring and firing employees, the power to contract for schools, authority to purchase equipment, and control over other day-to-day management functions. The school board is responsible for financing the District's deficit and may issue bonds to finance District construction.

The school board was initially responsible for appointing all of the initial members of the board of directors of the Great Falls Public Schools Foundation, a separate 501(c)(3) organization. After the first year of the Foundation, the school board has the responsibility of appointing only a minority membership of the Foundation's board of directors. The relationship between the District and the Foundation does not presently require inclusion of the activity of the Foundation in the financial statements of the District.

Cascade County provides substantial services to the District. Taxes are levied and collected by the county. A small portion of the District's cash is maintained and invested by the county treasurer. However, as management policies of the District are the sole responsibility of the school board, the District is not considered to be a component of the county. The county does not significantly influence the operations of the school system; therefore the District is being treated as a separate and independent unit of local government.

**Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

The following funds are maintained by the District:

**Governmental Fund Types**

General Fund (Elementary and High School) - accounts for revenues and expenditures not included in any other fund.

Special Revenue Funds

Transportation Fund (Elementary and High School) - accounts for the revenues and expenditures for the District's pupil transportation program.

Bus Depreciation Fund (Elementary and High School) - accounts for the conversion, remodeling, or rebuilding of a bus or for the replacement of a bus or communication systems and safety devices installed on the bus.

Food Services Fund (Elementary) - accounts for that portion of the school food services program which is self-supporting, including state and federal reimbursements. Other costs are budgeted for and expended through the General and Retirement Funds.

Tuition Fund (Elementary and High School) - accounts for tuition payments for students who are residents of the District but attend school outside the District and to offset the excess costs of educating special needs students who live within District boundaries.

Retirement Fund (Elementary and High School) - accounts for the employer's contribution to the Teachers' Retirement System, the Public Employees' Retirement System, Unemployment Insurance, and Social Security.

Miscellaneous Programs Fund (Elementary and High School) - accounts for federal and state grant and reimbursement moneys received by the District.

Adult Education Fund (Elementary and High School) - accounts for the revenue and expenditures for the District's adult education program.

Traffic Education Fund (High School) - accounts for the revenues and expenditures for the District's driver education program.

Impact Act (P.L. 874) Fund (Elementary and High School) - accounts for the receipt and expenditure of Public Law 81-874 Impact Aid moneys.

Lease Rental Agreement Fund (Elementary and High School) - accounts for the rental and lease payments received from District owned property and the expenditure of that money for the maintenance of the property.

Compensated Absence Fund (Elementary and High School) - accounts for moneys transferred from the General Fund for the purpose of paying accumulated compensated absence benefits that a nonteaching employee is entitled to upon termination.

Technology Fund (Elementary and High School) - accounts for state grant money received to be used for technology related expenditures.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

**Governmental Fund Types (Continued)**

**Special Revenue Funds (Continued)**

Flexibility Fund (Elementary and High School) - accounts for state grant and voted levy moneys received for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. The voted levy option was eliminated during the last legislative session.

Endowment Fund (High School) - accounts for endowments received which are to be used for student scholarships, whereby only interest may be used.

Miscellaneous Trust Fund (High School) - accounts for endowments received which are to be used for student scholarships, whereby both principal and interest may be used.

Extracurricular Fund (High School) - accounts for various student activities, such as athletics, clubs, classes, student government organizations, student publications, and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Such a fund is established under the authority of Section 20-9-504, MCA. The Fund is administered by School District administrators and faculty members and the student organizations, operating under guidelines and policies established by the board of trustees and the Montana Association of School Business Officials handbook *Guidelines to Student Activity Fund Accounting*.

Interlocal Agreement Fund (Elementary) - accounts for (1) technology purchases to be made in conjunction with other participating school districts and (2) collaborative purchasing between the Elementary and High School districts. Such a fund is established under the authority of Section 20-3-363, MCA.

Debt Service Fund (Elementary and High School) - accounts for principal and interest payments on outstanding long-term debt and the revenue derived for this purpose from a property tax levy.

**Capital Projects Funds**

Building Fund (Elementary and High School) - accounts for building repair projects and the insurance proceeds received for that purpose.

Building Reserve Fund (Elementary and High School) - accounts for revenue and expenditures for voter approved improvements, remodeling, or construction of District facilities.

**Internal Service Fund**

Print Center (Elementary and High School) - accounts for the Print Center operations of the District, which provides services to other departments of the District on a cost reimbursement basis.



GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

**Internal Service Fund (Continued)**

Self-Insurance (Elementary and High School) - accounts for financial activities for health plans maintained under 20-3-331, MCA, on a self-insurance basis.

**Fiduciary Fund Types**

*Custodial Funds*

Accounts Payable Clearing Fund (High School) - accounts for receipts from operating funds for payment of approved expenditure claims of the District. Cash remaining in this fund at year-end represents warrants issued but not yet presented by the payee for payment. The total of the outstanding warrants are netted against the cash balance of the fund on the basic financial statements, and as such, this fund is not presented in the accompanying financial statements.

Payroll Clearing Fund (High School) - accounts for receipts from operating funds for their portions of payroll costs and the payroll disbursements to employees and state and federal agencies. Cash remaining in this fund at year-end represents warrants issued but not yet presented by the payee for payment. The total of the outstanding warrants are netted against the cash balance of the fund on the basic financial statements, and as such, this fund is not presented in the accompanying financial statements.

Under state statutes, the General, Transportation, Bus Depreciation, Tuition, Adult Education, Retirement, Technology, Flexibility, Debt Service, and Building Reserve funds are considered budgeted funds, which means that a budget must be adopted in order to spend any money from the funds. The statutes define the Food Services, Compensated Absence, Traffic Education, Miscellaneous Programs, Lease Rental Agreement, Impact Aid (P. L. 874), Building, Endowment, Extracurricular, Miscellaneous Trust and Interlocal Agreement funds as nonbudgeted funds. A budget is not required to spend money from these funds.

**Basis of Presentation**

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the District as a whole, with the exception of the fiduciary fund types. Any interfund activity has been eliminated to minimize any possible double-counting of such internal activities.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

*Government-wide Financial Statements (Continued)*

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District.

The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from general revenues of the District. The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Fund Financial Statements*

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The emphasis of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Generally accepted accounting principles require the general fund be reported as a major fund, as well as all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds. Accordingly, the District reports the general fund, Elementary impact aid fund and the Elementary miscellaneous program funds as major funds.

**Measurement Focus/Basis of Accounting**

The government-wide financial statements of the District are reported using the economic resources measurement focus under the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements of the District are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus/Basis of Accounting (Continued)**

Revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Certain revenues of the District require specific revenue recognition terms. Under this measurement focus, the District considers property taxes as available if they are collected within 30 days after the date the taxes become delinquent. Uncollected property taxes become delinquent each May 31. Therefore, property tax levies collected through June 30 are reported as revenue in the fiscal year ended June 30.

Amounts not collected by June 30 are reported as unearned revenue. In applying the susceptible to accrual concept to grant revenues, two types of revenues must be considered. In one type, moneys must be expended on the specific purpose or project before any amounts will be paid to the District. Therefore, revenues are recognized based upon the expenditures recorded. In the other type, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These moneys are recognized as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenues of the District are recognized as revenue when both the measurable and available criteria are met. Expenditures are recognized when the liability is incurred, except for unmatured interest on general long-term debt.

**Budgets and Budgetary Accounting**

A budget is adopted by the board of trustees each fiscal year for the General Fund and those other governmental fund types classified by state law as budgeted funds. A listing of these funds is included above under "Fund Accounting." All budgets are formulated in accordance with state law. The board of trustees must meet on or before August 25 to consider all budget information and must have that final budget adopted by the fourth Monday in August. Budget appropriations not expended or obligated lapse at the end of the fiscal year. The District's budget is prepared on the basis of accounting described above for the governmental fund financial statements. The legal level of control (the level on which expenditures may not legally exceed appropriations) is at the fund level.

The General Fund budget is based on the state's BASE aid, which is designed to equalize taxing effort throughout the state and bases the budgets primarily on enrollment. Budgets of other funds are based primarily on estimated expenditures and revenues. Budgeted fund expenditures are limited by state law to budgeted amounts, except that they can be increased for emergencies as defined by state law. Transfers may be made between expenditure objects and/or functions within the same fund.

**Cash and Investments**

All cash and investments of the District's funds, including the cash and investments of the Extracurricular Fund, are held by First Interstate Bank, the county treasurer, and the Big Sky Investment Pool managed by First Interstate Bank.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

All purchased capital assets are valued at historical cost where historical cost records are available and at estimated historical cost where no historical records exist. Purchases of capital assets with a cost of \$5,000 or greater are included as additions to capital assets. Donated capital assets are recorded at estimated fair market value as of the date received. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Machinery and equipment	5-15 years

**Inventories**

Inventories of food are valued at cost and expensed when used in operations. Inventories of materials and supplies are also valued at cost and expensed when used in operations.

**Liability for Compensated Absences**

Compensated absences for vacation and sick leave are recorded as expenditures in the governmental funds when taken. Vacation leave, within certain limitations, may be payable to the employee on termination. Sick leave is accumulated for administrative, certified (teaching) and classified (non-teaching) employees at the rate of 12 working days for each year of service. Part-time employees are entitled to prorated benefits upon fulfillment of the qualifying period of time. Upon termination, classified employees are eligible for compensation at one-fourth of the accumulated sick leave amount.

**Fund Balance**

The District previously implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

*Nonspendable*

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted*

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed*

Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through a majority vote on a motion proposed by the Board of Trustees.

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June 30, 2021

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

Classifications (Continued):

*Assigned*

Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Intent can be expressed by the Board of Trustees or by the District's superintendent of schools to which the Board of Trustees delegates that authority.

*Unassigned*

All other spendable amounts that are not categorized in the above fund balance categories.

