

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

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BIGFORK PUBLIC SCHOOLS

FLATHEAD COUNTY, MONTANA

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BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2023

BOARD OF TRUSTEES

Paul Sandry
Julie Kreiman
Zack Anderson
Dan Elwell
Ben Woods
Christina Relyea
Carol Field

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Lacey Porrovecchio
Thomas Stack
Travis Ahner
Cal Ketchum

Business Manager
Superintendent
County Attorney
County Superintendent

Bigfork Public Schools
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2023

This management’s discussion and analysis provides an overview of the school’s financial activities for the fiscal year ended June 30, 2023.

USING THIS ANNUAL REPORT

This annual report consists of financial statements for the District as a whole with more detailed information for certain District funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a long-term view of the District’s finances (they include capital assets and long term liabilities).

Fund financial statements present a short-term view of the District’s activities. They include only current assets expected to be collected and liabilities expected to be paid in the very near future. Generally accepted accounting principles require that only major funds are disclosed in these financial statements.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

This report includes district-wide statements that focus on operations of the district as a whole. These statements measure inputs and outflows using an economic resources measurement focus and using the accrual bases of accounting. This is similar to the basis of accounting used by most private-sector companies. Activities that are fiduciary in nature are not included in these statements.

The statement of Net Position comparison below, shows the “assets” (what is owned by the District), “liabilities” (what is owed by the district) and the “Net Position” (the resources that would remain if all obligations were settled) of the District. The change in Net Position over time is one indicator of whether the District’s financial health is improving or deteriorating. The District’s Net Position for FY 23 increased by \$2,186,042. The Net Position change was due in part to an increase in cash balance. There are also other non financial factors that influence the District’s fiscal health such as changes in enrollment, changes in the State’s funding of educational costs, changes in the economy, changes in the District’s tax base, the Covid-19 pandemic, etc. The change in total current assets for FY 23 was \$1,487,988. This increase was due to the districts commitment to maximize fund reserves and increase the Interlocal Agreement Fund balance.

Table 1 - Net Position

	Governmental Activities		
	<u>FY23</u>	<u>FY22</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 11,042,071	\$ 9,554,083	\$ 1,487,988
Capital assets	20,456,793	20,405,000	51,793
Total assets	<u>\$ 31,498,864</u>	<u>\$ 29,959,083</u>	<u>\$ 1,539,781</u>
Long-term debt outstanding	\$ 20,361,905	\$ 20,064,204	\$ 297,701
Other liabilities	4,233,185	5,177,147	(943,962)
Total liabilities	<u>\$ 24,595,090</u>	<u>\$ 25,241,351</u>	<u>\$ (646,261)</u>
Net investment in capital assets	\$ 9,347,938	\$ 8,143,156	\$ 1,204,782
Restricted	5,900,599	4,426,330	1,474,269
Unrestricted (deficit)	(8,344,763)	(7,851,754)	(493,009)
Total net position	<u>\$ 6,903,774</u>	<u>\$ 4,717,732</u>	<u>\$ 2,186,042</u>

Bigfork Public Schools
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2023

The statement of activities comparison below, shows the amounts of program-specific and general school district expenditures and the revenues used to support the school district's various functions in FY 23 and FY 22. Some programs included here are instructional, support services, administration, student transportation, student activities and school food. Total revenues for the District, including program and general revenues, for FY 23 increased by \$852,271. The district continued to receive Elementary and Secondary School Emergency Relief Funds in response to the Covid-19 pandemic. This increase in revenues contributed to an increase in net position of \$613,822.

	<u>FY 23</u>	<u>FY 22</u>	<u>Variance</u>
Expenses	\$ 12,989,040	\$ 12,774,705	\$ 214,335
Revenue	15,169,912	14,317,641	852,271
Changes in Net Position	\$ <u>2,180,872</u>	\$ <u>1,542,936</u>	\$ <u>637,936</u>