The requirements of GASB No. 54 include the restatement of fund balances for reporting on the fund financial statements if a substantial portion of inflows into a special revenue fund are not derived from restricted or committed revenue sources. Of the inflows into the Elementary and High School District's compensated absences funds, a substantial portion is not derived from restricted or committed revenue sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**Interfund Transactions**

During the course of its operations, the District has transactions between funds for Print Center activities and health insurance. These transactions are generally recorded as charges for services revenue and operations expenditures. These transactions are eliminated in the government-wide financial statements.

**Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. CASH AND INVESTMENTS**

Montana statutes authorize the District to invest in 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 located in the state and insured by the FDIC, FSLIC, or NCUA; in repurchase agreements or in the State Short-Term Investment Pool (S.T.I.P.).

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**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

A portion of the cash and investments of the District are held by the county treasurer in the District's name. These monies are not invested in the County pool, and are not generating any investment income for the District. The remaining portion of the District's cash and investments are held in checking accounts, certificates of deposit, and repurchase agreements managed by First Interstate Bank as part of the Big Sky Investment Pool, a unified investment program established and sponsored by the Montana School Boards Association (MTSBA) for participation by MTSBA member school districts under the auspices of and in compliance with MCA Title 7, Chapter 11 (the provisions governing interlocal cooperative agreements) and MCA Title 20, Chapter 9, Part 7 (educational cooperative agreements). The pool is not SEC-registered. Investments of the Big Sky Investment Pool consist of U. S. Government money market funds and U. S. Government Agency Securities. The District receives a pro-rata share of investment earnings from both the county-wide and Big Sky pool at each distribution date. Under generally accepted accounting principles, the District is required to comply with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools." This pronouncement requires governmental entities to record certain investments in external investment pools at fair value, rather than historical cost. The District's investment in U.S. Government Securities is shown at fair value, with the current period's net decrease in fair value of \$407,358 being included with interest income on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

At June 30, 2021, the District's cash and investments consisted of the following:

Investment Type	Fair Value	Investment Maturities Less	
		than 1-Year	1-5 Years
County-wide investment pool	\$ 783,370	\$ 783,370	\$ -
Checking accounts	8,771,771	8,771,771	-
Repurchase agreements	29,148,500	29,148,500	-
U.S. government money market funds	5,343,930	5,343,930	-
U.S. government agencies	14,328,619	1,484,874	12,843,745
	<u>\$ 58,376,190</u>	<u>\$ 45,532,445</u>	<u>\$ 12,843,745</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District follows Montana State law as it pertains to the type of investments in the District portfolio.

**Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Obligations of or guaranteed by the U.S. government do not require disclosure of credit quality. Investments within S.T.I.P., part of the county-wide investment pool, have credit risk as measured by major credit rating services.

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**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

**Credit Risk (Continued)**

This risk is that the issuer of a S.T.I.P. investment may default in making timely principal and interest payments. The Montana Board of Investment's policy requires that S.T.I.P. investments must have credit ratings as provided by at least two of the national recognized statistical rating organizations (NRSRO), to assist in the monitoring and management of credit risk. The U.S. Government guarantees the U.S. Government securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed are not considered to have credit risk and do not require disclosure of credit quality per GASB Statement No. 40. The S&P rating service provides the credit quality ratings for S.T.I.P. in total as of June 30, 2021, presented in the following table:

Investment Type	Fair Value (in thousands)	Credit Quality Rating
Agency or Government Related	\$ 182,211	A-1+
Asset Backed Commercial Paper	2,303,761	A-1+
Corporate:		
Commercial Paper	531,325	A-1+
Certificates of Deposit	51,002	A-1+
Interest Bearing Demand Deposit Account	166,000	NR
Total Cash Equivalent Held at Custodial Bank	<u>\$ 3,234,299</u>	

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, none of the District's deposits were uninsured and uncollateralized.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal investment policy limiting the amount the District may invest in any one issuer. As there is minimal credit risk associated with investments issued or guaranteed by the U.S. Government, no disclosure of concentration of credit risk is required for these investments. The U.S. Government extended the explicit guarantee to certain government agencies such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac). Given the explicit guarantee extension, S.T.I.P. had no concentration of credit risk exposure to Fannie Mae and Freddie Mac.

The S.T.I.P. investment policy adopted by the Montana Board of Investments limits concentration of credit risk exposure by limiting portfolio investment types to 3% in any issuer with the exception of U.S. Treasury and U.S. Agency securities as well as any repurchase agreements with a financial institution.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

As previously mentioned, GAAP requires investments in U.S. Government securities to be reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach. Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

*Government agencies* – Valued using pricing models maximizing the use of observable inputs for similar securities.

As required under GAAP, investments are classified within the level of lowest significant input considered in determining fair value. GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels as described below.

Level 1: quoted prices in active markets as of the measurement date.

Level 2: quoted prices that are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability.

Level 3: significant unobservable prices or inputs for which there is little or no market activity for the asset or liability at the measurement date.

The District's investments at June 30, 2021, categorized by level, are summarized below:

	<u>Cost</u>	<u>Fair Value (Level 2)</u>
U.S. government agencies	\$ 14,341,105	\$ 14,328,619

**NOTE 3. PROPERTY TAXES RECEIVABLE**

The District is permitted by state statutes to levy taxes for various purposes. Property taxes are levied in August of each fiscal year, based on the assessed value as of the prior January 1. Taxes are normally billed in October and are payable 50% by November 30 and 50% by May 31. Property tax lien dates are December 1 and June 1. The taxes levied by the District for the year ended June 30, 2021 were properly established and were within the legal limits as approved by the voters. Property taxes are accounted for and collected by the county treasurer.

As described in Note 1, property taxes are recorded as receivable when they are billed by the county treasurer. Amounts not collected by June 30, but expected to be received in the future, are reported as revenue in the government-wide financial statements when billed and as unearned revenue in the governmental fund financial statements.



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June 30, 2021

**NOTE 3. PROPERTY TAXES RECEIVABLE (CONTINUED (CONTINUED))**

Protested taxes are also recorded as receivable when the original assessment is billed by the county treasurer. Pursuant to MCA 15-1-402(5)(6), the District is entitled to request an advance of certain protested amounts before the protest is settled. If the amount settled upon is less than any previously received advances, the District is obligated to refund the county treasurer for any excess. The District will then be able to permissively levy this amount in the following fiscal year.

Uncollected property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Cascade County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Cascade County. No allowance for uncollectible property taxes is reflected in the basic financial statements as the District considers all property taxes receivable at June 30, 2021 to be fully collectible.

**NOTE 4. DUE FROM OTHER GOVERNMENTS**

Due from other governments of \$296,465 consists of \$212,406 due to the miscellaneous programs funds from federal grantor agencies and \$60,200 due to the traffic education fund from the state. There is an additional \$23,859 due to the general funds from the federal government for the May 2021 interest subsidy payment on the school construction bonds.

**NOTE 5. INVENTORIES**

Inventories totaling \$651,365 consist of the following:

	<u>General</u>	<u>Food Services</u>
Paper supplies	\$ 303,160	\$ -
Custodial/miscellaneous supplies	96,336	-
Technology supplies	95,563	-
Food (non-O.P.I)	-	58,009
Food supplies	-	98,297
	<u>\$ 495,059</u>	<u>\$ 156,306</u>

**NOTE 6. PREPAID EXPENSES**

Prepaid expenses of \$1,039,835 consist of \$913,345 liability insurance premiums paid in June 2021 to provide coverage during the 2021-2022 fiscal year, and \$126,490 annual support fees paid in June 2021 to provide technology support during the 2021-2022 fiscal year. All amounts were paid out of the general fund, except for \$47,000 paid out of the elementary impact aid fund.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 7. CAPITAL ASSETS**

A summary of activity in capital assets follows:

	Balance July 1, 2020	Additions	Deletions	Transfers	Prior Period Adjustment	Balance June 30, 2021
Capital assets not being depreciated:						
Land	\$ 1,448,518	\$ 151,092	\$ (22,000)	\$ -	\$ -	1,577,610
Construction in progress	48,960,218	11,499,004	-	(3,551,403)	-	56,907,819
Total capital assets not being depreciated	50,408,736	11,650,096	(22,000)	(3,551,403)	-	58,485,429
Capital assets being depreciated:						
Buildings	86,493,932	805,905	-	3,551,403	-	90,851,240
Machinery and equipment	7,276,247	684,044	(256,238)	-	758,694	8,462,747
Total capital assets being depreciated	93,770,179	1,489,949	(256,238)	3,551,403	758,694	98,555,293
Less accumulated depreciation:						
Buildings	(42,476,103)	(2,205,724)	-	-	-	(44,681,827)
Machinery and equipment	(4,756,918)	(526,309)	229,443	-	(130,832)	(5,184,616)
	(47,233,021)	(2,732,033)	229,443	-	(130,832)	(49,866,443)
Capital assets being depreciated, net	46,537,158	(1,242,084)	(26,795)	3,551,403	627,862	49,447,544
Capital assets, net	\$ 96,945,894	\$ 10,408,012	\$ (48,795)	\$ -	\$ 627,862	\$ 107,932,973

Depreciation expense was charged to functions as follows:

Instructional services	\$ 440,293
Supportive services	14,985
General administrative services	72,721
Operation and maintenance services	2,063,223
Extracurricular activities	60,499
School food services	80,312
Total depreciation expense	<u>\$ 2,732,033</u>

**NOTE 8. OTHER CURRENT LIABILITIES**

Other current liabilities as of June 30, 2021 of \$542,723 consist of payroll-related liabilities.

**NOTE 9. INCURRED BUT NOT REPORTED LIABILITY**

The District has a self-insurance medical insurance plan that provides benefits for all employees who meet the qualifications for being covered. Employees have the option to choose between two plans and the contribution rates depend on the plan selected, or they may opt out of the plan.

The insurance costs are deposited into the Self-Insurance Fund as a part of the payroll process. This fund is used to play claims, stop loss insurance and an administrator to process claims.

IBNR payable, consisting of medical claims incurred but not reported (IBNR) as of June 30, 2021, were estimated to be \$625,689.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 10. LONG-TERM DEBT**

**Long-Term Debt Transactions**

The following is a summary of long-term debt transactions of the District for the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Compensated absences payable	\$ 8,808,385	\$ 512,585 *	\$ -	\$ 9,320,970
Bonds payable	<u>95,331,252</u>	<u>-</u>	<u>4,213,167</u>	<u>91,118,085</u>
Total	<u>\$ 104,139,637</u>	<u>\$ 512,585</u>	<u>\$ 4,213,167</u>	<u>\$ 100,439,055</u>

\* This is the net increase to compensated absences payable.

**Special Improvement District Assessment**

The District is charged a special improvement district assessment annually by the City of Great Falls. The District's assessment is for street maintenance, lighting, and curb and gutter improvements made on District owned property. Payments are made from the general funds of both the Elementary and High School Districts.

**Compensated Absences Payable**

Compensated absences payable, representing vacation and sick leave benefits earned by employees and payable upon termination, are \$9,320,970 and are recorded as a liability in the government-wide financial statements. As benefits earned during the next fiscal year are expected to be used by employees before any accrued benefits, benefits payable at June 30, 2021 are considered a long-term liability. Payment of benefits is expected to be made out of the compensated absences funds of the Elementary and High School Districts.

**Bonds Payable**

On April 27, 2011, the District issued \$8,365,000 in Qualified School Construction Bonds, \$6,510,000 in the Elementary District and \$1,855,000 in the High School District, to provide financing for the installation and construction of certain energy efficiency improvements to be installed at all facilities within the District. The obligation of the District to make payments on the bonds shall be a limited general obligation payable from any legally available funds as provided under Section 20-9-471, MCA. Unlike general obligation bonds, the full faith and credit and taxing power of the District is not pledged to the repayment of the bonds. The bonds are payable only from money available in the general fund or any other legally available fund of the District, but the District cannot increase mill levies to pay debt service on the bonds. The District anticipates energy cost savings to be sufficient to service the bond debt.

As the bonds are issued as Qualified School Construction Bonds under Section 54F of the Internal Revenue Code of 1986 (the Code), the bonds are classified as "specified tax credit bonds" within the meaning of Section 6431(f)(3) of the Code. This results in the District being entitled to a credit provided in Section 6431(f). As such, the District's effective interest rate due on the outstanding principal owed on the bonds is reduced from 6.35% per annum to 1.09% per annum.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 10. LONG-TERM DEBT (CONTINUED)**

**Bonds Payable (Continued)**

For the fiscal year ended June 30, 2021, the effective interest rate was slightly higher due to the government sequester reduction, which resulted in a 4.9% reduction in the subsidy payment received. The effect of the government sequester on fiscal year 2022 is scheduled to be a 5.7% reduction.

On February 21, 2017, the District issued \$58,710,000 in general obligation bonds, \$34,675,000 in the Elementary District and \$24,035,000 in the High School District, to be used for building, altering, repairing, buying, furnishing, equipping, purchasing lands for, and/or obtaining a water supply for a school, teacherage, dormitory, gymnasium, or other building. Payments are to be made from the debt service funds of both the Elementary and High School Districts.

On March 29, 2018, the District issued \$40,155,000 in general obligation bonds, \$11,235,000 in the Elementary District and \$28,920,000 in the High School District, to be used for building, altering, repairing, buying, furnishing, equipping, purchasing lands for, and/or other building. Payments are to be made from the debt service funds of both the Elementary and High School Districts.

Bonds payable as of June 30, 2021 are as follows:

Date of Issue	Term	Effective Interest Rate	Annual Serial Payment	Issued	Retired	Outstanding 6/30/21	Current Portion
<u>Elementary</u>							
4/27/2011	15 years	1.09%	Varies	\$ 6,510,000	\$ (3,982,200)	\$ 2,527,800	\$ 516,545
2/21/2017	20 years	2.89%	Varies	34,675,000	(4,310,000)	30,365,000	1,325,000
3/29/2018	20 years	3.13%	Varies	11,235,000	(1,085,000)	10,150,000	430,000
<u>High School</u>							
4/27/2011	15 years	1.09%	Varies	1,855,000	(1,134,712)	720,285	147,188
2/21/2017	20 years	2.92%	Varies	24,035,000	(3,105,000)	20,930,000	940,000
3/29/2018	20 years	2.95%	Varies	28,920,000	(2,495,000)	26,425,000	1,025,000
Total bonds payable						<u>\$ 91,118,085</u>	<u>\$ 4,383,733</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 10. LONG-TERM DEBT (CONTINUED)**

**Bonds Payable (Continued)**

The annual requirements to amortize all bond debt outstanding as of June 30, 2021, including interest payments of \$37,051,516, are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 4,383,733	\$ 3,919,575	\$ 8,303,308
2023	4,585,460	3,742,955	8,328,415
2024	4,778,391	3,566,935	8,345,326
2025	5,022,565	3,356,403	8,378,968
2026	4,867,936	3,134,994	8,002,930
2027-2031	25,665,000	12,353,450	38,018,450
2032-2036	31,625,000	6,392,468	38,017,468
2037-2038	10,190,000	584,736	10,774,736
Total	<u>\$ 91,118,085</u>	<u>\$ 37,051,516</u>	<u>\$ 128,169,601</u>

**NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information of the District's Health Plan (the Plan) have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**Plan Description**

The District's Plan is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and prescription drug expenses for retirees and their spouses. The Plan's actuary is Healthcare Actuaries. The Plan does not issue a separate stand-alone financial report.

**Benefits Provided**

Participants are eligible for benefits upon retirement. Benefits are in the form of access to the District's medical plans plus a monthly premium subsidy. Retirement eligibility is the earlier of age 50 and five years of service or any age with 25 years of service. Benefits continue for the retirees and their spouses' lifetime.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY**  
**(CONTINUED)**

**Employees Covered by Benefit Terms**

At the census date of June 30, 2021, the benefit terms covered the following employees:

<b><u>Category</u></b>	<b><u>Count</u></b>
Inactive employees, spouses or beneficiaries currently receiving benefit payments	78
Inactive employees entitled to but not yet receiving benefit payment	-
Active employees	1,308
Total	1,386

**Contributions**

Benefit contributions are paid by the District as they come due.

**Total OPEB Liability (TOL)**

The District's TOL was measured as of June 30, 2021, and was used to calculate the net OPEB liability measured as of June 30, 2021.

**Actuarial Assumptions**

The TOL in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary increases:	Individual and aggregate salary increases 3.25%
Pre-Medicare healthcare cost trend rates:	7.00% in the first year, trending down to 4.04% over 54 years
Medicare healthcare cost trend rates:	5.40% in the first year, trending down to 4.04% over 54 years
Mortality rates were based on SOA Tables.	

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY**  
**(CONTINUED)**

**Discount Rate**

The discount rate used to measure the TOL was 1.92%. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Changes in the TOL for the year ended June 30, 2021 are as follows:

	<u>Total OPEB Liability</u>
Balance as of June 30, 2020	\$ 7,115,834
Changes for the year:	
Service cost	469,767
Interest	233,228
Change in benefit terms	(816,819)
Differences between expected and actual experience	(1,802,550)
Change in assumptions	2,264,138
Benefit payments	(16,569)
Implicit subsidy credit	<u>(251,972)</u>
Net change	<u>79,223</u>
Balance as of June 30, 2021	<u>\$ 7,195,057</u>

There is sensitivity of the TOL to changes in the discount rate. The TOL of the District, as well as what the District's TOL would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) follows:

	<u>1% Decrease 0.92%</u>	<u>Discount Rate 1.92%</u>	<u>1% Increase 2.92%</u>
Total OPEB liability (asset)	<u>\$ 8,013,804</u>	<u>\$ 7,195,057</u>	<u>\$ 6,482,821</u>

There is also sensitivity of the TOL to changes in the healthcare cost trend rates. The healthcare trend for this valuation started at 7.00% and decreased to 4.04% over 54 years. The TOL of the District as well as what the District's TOL would be if it were recalculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rate follows:

	<u>1% Decrease 6.00%</u>	<u>Trend Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Total OPEB liability (asset)	<u>\$ 6,153,424</u>	<u>\$ 7,195,057</u>	<u>\$ 8,491,838</u>

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY**  
**(CONTINUED)**

**OPEB Expense, Deferred Inflows and Outflows**

For the year ended June 30, 2021, the District recognized an OPEB expense of \$42,913. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 540,729	\$ 1,608,727
Change of assumptions	<u>2,122,570</u>	<u>-</u>
Total	<u>\$ 2,663,299</u>	<u>\$ 1,608,727</u>

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

Year ended June 30:	Amount
2022	\$ 156,737
2023	156,737
2024	156,737
2025	156,737
2026	156,737
Remaining	270,887

**Expected Average Remaining Service Lives (EARSL)**

The effects on the TOL of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period is 9.3 years.



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June 30, 2021

**NOTE 12. RETIREMENT PLANS**

The information provided herein is for employer's who are using a June 30, 2020 measurement date for the June 30, 2021 reporting. Employers are provided guidance in GASB 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employers are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

	The employer's proportionate share associated with TRS	The employer's proportionate shared associated with PERS	The employer's total pension amounts
Total pension liability	\$ 255,649,763	\$ 18,659,818	\$ 274,309,581
Fiduciary net position	166,036,727	4,780,552	170,817,279
Net pension liability	89,613,036	13,879,266	103,492,302
Deferred outflows of resources	17,656,197	3,209,855	20,866,052
Deferred inflows of resources	563,345	1,053,308	1,616,653
Pension expense	18,473,709	2,293,768	20,767,477

**Funding Policy**

	TRS	PERS
Authority to establish and amend contribution rates to plan:	State legislature	State legislature
Required plan member contributions:	8.15 % of monthly compensation	7.9 % of monthly compensation
Required employer contributions:	9.17 % of monthly compensation	8.5 % of monthly compensation
Required state contributions:	2.49 % of monthly compensation	.37 % of monthly compensation
Required employer contributions received and % of required amount:		
June 30, 2021	\$ 5,389,056 100%	\$ 835,875 100%
June 30, 2020	\$ 4,973,445 100%	\$ 782,861 100%
June 30, 2019	\$ 4,813,377 100%	\$ 757,507 100%

On-behalf payments made by the State of Montana totaled \$1,463,331 and \$36,387 for TRS and PERS, respectively, for the year ended June 30, 2021.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Teachers Retirement System***

**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 (NPL). 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 NPL that is associated with the employer.