Table 2 - Changes in Net Position

	Governmental Activities		
	<u>FY23</u>	<u>FY22</u>	<u>Change Inc (Dec)</u>
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 193,237	\$ 31,507	\$ 161,730
Operating grants and contributions	2,358,425	2,504,929	(146,504)
Capital grants and contributions	-	60,000	(60,000)
<i>General revenues (by major source):</i>			
Property taxes for general purposes	5,806,264	5,852,305	(46,041)
Grants and entitlements not restricted to specific programs	4,859,940	4,039,386	820,554
Investment earnings	141,046	18,300	122,746
Miscellaneous (other revenue)	462,484	94,427	368,057
Student Activities	-	175,184	(175,184)
State flexibility	-	107,521	(107,521)
State technology	6,279	4,492	1,787
State pension aid	352,682	410,771	(58,089)
County retirement	989,555	1,018,819	(29,264)
Total revenues	<u>\$ 15,169,912</u>	<u>\$ 14,317,641</u>	<u>\$ 852,271</u>
Program expenses			
Instructional - regular	\$ 6,170,173	\$ 5,886,542	\$ 283,631
Instructional - special education	781,893	871,450	(89,557)
Instructional - vocational education	291,900	230,105	61,795
Supporting services - operations & maintenance	1,085,073	1,057,966	27,107
Supporting services - general	585,057	579,904	5,153
Supporting services - educational media services	229,984	269,427	(39,443)
Administration - general	280,847	270,890	9,957
Administration - school	630,707	637,212	(6,505)
Administration - business	270,465	265,468	4,997
Student transportation	698,782	786,024	(87,242)
Extracurricular	554,240	543,178	11,062
School food	395,163	449,250	(54,087)
Community services	1,000	1,000	-
Debt service expense - interest	343,576	367,372	(23,796)
Unallocated depreciation*	670,180	558,917	111,263
Total expenses	<u>\$ 12,989,040</u>	<u>\$ 12,774,705</u>	<u>\$ 214,335</u>
Excess (deficiency) before special items and transfers	\$ 2,180,872	\$ 1,542,936	\$ 637,936
Gain (loss) on sale of capital assets	5,170	29,284	(24,114)
Increase (decrease) in net position	<u>\$ 2,186,042</u>	<u>\$ 1,572,220</u>	<u>\$ 613,822</u>

Bigfork Public Schools
 MANAGEMENT’S DISCUSSION AND ANALYSIS
 Fiscal Year Ending June 30, 2023

FUND FINANCIAL STATEMENTS - THE DISTRICT’S MOST SIGNIFICANT FUNDS

Government funds provide a short-term view of the district’s operations. They are reported using an accounting method which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash.

The District’s most significant funds in FY 23 include the General Funds, Elementary Miscellaneous Programs, High School Miscellaneous Programs and the Elementary Interlocal Agreement Fund. The Elementary Interlocal Agreement Fund ended FY 23 with \$1,793,361 fund balance. The District transferred \$289,129 in FY 23 to the Elementary Interlocal Agreement Fund from the General Funds. Insignificant changes occurred in remaining major funds. Possible future expenditures for the Elementary Interlocal Agreement Fund include building maintenance projects, land acquisition, professional development, and vehicle purchases.

CAPITAL ASSET AND DEBT ADMINISTRATION

The District’s capitalization policy sets the capitalization amount at \$5000. The district’s capital assets include land, buildings, buses and other vehicles, and other major equipment. Net capital assets for the District have increased by \$51,793.

In June 2023 the elementary general obligation bonds were paid in full. The high school district has outstanding general obligation bonds totaling \$10,095,000. An interest payment is made in December and an interest and principal payment is made in June from the Debt Service Fund.

The district continues to report its portion of the net pension liability under GASB 68. As of the end of June 30, 2023, the outstanding liability was \$8,049,981 which was an increase of \$1,196,019 from the previous fiscal year. The total OPEB liability for FY 23 was \$1,711,515.

THE FUTURE OF THE DISTRICT

The fall enrollment report completed in October 2023 shows that our overall elementary enrollment had a slight decrease. K-6 enrollment decreased by 17 students. Grade 7 & 8 enrollment increased by 5 students. The high school enrollment remained steady.

<u>ENROLLMENT</u>	<u>Fall 2023</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>
Elementary School (total)	599	611	606	582
K-6	445	462	454	436
7 & 8	154	149	152	146
High School	352	353	343	317

The District continues to monitor enrollment. House Bill 203, passed by the 2023 Legislature, dubbed the “open enrollment” bill, may affect enrollment numbers.