The following table displays the amounts and the percentages of NPL for the fiscal years ended June 30, 2021 and 2020 (reporting dates):

	Net Pension Liability as of June 30, 2021	Net Pension Liability as of June 30, 2020	Percent of Collective NPL as of June 30, 2021	Percent of Collective NPL as of June 30, 2020	Change in Percent of Collective NPL
GREAT FALLS SCHOOL DISTRICT 1 & A					
Proportionate share	\$ 89,613,036	\$ 76,193,213	3.9838%	3.9514%	0.0324%
STATE OF MONTANA					
Proportionate share associated with employer	<u>52,996,433</u>	<u>46,126,939</u>	<u>2.3560%</u>	<u>2.3921%</u>	<u>-0.0361%</u>
Total	<u>\$142,609,469</u>	<u>\$122,320,152</u>	<u>6.3398%</u>	<u>6.3435%</u>	<u>-0.0037%</u>

At June 30, 2021, the District recorded a liability of \$89,613,036 for its proportionate share of the NPL. The NPL was measured as of June 30, 2020, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of July 1, 2020. Therefore, no update procedures were used to roll forward the TPL to the measurement date. The District's proportion of the NPL was based on the employer's contributions received by TRS during the measurement period July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2021, the District's proportion was 3.9838 percent.

***Changes in Actuarial Assumptions and Other Inputs:***

Since the previous measurement date, the following changes to actuarial assumptions were made:

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Teachers Retirement System (Continued)***

**Net Pension Liability (Continued)**

***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 reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective NPL. If there were changes that are expected to have an impact on the NPL, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective NPL, if known.

**Pension Expense**

	<u>Pension Expense as of June 30, 2021</u>
GREAT FALLS SCHOOL	
DISTRICT 1 & A Proportionate share	\$ 11,451,891
STATE OF MONTANA	
Proportionate share associated with employer	<u>7,021,818</u>
	<u><u>\$ 18,473,709</u></u>

At June 30, 2021, the District recognized a pension expense of \$11,451,891 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$7,021,818 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Teachers Retirement System (Continued)***

**Deferred Inflows and Outflows**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 868,703	\$ -
Changes in actuarial assumptions	4,693,441	103,059
Differences between projected and actual investment earnings	6,277,785	-
Changes in proportion and differences between actual and expected contributions	-	460,286
*Contributions paid to TRS subsequent to the measurement date - FY2021 Contributions	5,816,268	-
Total	<u>\$ 17,656,197</u>	<u>\$ 563,345</u>

\*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 NPL in the year ended June 30, 2022.

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

Year ended June 30:	Deferred Outflows of Resources (a)	Deferred Inflows of Resources (b)	Amount recognized in Pension Expenses as an increase or (decrease) to Pension Expense (a) - (b)
2022	\$ 3,584,429	\$ -	\$ 3,584,429
2023	3,199,267	-	3,199,267
2024	2,917,342	-	2,917,342
2025	1,575,546	-	1,575,546
2026	-	-	-
Thereafter	-	-	-

**Plan Description**

TRS 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.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Teachers Retirement System (Continued)***

**Plan Description (Continued)**

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](http://trs.mt.gov).

**Summary of Benefits**

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Teachers Retirement System (Continued)***

**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 1<sup>st</sup> of each year.

The following table shows the legislated contribution rates for TRS members, employers, and the State.

	School District and Other Employers			Total Employee
	Members	Employers	General Fund	& 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%

**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>.

**Actuarial Assumptions**

The TPL as of June 30, 2021, is based on the results of an actuarial valuation date of July 1, 2020. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of the last actuarial experience study, dated May 3, 2018.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Teachers Retirement System (Continued)***

**Actuarial Assumptions (Continued)**

Among those assumptions were the following:

- Total Wage Increases\* 3.25 – 7.76% for Non-University Members and 4.25% for University Members  
\*Total Wage Increases include 3.25% general wage increase assumption.
- Investment Return 7.34%
- Price Inflation 2.40%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1<sup>st</sup>
  - Tier Two Members: the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members
  - For Males: RP 2000 Disabled Mortality Table, 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.

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Teachers Retirement System (Continued)***

**Target Allocations**

Asset Class	Target Asset Allocation	Long Term Expected Portfolio Real Rate of Return*
Domestic Equity	30.00%	6.19%
International Equity	16.00%	3.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real-Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
Cash	<u>2.00%</u>	0.11%
	<u>100.00%</u>	

\* The long term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2020 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 7.34%.

**Sensitivity Analysis**

	1.0% Decrease (6.34%)	Current Discount Rate (7.34%)	1.0% Increase (8.34%)
The employer's proportion of Net Pension Liability	<u>\$ 119,317,070</u>	<u>\$ 89,613,036</u>	<u>\$ 64,760,729</u>

In accordance with GASB 68 regarding the disclosure of the sensitivity of the NPL to changes in the discount rate, the above table presents the NPL calculated using the discount rate of 7.34%, as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

**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 NPL, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the System 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>.



GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System***

**Net Pension Liability**

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective NPL; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans.

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds 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 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 \$13,879,266 and the employer's proportionate share was 0.5261 percent.

	Net Pension Liability as of June 30, 2021	Net Pension Liability as of June 30, 2020	Percent of Collective NPL as of June 30, 2021	Percent of Collective NPL as of June 30, 2020	Change in Percent of Collective NPL
GREAT FALLS SCHOOL DISTRICT 1 & A					
Proportionate share	\$ 13,879,266	\$10,987,009	0.5261%	0.5256%	0.0005%
STATE OF MONTANA					
Proportionate share associated with employer	<u>4,780,552</u>	<u>3,905,447</u>	<u>0.1812%</u>	<u>0.1864%</u>	<u>-0.0052%</u>
Total	<u>\$ 18,659,818</u>	<u>\$14,892,456</u>	<u>0.7073%</u>	<u>0.7120%</u>	<u>-0.0047%</u>

***Changes in Actuarial Assumptions and Methods:***

Since the previous measurement date, the following changes in assumptions or other inputs were made:

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**Net Pension Liability (Continued)**

***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. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

**Pension Expense**

	<u>Pension Expense as of June 30, 2021</u>
GREAT FALLS SCHOOL DISTRICT 1 & A Proportionate share	\$ 1,511,947
STATE OF MONTANA Proportionate share associated with employer	<u>781,821</u> <u>\$ 2,293,768</u>

At June 30, 2021 the employer recognized \$1,511,947 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$781,821 for the state of Montana proportionate share of the pension expense associated with the employer.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 224,040	\$ 396,829
Differences between projected and actual investment earnings	1,201,821	-
Changes in actuarial assumptions	961,086	-
Changes in proportion and differences between actual and expected contributions	-	656,479
*Contributions paid to PERS subsequent to the measurement date - FY2021 Contributions	<u>822,908</u>	<u>-</u>
Total	<u>\$ 3,209,855</u>	<u>\$ 1,053,308</u>

\* 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 NPL in the year ended June 30, 2022.

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

<u>Year ended June 30:</u>	<u>Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense</u>
2022	\$ (150,994)
2023	764,446
2024	419,926
2025	300,260
2026	-
Thereafter	-

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**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**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 covers the State, local governments, certain employees of the Montana University System, and school districts.

All new 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 contribution and defined benefit 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).

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.

**Summary of Benefits**

**Eligibility for Benefit**

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 services; Age 70, regardless of membership service.

**Early Retirement**

Early retirement, actuarially reduced:

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;

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**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**Summary of Benefits (Continued)**

**Second Retirement (Continued)**

- 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.

Retire 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 January after receiving the new benefit for 12 months.

Retire 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 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.

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**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**Summary of Benefits (Continued)**

**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 other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

**Overview of Contributions**

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

**Special Funding**

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

**Not Special Funding**

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

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**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**Overview of Contributions (Continued)**

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

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

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

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**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**Stand-Alone Statements**

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

**Actuarial Assumptions**

The TPL in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

- |  |             |
|--|-------------|
| • Investment Return (net of admin expense) | 7.34%       |
| • Admin Expense as a % of Payroll          | 0.30%       |
| • General Wage Growth*                     | 3.50%       |
| *includes Inflation at                     | 2.40%       |
| • Merit Increases                          | 0% to 4.80% |

**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 other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
  - 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.

Mortality assumptions among contributing members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.

Mortality assumptions among Disabled Members are based on RP-2000 Combined Employee Mortality Tables with no projections.

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 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.



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**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**Discount Rate (Continued)**

Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. No municipal bond rate was incorporated in the discount rate.

**Target Allocations**

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan asset is reviewed as part of the regular experience studies prepared for the Plan. 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 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2020 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table.

Asset Class	Target Asset Allocation	Long Term Expected Real Rate of Return Arithmetic Basis
Cash	2.0%	0.11%
Domestic Equity	30.0%	6.19%
International Equity	16.0%	6.92%
Private Investments	14.0%	10.37%
Natural Resources	4.0%	3.43%
Real Estate	9.0%	5.74%
Core Fixed Income	20.0%	1.57%
Non-Core Fixed Income	5.0%	3.97%
Total	100.00%	

**Sensitivity Analysis**

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

	1.0% Decrease (6.34%)	Current Discount Rate (7.34%)	1.0% Increase (8.34%)
The District's proportion of Net Pension Liability	<u>\$ 19,103,989</u>	<u>\$ 13,879,266</u>	<u>\$ 9,490,536</u>

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**NOTE 12. RETIREMENT PLANS (CONTINUED)**

***Public Employees Retirement System (Continued)***

**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 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).

**PERS Disclosure for the Defined Contribution Plan**

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

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans. Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The Montana Legislature has the authority to establish and amend contribution rates.

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

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

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**NOTE 13. FUND BALANCE**

As of June 30, 2021, fund balances are comprised of the following:

	General Fund	Impact Aid Elementary	Miscellaneous Programs Elementary	Nonmajor Governmental Funds	Total Governmental Funds
<b>NONSPENDABLE</b>					
Inventories	\$ 495,059	\$ -	\$ -	\$ 156,306	\$ 651,365
Prepaid items	992,835	47,000	-	-	1,039,835
<b>RESTRICTED</b>					
Student transportation services	-	-	-	1,792,839	1,792,839
Bus depreciation costs	-	-	-	25,086	25,086
School food service	-	-	-	2,669,548	2,669,548
Retirement costs	-	-	-	4,427,025	4,427,025
Vacation/sick leave costs	792,436	-	-	-	792,436
Adult education services	-	-	-	726,948	726,948
Traffic education services	-	-	-	302,857	302,857
Facility rental	-	-	-	16,642	16,642
Technology costs	-	-	-	2,040,463	2,040,463
Debt service	-	-	-	746,345	746,345
Building costs	-	-	-	10,430,443	10,430,443
Education services to federally connected children	-	10,106,692	-	435,666	10,542,358
Interlocal agreements	-	-	-	5,410,720	5,410,720
Extracurricular activities	-	-	-	1,455,614	1,455,614
Endowment and miscellaneous trust	-	-	-	484,874	484,874
<b>COMMITTED</b>					
Budgetary reserves - instruction	8,007,952	-	-	-	8,007,952
<b>ASSIGNED</b>					
Instructional services	38,533	-	3,988,780	1,882,357	5,909,670
Educational media services	15,906	-	-	-	15,906
School administrative services	2,173	-	-	-	2,173
Business services	6,454	-	-	-	6,454
Operation and maintenance services	66,314	-	-	-	66,314
<b>UNASSIGNED</b>					
Budgetary reappropriation	262,649	-	-	-	262,649
Total fund balances	<u>\$ 10,680,311</u>	<u>\$ 10,153,692</u>	<u>\$ 3,988,780</u>	<u>\$ 33,003,733</u>	<u>\$ 57,826,516</u>

**NOTE 14. NET POSITION**

The District's calculation of net investment in capital assets is as follows:

Net capital assets	\$ 107,932,973
Less: bonds payable	(91,118,085)
Plus: unspent bond proceeds	<u>3,655,056</u>
Net investment in capital assets	<u>\$ 20,469,944</u>

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**NOTE 15. TAX ABATEMENTS**

The District's property tax revenue is subject to tax abatement agreements it enters into directly, as well as indirectly by those entered into by Cascade County (the County) and the City of Great Falls (the City). Tax abatement agreements are entered into on an individual basis with businesses under the Montana Code Annotated 2015, Title 15 Taxation (the Code). Under the Code, local governments may grant property tax abatements to business with qualifying improvements or modernized processes that represent new industry or expansion of an existing industry (15-24-1402).

In the first five years after a construction permit is issued, a business' property is taxed at 50 percent of taxable value with equal percentage increases taxed until the full taxable value is attained in the tenth year. In subsequent years, the property is taxed at its full taxable value (15-10-420). For the year ended June 30, 2021, the District has not entered into any tax abatement agreements, nor has the District received any information from the City or the County regarding any indirect effects to the District, if any, regarding tax abatement agreements entered into by those entities during the fiscal year.

**NOTE 16. PROPERTY LEASED TO OTHERS**

The District leases some of its property to others under operating leases expiring in future years. The following is a schedule of these leases and the minimum future rentals on noncancellable operating leases as of June 30, 2021:

Paris Gibson Square	Paris Gibson Square	7/1/1993 to 6/30/2027	\$1/year
Skyline Education Center	Benefis Healthcare System	7/1/2019 to 6/30/22	\$3,046/year
Skyline Education Center	Cascade County (MSU Extension)	9/1/2019 to 6/30/2022	\$26,300/year
Soccer Complex	City of Great Falls	6/1/2004 to 6/1/2029	\$1/year
Great Falls High School	Verizon	1/29/2021 to 1/29/2026	\$26,225/year
Whittier Apartment #1	Wakely Family	4/20/2018 to tenant move out	\$8,400/year
Whittier Apartment #2	Copenhaver Family	5/3/2021 to tenant move out	\$8,400/year
Whittier Apartment #3	Quinn Family	7/31/2021 to tenant move out	\$4,800/year
Whittier House	Telleen Family	4/22/2019 to tenant move out	\$12,000/year
Roosevelt Elementary School	AT&T	1/1/2013 to 1/1/2023	\$9,000/year

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**NOTE 17. TRANSPORTATION CONTRACTS**

The District has transportation contracts through June 30, 2023 with Big Sky Bus Lines to provide school buses for the transportation of students to and from school. Fees paid are based on a fixed rate per bus per four and one-half hour day, times 180 days per year, along with a fuel expense reimbursement amount.

**NOTE 18. INTERLOCAL AGREEMENTS**

**Targeted Case Management**

The District and the City-County Health Department, Great Falls, Montana, have entered into an interagency agreement to establish and operate a program to serve students with special health care needs and high risk infants and children. City-County Health Department provides population-based screening for infants at risk for developmental delay and/or special health needs, conduct consultation and/or referral to other disciplines/agencies and monitor referral outcomes, provide anticipatory guidance, risk reduction education and counseling, care coordination including monitoring and reassessment for infants and children at risk for developmental delay and those with special health care needs, and other nursing interventions as needed on behalf of the family, children, and adolescents.

**School Resource Officer**

The District has entered into an agreement with the City of Great Falls for the services of the City's Police Department for 187 days to enforce compulsory attendance provision of Title 20, Chapter 5, Part 1 of Montana Code Annotated. The City provides the District with four police officers and the equipment necessary to enforce the above mentioned provisions. The District's payment to the City was \$353,470 for the period August 30, 2020 through June 1, 2021. The District's payment to the City is to be \$339,752 for the period August 30, 2021 through June 1, 2022.

**Multi-District Agreements**

The District has an agreement with Centerville Public Schools, Belt Public Schools and Vaughn Elementary School to collectively purchase technology supplies and equipment. The District has entered into an agreement between the Elementary and High School districts to collectively purchase classroom supplies and materials, as well as provide operations maintenance for the buildings and equipment. The Elementary District is the prime agent for the interlocal fund established for purposes of the multidistrict agreements.

**NOTE 19. PENDING LITIGATION**

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that these matters will not have a material adverse effect on the basic financial statements of the District.

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**NOTE 20. RISK MANAGEMENT**

The District faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability (i.e. errors and omissions), environmental damage, workers' compensation (i.e. employee injuries), and medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Coverage limits and the deductibles in the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are paid out of the District's general fund. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

The District has contracted with Montana Schools Group Interlocal Authority for workers' compensation coverage. Premiums under the policy are paid by the District.

The District maintains the Employee Health Benefit Plan (the plan) for the exclusive benefit of and to provide health benefits to its eligible employees, their legal spouses, and eligible dependents. The Plan is a self-funded health plan established to reimburse participants for covered medical expenses. The plan sponsor contracts with a claim administrator to process claims, provide claims payment and provide other claims management functions, under the director of the plan administrator. The Plan reimburses the claim administrator after claims are paid.

Employees have the option to choose between a base plan and catastrophic plan for health insurance coverage. Under each plan, the employee can choose between single, employee-spouse, employee-children and employee with family coverage. On the base plan, the District provides between \$459 and \$887, depending on the coverage selected. On the catastrophic plan, the District provides between \$233 and \$498 per month, depending on the coverage selected. These amounts include an option for employees to participate in a wellness program that provides for a \$55 per month discount in the amount paid by the employee. The administrative contract between the District and the claim administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The District is protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage. Stop-loss coverage is in effect for individual claims exceeding \$200,000 and for aggregate stop-loss coverage exceeding \$2,000,000.

The costs associated with the medical self-insurance plan are reported as inter fund transactions. Accordingly, they are treated as operating revenues in the Self Insurance Fund and operating expenditures in the General and Special Revenue funds. Liabilities of the Self Insurance fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. These claims are estimated by Blue Cross and Blue Shield of Montana, the District's insurance carrier, based on past experience.

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**NOTE 20. RISK MANAGEMENT (CONTINUED)**

At June 30, 2021, the estimated claims amount to \$625,689.

Claims Payable Beginning of Fiscal Year	Claims Incurred	Claims Paid	Claims Payable End of Fiscal Year
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
\$ 838,271	\$ 10,205,919	\$ 10,418,501	\$ 625,689

**NOTE 21. LONG-TERM CONSTRUCTION COMMITMENTS**

On October 4, 2016, District voters approved \$98,865,000 in bonding capacity to address issues identified in the District's Facilities Action Plan. For the following five years, the District will be improving the infrastructure of all buildings in the District. Two new elementary schools will be built, a connector hub will be constructed at Great Falls High School, and a multipurpose athletic facility will be added to C.M. Russell High School. Boiler replacements, electrical improvements, cement work, and roofing issues will be addressed, along with addressing the many other items identified for improvement. On February 21, 2017, the District issued \$58,710,000 in general obligation bonds to be used for these projects. The remaining \$40,155,000 in general obligation bonds were issued on March 29, 2018.

In addition to the projects financed by bonds, the District has certain construction projects in progress or awarded to contractors at June 30, 2021. Major projects include the West Elementary and CM Russell School re-roof projects, East Middle School carpeting and lighting, Lewis & Clark Elementary sewer line work, Valley View Elementary playground asphalt, playground improvements at Meadow Lark Elementary, Great Falls High School Fieldhouse gym floor refinish and basketball backboard relocation, Lincoln gym floor replacement, outdoor alarm systems at CM Russell High School and Lincoln Elementary, and secured door entrances at Meadow Lark, Morningside, Riverview, Sacajawea, Valley View and Whittier.