Bigfork Public Schools
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2023

Special Education continues to be a major expenditure. The district employs a Special Education Director and in FY 23 continued to use SB 191 to levy funds to pay for a Life Skills teacher, to better meet the needs of the students and the district. The cost of providing the required educational programs still exceeds the state special education funding, the required local match, and Federal Part B funding that we receive. The result is a decrease in funding available for the general education program. The Elementary special education expenses exceeded funds available by \$221,731 and the High School special education expenses exceeded funds available by \$72,965.

SPECIAL EDUCATION	Elementary School	High School
State Allowable Cost	\$ 155,644	\$ 71,354
Required District Match	42,666	23,547
Federal Part B	123,090	68,328
Tuition Fund	101,441	5,963
TOTALS	\$ 422,841	\$ 169,192
District Expenses	\$ 644,572	\$ 242,157

In FY 23 the Food Service Department served breakfast and lunch in the elementary/middle school building and the high school building. Expenditures in the Food Service Fund were \$395,163 and revenues were \$386,945. After observing increased food prices and experiencing a labor shortage, the District increased all meal prices by \$0.50 for the 2022-23 school year. Expenditures and revenues will continue to be monitored. Staffing adjustments and/or meal prices may need to be adjusted in the future.

The district passed general fund levy elections in May 2020. The majority of the funds were used to improve staff salaries. Given increasing operational costs and fluctuating enrollment, sustainable funding will be necessary to maintain desired staff levels and programs and to continue the District’s desire to improve staff salaries, keep class sizes low and attract students.

For more information:

Bigfork School District
600 Commerce
PO Box 188
Bigfork, Montana 59911

Superintendent: Tom Stack, 406-837-7400, tstack@bigfork.k12.mt.us

Business Manager: Lacey Porrovecchio, 406-837-7400, lporrovecchio@bigfork.k12.mt.us

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South – P.O. Box 1957 Kalispell, MT 59903-1957

INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees
Bigfork Public Schools
Flathead County
Bigfork, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bigfork Public Schools, Flathead County, Montana as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Bigfork Public Schools, Flathead County, Montana basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bigfork Public Schools, Flathead County, Montana, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements the District adopted a new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in the Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. We have applied certain limited procedures to the required supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bigfork Public Schools, Flathead County, Montana's basic financial statements. The Schedule of Revenues and Expenditures for the Extracurricular Fund, the Schedule of Enrollment and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Revenues and Expenditures for the Extracurricular Fund, the Schedule of Enrollment and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 6, 2024, on our consideration of the Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws regulations contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting and compliance.

Denning, Downey and Associates, CPA's, P.C.

March 6, 2024

Bigfork Public Schools, Flathead County, Montana
Statement of Net Position
June 30, 2023

		Governmental Activities
ASSETS		
Current assets:		
Cash and investments	\$	7,376,728
Taxes and assessments receivable, net		202,473
Lease receivable		431,259
Due from other governments		440,647
Total current assets	\$	8,451,107
Noncurrent assets		
Capital assets - land	\$	11,696
Capital assets - construction in progress		376,240
Capital assets - depreciable, net		20,068,857
Total noncurrent assets	\$	20,456,793
Total assets	\$	28,907,900
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	\$	1,703,461
Deferred outflows of resources - OPEB		887,503
Total deferred outflows of resources	\$	2,590,964
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	31,498,864
LIABILITIES		
Current liabilities		
Warrants payable	\$	183,441
Accounts payable		114,861
Accrued payroll		191,224
Other payroll liabilities		108,426
Current portion of long-term capital liabilities		615,000
Current portion of compensated absences payable		152,050
Current portion of bond premiums		77,989
Total current liabilities	\$	1,442,991
Noncurrent liabilities		
Other post-employment benefit liability	\$	1,711,515
Noncurrent portion of long-term capital liabilities		9,480,000
Noncurrent portion of compensated absences		353,359
Net pension liability		8,049,981
Noncurrent portion of bond premiums		935,866
Total noncurrent liabilities	\$	20,530,721
Total liabilities	\$	21,973,712
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - leases	\$	431,259
Deferred inflows of resources - pensions		1,001,555
Deferred inflows of resources - OPEB		1,188,564
Total deferred inflows of resources	\$	2,621,378
NET POSITION		
Net investment in capital assets	\$	9,347,938
Restricted for capital projects		671,380
Restricted for debt service		84,122
Restricted for special projects		5,145,097
Unrestricted		(8,344,763)
Total net position	\$	6,903,774
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	31,498,864