**NOTE 22. ENCUMBRANCES**

The District utilizes encumbrance accounting in its governmental funds. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which a purchase order, contract, or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported as budget expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except as set forth in Section 20-9-209, MCA.

Open encumbrances at fiscal year-end are included in restricted, committed, or assigned fund balance, as appropriate. Total encumbrances as of June 30, 2021 for the general fund were \$129,380, all assigned, and for the non-major funds in the aggregate were \$263,391, of which all were restricted.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2021

**NOTE 23. PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2021, the District recorded in various funds prior period adjustments increasing beginning net position by \$15,605, consisting of reimbursements for prior year expenditures.

Also during the year ended June 30, 2021, the District implemented GASB Statement 84, regarding the accounting and financial reporting of fiduciary funds. The District determined that funds previously being reported as private-purpose trust funds instead met the criteria to be reported as special revenue funds. Accordingly, beginning net position for the nonmajor governmental funds and the government-wide governmental activities has been restated to reflect the change from private-purpose trust funds to special revenue funds. Also included in the private-purpose trust funds was \$627,862 of net capital assets.

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Government-Wide Governmental Activities</u>
Beginning net position, as originally reported	\$ 8,968,677	\$ 35,384,692	\$ (29,475,257)
Reimbursements for the prior year	14,273	1,332	15,605
Restatement due to implementation of GASB No. 84	<u>-</u>	<u>5,321,590</u>	<u>5,949,452</u>
Beginning net position, as restated	<u>\$ 8,982,950</u>	<u>\$ 40,707,614</u>	<u>\$ (23,510,200)</u>



REQUIRED SUPPLEMENTAL INFORMATION

**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**GREAT FALLS, MONTANA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary	Favorable
	Budget	Budget	Basis)	(Unfavorable)
<b>REVENUES</b>				
District levy	\$ 22,458,344	\$ 22,458,344	\$ 23,825,882	\$ 1,367,538
Interest	13,649	13,649	1,039	(12,610)
Direct state aid	33,586,917	33,586,917	33,589,159	2,242
State guaranteed				
tax base subsidy	16,378,734	16,378,734	16,378,734	-
State special education	2,319,864	2,319,864	2,319,864	-
Tuition and fees	<u>41,417</u>	<u>41,417</u>	<u>86,236</u>	<u>44,819</u>
Total	<u>74,798,925</u>	<u>74,798,925</u>	<u>76,200,914</u>	<u>1,401,989</u>
<b>EXPENDITURES</b>				
Current:				
Regular Programs:				
Instructional services	39,660,263	39,660,263	38,347,359	1,312,904
Supportive services	3,497,044	3,497,044	2,712,435	784,609
Educational media services	1,605,082	1,605,082	1,516,384	88,698
General administrative				
services	2,212,583	2,212,583	2,067,359	145,224
School administrative				
services	4,658,127	4,658,127	4,666,043	(7,916)
Business services	2,543,333	2,543,333	2,475,345	67,988
Operation and mainten-				
ance services	10,001,277	10,001,277	9,633,596	367,681
Central services	-	-	-	-
Special Programs:				
Instructional services	1,797,062	1,797,062	2,454,526	(657,464)
Supportive services	3,310,035	3,310,035	2,934,911	375,124
School administrative				
services	127,688	127,688	64,085	63,603
Vocational Programs:				
Instructional services	1,851,393	1,851,393	1,535,481	315,912
Extracurricular activities	1,986,861	1,986,861	1,450,866	535,995
Capital outlay	271,000	271,000	378,158	(107,158)
Debt service	<u>872,177</u>	<u>872,177</u>	<u>687,620</u>	<u>184,557</u>
Total	<u>74,393,925</u>	<u>74,393,925</u>	<u>70,924,168</u>	<u>3,469,757</u>
Excess of revenues				
over expenditures	<u>405,000</u>	<u>405,000</u>	<u>5,276,746</u>	<u>4,871,746</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Resources transferred (to) from				
other funds	(405,000)	(405,000)	(3,354,953)	(2,949,953)
Cash reappropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(405,000)</u>	<u>(405,000)</u>	<u>(3,204,953)</u>	<u>(2,799,953)</u>
Excess of Revenues and				
Other Sources Over				
Expenditures and				
Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>2,071,793</u>	<u>\$ 2,071,793</u>
Fund balance at July 1			7,672,429	
Prior period adjustment			<u>14,273</u>	
Fund balance at July 1, as restated			<u>7,686,702</u>	
Fund balance at June 30			<u>\$ 9,758,495</u>	

See Accompanying Notes to Budgetary Comparison Schedule.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
June 30, 2021

**NOTE 1. BUDGETARY BASIS OF ACCOUNTING**

The major difference between the budgetary basis of accounting and generally accepted accounting principles used in preparing the basic financial statements are the recording of encumbrances under the budgetary basis. Encumbrances allowed under state law are commitments related to unperformed contracts for the purchase of personal property or to complete construction projects. Under the budgetary basis of accounting such encumbrances are allowed to be recorded as expenditures in the year the commitments arise. Encumbrances outstanding at year-end are reported within the fund balance classifications related to the purposes for which resources have already been provided. All unexpended appropriations in funds for which appropriations are adopted lapse at year end, other than those encumbered as set forth in Section 20-9-209, MCA. Encumbered amounts will be added to the following year's budget for each fund encumbering expenditures in order to maintain budget authority. Encumbrances reported at the end of the current fiscal year must be liquidated by the end of the following fiscal year. The District utilized an encumbrance system for budgetary reporting for the year ended June 30, 2021. Encumbrances of \$129,380 of the General Fund are reflected as expenditures on the Budgetary Comparison Schedule - General Fund, for the year ended June 30, 2021.

The "actual" results of operations as presented in the Budgetary Comparison Schedule - General Fund are in accordance with the legally enacted budgetary basis to provide a meaningful comparison of actual results with budget. They do not, however, include the activity of the District's compensated absence funds which were required under GASB Statement No. 54 to be included with the activity of the general fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Adjustments necessary to convert the results of operations as of June 30, 2021 on the modified accrual basis for the general fund to the budgetary basis are as follows:

General Fund

Excess of revenue over expenditures (GAAP)	\$ 1,697,361
Due to implementation of GASB Statement No. 54:	
Compensated absence funds' net activity for 6/30/21	36,900
Due to expenditure:	
Encumbrances at 6/30/20	466,912
Encumbrances at 6/30/21	<u>(129,380)</u>
Excess of revenue over expenditures (budget)	<u>\$ 2,071,793</u>

Adjustments necessary to convert fund balance as of June 30, 2021 on the modified accrual basis for the general fund to the budgetary basis are as follows:

General Fund

Fund balance, 6/30/21 (GAAP)	\$ 10,680,311
Due to implementation of GASB Statement No. 54:	
Compensated absence funds' fund balance, 6/30/21	(792,436)
Due to expenditure:	
Encumbrances at 6/30/21	<u>(129,380)</u>
Fund balance, 6/30/21 (budget)	<u>\$ 9,758,495</u>

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY  
June 30, 2021

GASB Statement No. 75 requires a disclosure of the changes in the Total OPEB Liability for the last 10 fiscal years, or as many years as available, as well as the sources of the changes. See Note 11 to the financial statements for additional information on the significant assumptions used in calculating the calculation of the Total OPEB Liability.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 469,767	\$ 465,839	\$ 364,098	\$ 350,094
Interest	233,228	205,622	198,116	175,417
Changes of benefit terms	(816,819)	-	-	-
Differences between expected and actual experience	(1,802,550)	-	811,095	-
Change of assumptions	2,264,138	-	152,834	-
Benefit payments	(16,569)	(42,951)	(43,992)	(47,448)
Implicit subsidy credit	<u>(251,972)</u>	<u>(207,109)</u>	<u>(212,131)</u>	<u>(178,560)</u>
Net changes in total OPEB liability	79,223	421,401	1,270,020	299,503
Total OPEB liability, beginning of year	<u>7,115,834</u>	<u>6,694,433</u>	<u>5,424,413</u>	<u>5,124,910</u>
Total OPEB liability, end of year	<u>\$ 7,195,057</u>	<u>\$ 7,115,834</u>	<u>\$ 6,694,433</u>	<u>\$ 5,424,413</u>
Covered employee payroll	<u>\$ 58,764,976</u>	<u>\$ 37,145,484</u>	<u>\$ 35,716,812</u>	<u>\$ 40,084,167</u>
District's total OPEB liability as a percentage of covered-employee payroll	<u>12.24%</u>	<u>19.16%</u>	<u>18.74%</u>	<u>13.53%</u>
 <b>Changes in the Total OPEB Liability</b>	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>
Balance as of June 30	\$ 7,115,834	\$ 6,694,433	\$ 5,424,413	\$ 5,124,910
Changes for the year:				
Service cost	469,767	465,839	364,098	350,094
Interest	233,228	205,622	198,116	175,417
Changes of benefit terms	(816,819)	-	-	-
Differences between expected and actual experience	(1,802,550)	-	811,095	-
Change of assumptions	2,264,138	-	152,834	-
Benefit payments	(16,569)	(42,951)	(43,992)	(47,448)
Implicit rate subsidy fulfilled	<u>(251,972)</u>	<u>(207,109)</u>	<u>(212,131)</u>	<u>(178,560)</u>
Net change	<u>79,223</u>	<u>421,401</u>	<u>1,270,020</u>	<u>299,503</u>
Balance as of June 30	<u>\$ 7,195,057</u>	<u>\$ 7,115,834</u>	<u>\$ 6,694,433</u>	<u>\$ 5,424,413</u>

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITIES  
June 30, 2021

	Measurement Date Reporting Date	June 30, 2020 <u>June 30, 2021</u>	June 30, 2019 <u>June 30, 2020</u>	June 30, 2018 <u>June 30, 2019</u>	June 30, 2017 <u>June 30, 2018</u>	June 30, 2016 <u>June 30, 2017</u>	June 30, 2015 <u>June 30, 2016</u>	June 30, 2014 <u>June 30, 2015</u>
<b>Schedule of Proportionate Share of the Net TRS Pension Liability For the Last Ten Fiscal Years*</b>								
Employer's proportionate share of the net pension liability associated with the Employer		3.98380%	3.95140%	3.98840%	3.98210%	3.96890%	3.91890%	3.78570%
Employer's proportion of the net pension liability	\$	89,613,036	\$ 76,193,213	\$ 74,029,613	\$ 67,140,901	\$ 72,505,971	\$ 64,387,569	\$ 58,255,724
State of MT proportionate share of the net pension liability associated with the Employer		<u>52,996,433</u>	<u>46,126,939</u>	<u>45,976,833</u>	<u>42,618,104</u>	<u>47,236,171</u>	<u>43,106,917</u>	<u>39,899,529</u>
<b>Total</b>	<b>\$</b>	<b><u>142,609,469</u></b>	<b><u>122,320,152</u></b>	<b><u>120,006,446</u></b>	<b><u>109,759,005</u></b>	<b><u>119,742,142</u></b>	<b><u>107,494,486</u></b>	<b><u>98,155,253</u></b>
Employer's covered payroll	\$	54,834,054	\$ 53,638,597	\$ 53,273,692	\$ 52,522,247	\$ 51,517,925	\$ 49,974,262	\$ 47,740,336
Employer's proportionate share of the net pension liability as a percentage of its covered payroll		163.426%	142.049%	138.961%	127.833%	140.739%	128.841%	122.026%
Plan fiduciary net position as a percentage of the total pension liability		64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%
<b>Schedule of Proportionate Share of the Net PERS Pension Liability For the Last Ten Fiscal Years*</b>								
Employer's proportionate share of the net pension liability associated with the Employer		0.52609%	0.52562%	0.51360%	0.69170%	0.71720%	0.75370%	0.78815%
Employer's proportion of the net pension liability	\$	13,879,266	\$ 10,987,009	\$ 10,718,863	\$ 13,470,853	\$ 12,216,426	\$ 10,535,710	\$ 9,820,461
State of MT proportionate share of the net pension liability associated with the Employer		<u>4,780,552</u>	<u>3,905,447</u>	<u>3,941,728</u>	<u>631,542</u>	<u>570,942</u>	<u>495,071</u>	<u>459,074</u>
<b>Total</b>	<b>\$</b>	<b><u>18,659,818</u></b>	<b><u>14,892,456</u></b>	<b><u>14,660,591</u></b>	<b><u>14,102,395</u></b>	<b><u>12,787,368</u></b>	<b><u>11,030,781</u></b>	<b><u>10,279,535</u></b>
Employer's covered payroll	\$	9,110,578	\$ 8,954,736	\$ 8,735,200	\$ 8,866,079	\$ 8,880,760	\$ 9,094,138	\$ 9,250,179
Employer's proportionate share of the net pension liability as a percentage of its covered payroll		152.342%	122.695%	122.710%	151.940%	137.560%	115.852%	111.220%
Plan fiduciary net position as a percentage of the total pension liability		68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
SCHEDULE OF CONTRIBUTIONS  
June 30, 2021

	Measurement Date Reporting Date	June 30, 2020 <u>June 30, 2021</u>	June 30, 2019 <u>June 30, 2020</u>	June 30, 2018 <u>June 30, 2019</u>	June 30, 2017 <u>June 30, 2018</u>	June 30, 2016 <u>June 30, 2017</u>	June 30, 2015 <u>June 30, 2016</u>	June 30, 2014 <u>June 30, 2015</u>
<b>Schedule of TRS Contributions For the Last Ten Fiscal Years*</b>								
Contractually required contributions	\$	5,816,268	\$ 5,311,648	\$ 5,323,176	\$ 5,144,064	\$ 4,832,010	\$ 4,899,704	\$ 4,784,242
Contributions in relation to the contractually required contributions	\$	5,816,268	\$ 5,311,648	\$ 5,323,176	\$ 5,144,064	\$ 4,832,010	\$ 4,899,704	\$ 4,784,242
Contribution deficiency (excess)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$	58,768,332	\$ 54,834,054	\$ 53,638,597	\$ 53,273,692	\$ 52,522,247	\$ 51,517,925	\$ 49,974,262
Contributions as a percentage of covered payroll		9.8969%	9.6868%	9.9242%	9.6559%	9.1999%	9.5107%	9.5734%
<b>Schedule of PERS Contributions For the Last Ten Fiscal Years*</b>								
Contractually required contributions	\$	822,908	\$ 765,289	\$ 743,241	\$ 715,223	\$ 718,156	\$ 727,118	\$ 736,501
Contributions in relation to the contractually required contributions	\$	822,908	\$ 765,289	\$ 743,241	\$ 715,223	\$ 718,156	\$ 727,118	\$ 736,501
Contribution deficiency (excess)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$	9,681,280	\$ 9,110,578	\$ 8,954,736	\$ 8,735,200	\$ 8,866,079	\$ 8,880,760	\$ 9,094,138
Contributions as a percentage of covered payroll		8.5000%	8.4000%	8.3000%	8.1878%	8.1000%	8.1876%	8.0986%

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

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2021

***Teachers Retirement System***

***Changes of Benefit Terms:***

The following changes to the plan provisions 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 benefit 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

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)  
June 30, 2021

***Teachers Retirement System (Continued)***

***Changes of Benefit Terms (Continued):***

**(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.

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

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

***Changes in Actuarial Assumptions and Other Inputs:***

The following changes to the actuarial assumptions were adopted in 2020:

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

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

- The 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.



GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)  
June 30, 2021

***Teachers Retirement System (Continued)***

***Changes in Actuarial Assumptions and Other Inputs (Continued):***

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

- Assumed rate of inflation was reduced from 3.25% to 2.5%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.5%.
- 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.  
Tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022,
- Retirement rates were updated.
- Termination rates were updated.
- Rates of salary increases were updated.

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

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

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.

GREAT FALLS SCHOOL DISTRICT 1 & A  
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GREAT FALLS, MONTANA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)  
June 30, 2021

***Teachers Retirement System (Continued)***

***Changes in Actuarial Assumptions and Other Inputs (Continued):***

- 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 assumptions 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 of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.

For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

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

For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

***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

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)  
June 30, 2021

***Teachers Retirement System (Continued)***

***Method and Assumptions Used in Calculations of Actuarially Determined Contributions (Continued):***

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

***Public Employees Retirement System***

***Changes of Benefit Terms***

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

***2017 Changes:***

**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 Contributions (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.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)  
June 30, 2021

***Public Employees Retirement System (Continued)***

***2017 Changes (Continued):***

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

**Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

The following Actuarial Assumptions were adopted from the June 30, 2016 Experience Study:

General Wage Growth *	3.50%
Investment Rate of Return *	7.65%
*Includes Inflation	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expenses as % of Payroll	0.30%

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

OTHER SUPPLEMENTAL SCHEDULES

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUND ACCOUNTS -  
EXTRACURRICULAR FUND  
For the Year Ended June 30, 2021

	Beginning Balance	Revenues	Expenditures	Ending Balance
Administration Building				
Unallocated increase in fair value of investments	\$ 85,345	\$ (4,572)	\$ -	\$ 80,773
Alternative education	50,060	27,661	26,055	51,666
Indian education	12,755	131	1,502	11,384
Special education	<u>66</u>	<u>470</u>	<u>470</u>	<u>66</u>
	<u>148,226</u>	<u>23,690</u>	<u>28,027</u>	<u>143,889</u>
Elementary Schools				
Giant Springs School	2,112	5,741	4,598	3,255
Lewis & Clark School	396	3	-	399
Lincoln School	358	2	-	360
Longfellow School	1,519	15	667	867
Loy School	3,662	39	206	3,495
MeadowLark School	1,826	1,458	1,157	2,127
Morningside School	2,390	454	73	2,771
Mountain View School	3,353	36	412	2,977
Riverview School	3,021	975	1,888	2,108
Roosevelt School	1	-	-	1
Sacajawea School	2,121	523	956	1,688
Sunnyside School	475	5	-	480
Valleyview School	2,126	23	-	2,149
Whittier School	<u>1,001</u>	<u>11</u>	<u>625</u>	<u>387</u>
	<u>24,361</u>	<u>9,285</u>	<u>10,582</u>	<u>23,064</u>
Middle Schools				
East Middle School	38,469	25,378	28,091	35,756
North Middle School	<u>33,258</u>	<u>62,378</u>	<u>57,423</u>	<u>38,213</u>
	<u>71,727</u>	<u>87,756</u>	<u>85,514</u>	<u>73,969</u>
High Schools				
Great Falls High School	554,027	647,006	667,853	533,180
C.M. Russell High School	<u>701,530</u>	<u>638,870</u>	<u>658,888</u>	<u>681,512</u>
	<u>1,255,557</u>	<u>1,285,876</u>	<u>1,326,741</u>	<u>1,214,692</u>
Total	<u>\$ 1,499,871</u>	<u>\$ 1,406,607</u>	<u>\$ 1,450,864</u>	<u>\$ 1,455,614</u>

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
GREAT FALLS, MONTANA  
SCHEDULE OF ENROLLMENT  
Fiscal Year Ended June 30, 2021

	Elementary <u>District</u>	High School <u>District</u>
<u>Fall Enrollment 10/5/20</u>		
Reported Enrollment Totals per "2020-2021 School Fall Reports"	<u>7,032</u>	<u>3,006</u>
Reported Enrollment Totals per 2020-2021 School Attendance Enrollment Counts	<u>7,032</u>	<u>3,006</u>
<u>Spring Enrollment 2/1/21</u>		
Reported Enrollment Totals per "2020-2021 School Spring Reports"	<u>7,061</u>	<u>2,916</u>
Reported Enrollment Totals per 2020-2021 School Attendance Enrollment Counts	<u>7,061</u>	<u>2,916</u>

SINGLE AUDIT SECTION



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  
Great Falls School District 1 & A  
Cascade County  
Great Falls, 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 Great Falls School District 1 & A, Cascade County, Great Falls, Montana (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item #2021-001.

### **The District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Anderson Zurmuehlen & Co., P.C.*

Great Falls, Montana  
January 10, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Great Falls School District 1 & A  
Cascade County  
Great Falls, Montana

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

We have audited Great Falls School District 1 & A, Cascade County, Great Falls, Montana's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for the compliance with the requirements of laws, regulations, contracts and grants applicable its federal programs.

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*Anderson ZurMuehlen & Co., P.C.*

Great Falls, Montana  
January 10, 2022

**GREAT FALLS SCHOOL DISTRICT 1 & A**  
**CASCADE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2021**

<b>Project</b>	<b>Federal CFDA Number</b>	<b>Project Number</b>	<b>Award</b>	<b>Cash Balance 07/01/20</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Cash Balance 06/30/21</b>
<b>U. S. Department of Education</b>							
Passed Through State of Montana							
Office of Public Instruction							
<i>Title I - Part A Cluster</i>							
Title I - Part A (Elem)	84.010	07-00-9831-20	\$ 200,799	\$ (109,596)	\$ 109,596	\$ -	\$ -
Title I - Part A (Elem)	84.010	07-00-9832-20	3,527,461	(135,992)	135,992	-	-
Title I - Part A (Elem)	84.010	07-00-9831-21	284,914	-	284,914	284,914	-
Title I - Part A (Elem)	84.010	07-00-9832-21	3,653,282	-	3,059,411	3,246,274	(186,863)
Title I - Part A (Elem)	84.010	07-00-9837-20	26,340	-	26,340	26,340	-
<i>Subtotal Title I - Part A Cluster</i>				<u>(245,588)</u>	<u>3,616,253</u>	<u>3,557,528</u>	<u>(186,863)</u>
<i>Special Education Cluster (IDEA)</i>							
Idea B (Elem)	84.027	07-00-9879-21	82,513	-	82,513	82,513	-
Idea B (Elem)	84.027	07-00-9877-21	2,886,401	-	2,048,599	2,064,154	(15,555)
Idea B (Elem)	84.027	07-00-9877-20	2,709,755	(28,252)	28,252	-	-
<i>Subtotal Special Education Cluster (IDEA)</i>				<u>(28,252)</u>	<u>2,159,364</u>	<u>2,146,667</u>	<u>(15,555)</u>
Title I - Part D (HS)	84.013	07-00-9942-20	167,031	(79,669)	79,669	-	-
Title I - Part D (HS)	84.013	07-00-9942-21	143,266	-	143,266	143,266	-
<i>Subtotal Title I Part D</i>				<u>(79,669)</u>	<u>222,935</u>	<u>143,266</u>	<u>-</u>
Title I - Part E (Elem)	84.371	07-00-9835-20	771,410	(34)	34	-	-
Title I - Part E (Elem)	84.371	07-00-9835-20	159,752	-	159,752	159,752	-
Title I - Part E (Elem)	84.371	07-00-9839-21	1,040,000	-	584,494	594,521	(10,027)
<i>Subtotal Title I Part E</i>				<u>(34)</u>	<u>744,280</u>	<u>754,273</u>	<u>(10,027)</u>
Title IV (Elem)	84.424	07-00-9852-20	212,053	(66,477)	66,477	-	-
Title IV (Elem)	84.424	07-00-9852-21	249,366	-	249,366	249,366	-
<i>Subtotal Title IV</i>				<u>(66,477)</u>	<u>315,843</u>	<u>249,366</u>	<u>-</u>
Vo Ed Carl D Perkins - Basic (HS)	84.048	07-00-9981-21	215,881	-	215,881	215,881	-
<i>Subtotal Vo Ed Carl Perkins</i>				<u>-</u>	<u>215,881</u>	<u>215,881</u>	<u>-</u>
ESSER Fund (Elem)	84.425	07-00-9891-20	2,382,399	(3,516)	1,792,139	1,788,623	-
ESSER Fund (Elem)	84.425	07-00-9891-20	728,237	-	689,416	689,416	-
<i>Subtotal ESSER Fund</i>				<u>(3,516)</u>	<u>2,481,555</u>	<u>2,478,039</u>	<u>-</u>
Title VI, Part A, Indian Education (Elem)	84.060	S0600A210490	302,607	-	-	75	(75)
Title VI, Part A, Indian Education (Elem)	84.060	S0600A200490	313,174	-	313,174	313,174	-
<i>Subtotal Indian Education</i>				<u>-</u>	<u>313,174</u>	<u>313,249</u>	<u>(75)</u>
CARES Act (Elem)	21.019	N/A	4,550,489	-	4,550,489	4,550,489	-
CARES Act (HS)	21.019	N/A	436,593	-	436,593	436,593	-
CARES Act - Transportation (Elem)	21.019	N/A	114,432	-	114,432	114,432	-
CARES Act - Transportation (HS)	21.019	N/A	46,927	-	46,927	46,927	-
<i>Subtotal CARES Act</i>				<u>-</u>	<u>5,148,441</u>	<u>5,148,441</u>	<u>-</u>
Title X - Part C (Elem)	84.196	07-00-9857-21	42,420	-	42,420	42,420	-
<i>Subtotal Title X Part C</i>				<u>-</u>	<u>42,420</u>	<u>42,420</u>	<u>-</u>
PL 81-874 (Elem)	84.041	N/A	N/A	9,905,495	670,542	469,345	10,106,692
PL 81-874 (HS)	84.041	N/A	N/A	632,116	49,617	246,067	435,666
<i>Subtotal PL 81-874</i>				<u>10,537,611</u>	<u>720,159</u>	<u>715,412</u>	<u>10,542,358</u>
<b>Total U. S. Department of Education</b>				<u>10,114,075</u>	<u>15,980,305</u>	<u>15,764,542</u>	<u>10,329,838</u>
<b>U. S. Department of Agriculture</b>							
Passed Through State of Montana							
Office of Public Instruction							
National School Lunch Program							
Federal Reimbursement (Elem)	10.555	N/A	N/A	-	126,652	126,652	-
Commodities (Elem)	10.555	N/A	N/A	198,715	267,894	317,627	148,982
Summer Program (Elem)	10.559	N/A	N/A	-	4,270,004	4,270,004	-
<b>Total U. S. Department of Agriculture</b>				<u>198,715</u>	<u>4,664,550</u>	<u>4,714,283</u>	<u>148,982</u>
<b>Total Federal Awards</b>				<u>\$ 10,312,790</u>	<u>\$ 20,644,855</u>	<u>\$ 20,478,825</u>	<u>\$ 10,478,820</u>

See accompanying Notes to Schedule.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2021

**NOTE 1. REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Great Falls School District 1 & A, Cascade County, Great Falls, Montana. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The School District's reporting entity is defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedule.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditure of Federal Awards is presented using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All federal awards received, cash and noncash, is included, as well as all federal awards expended or consumed. Such expenditures are recognized following the cost principles contained in the Uniform Guidance from Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

**NOTE 3. INDIRECT COSTS**

The District did not elect to use the 10% de minimis indirect cost rate from Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Administrative Requirements, Subpart E Cost Principles*.

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

**Summary of Auditor Results**

*Financial Statements:*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? None

Significant deficiencies identified that are not considered  
to be material weaknesses? Yes

Noncompliance material to financial statements? Yes

*Federal Awards:*

Internal control over major programs:

Material weakness identified? None

Significant deficiencies identified that are not considered  
to be material weaknesses? None reported

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)? None

The major programs for the year ended June 30, 2021, are as follows:

	<u>CFDA#</u>
Summer Food Service Program	10.559
Coronavirus Relief Funds	21.019
Title I, Part E	84.371
ESSER Funds	84.425D

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

Auditee qualified as low-risk auditee? Yes

GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2021

**Findings Relating to Basic Financial Statements**

**Finding #2021-001**

<i>Criteria:</i>	Section 20-9-133(2), MCA states, "...the trustees and all officers and employees of the district are limited in making expenditures or incurring liabilities to the total amount of each fund's budget....money of the district may not be used to pay expenditures made, liabilities incurred, or warrants issued in excess of the final budget for each budgeted fund."
<i>Condition:</i>	The District over-expended both Elementary and High School Tuition funds (levied funds).
<i>Cause:</i>	The District did not prepare and submit amended budgets to account for additional revenue in both funds from which the associated expenditures were to be paid from.
<i>Context:</i>	The District over-expended two of its twenty budgeted funds.
<i>Effect:</i>	The District was out of compliance with 20-9-133(2), MCA.
<i>Recommendation:</i>	The District should review all budgeted fund expenditures prior to fiscal year end, in order to determine if any budget amendments need to be prepared and submitted.
<i>Management Response:</i>	The District will perform a final review of revenues and expenditures for all budgeted funds before submitting the Trustees Financial Summary (TFS) to determine if any budget amendments are necessary to comply with Section 20-9-133(2), MCA. The board has a current practice of reviewing revenue and expenditure reports provided by the District Clerk each month. The board will monitor District spending within the adopted budget as revenue and expenditure reports. The District Clerk will review with the board ARM 10.10.505 that requires the district clerk to provide revenue and expenditure reports to the board of trustees.

**Findings Relating to Federal Awards**

None



GREAT FALLS SCHOOL DISTRICT 1 & A  
CASCADE COUNTY  
STATUS OF PRIOR AUDIT FINDINGS  
June 30, 2021

Previously noted deficiencies of Great Falls School District 1 & A, Cascade County, Great Falls, Montana, and their current status are as follows:

<u>Finding</u>	<u>Current Status of Recommendation</u>
None	None



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