See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position Primary Government</u>
<u>Primary government:</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instructional - regular	\$ 6,170,173	\$ 9,197	\$ 1,009,174	\$ (5,151,802)
Instructional - special education	781,893	-	697,253	(84,640)
Instructional - vocational education	291,900	-	-	(291,900)
Supporting services - operations & maintenance	1,085,073	-	58,764	(1,026,309)
Supporting services - general	585,057	-	-	(585,057)
Supporting services - educational media services	229,984	-	-	(229,984)
Administration - general	280,847	-	-	(280,847)
Administration - school	630,707	-	2,544	(628,163)
Administration - business	270,465	-	-	(270,465)
Student transportation	698,782	-	124,949	(573,833)
Extracurricular	554,240	-	261,836	(292,404)
School food	395,163	184,040	202,905	(8,218)
Community services	1,000	-	1,000	-
Debt service expense - interest	343,576	-	-	(343,576)
Unallocated depreciation*	670,180	-	-	(670,180)
Total governmental activities	\$ 12,989,040	\$ 193,237	\$ 2,358,425	\$ (10,437,378)
		General Revenues:		
				\$ 5,806,264
				4,859,940
				141,046
				462,484
				6,279
				352,682
				989,555
				5,170
				\$ 12,623,420
				\$ 2,186,042
				\$ 4,717,732
				\$ 6,903,774

* This amount excludes the depreciation that is included in the direct expenses of the various programs
See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Elementary Miscellaneous Programs</u>	<u>Elementary Interlocal Agreement</u>	<u>High School Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current assets:						
Cash and investments	\$ 1,800,555	\$ 596,608	\$ 1,793,361	\$ 546,336	\$ 2,639,868	\$ 7,376,728
Taxes and assessments receivable, net	114,310	-	-	-	88,163	202,473
Lease receivable	-	280,318	-	150,941	-	431,259
Due from other governments	68,099	202,551	-	110,000	59,997	440,647
TOTAL ASSETS	<u>\$ 1,982,964</u>	<u>\$ 1,079,477</u>	<u>\$ 1,793,361</u>	<u>\$ 807,277</u>	<u>\$ 2,788,028</u>	<u>\$ 8,451,107</u>
LIABILITIES						
Current liabilities:						
Warrants payable	\$ 183,441	\$ -	\$ -	\$ -	\$ -	\$ 183,441
Accounts payable	34,835	74,453	-	5,573	-	114,861
Accrued payroll	134,965	127	-	1,795	54,337	191,224
Other payroll liabilities	108,426	-	-	-	-	108,426
Total liabilities	<u>\$ 461,667</u>	<u>\$ 74,580</u>	<u>\$ -</u>	<u>\$ 7,368</u>	<u>\$ 54,337</u>	<u>\$ 597,952</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - taxes	\$ 114,310	\$ -	\$ -	\$ -	\$ 88,163	\$ 202,473
Deferred inflows of resources - leases	-	280,318	-	150,941	-	431,259
Total deferred inflows of resources	<u>\$ 114,310</u>	<u>\$ 280,318</u>	<u>\$ -</u>	<u>\$ 150,941</u>	<u>\$ 88,163</u>	<u>\$ 633,732</u>
FUND BALANCES						
Restricted	\$ -	\$ 724,579	\$ 1,793,361	\$ 648,968	\$ 2,645,528	\$ 5,812,436
Assigned	267,263	-	-	-	-	267,263
Unassigned fund balance	1,139,724	-	-	-	-	1,139,724
Total fund balance	<u>\$ 1,406,987</u>	<u>\$ 724,579</u>	<u>\$ 1,793,361</u>	<u>\$ 648,968</u>	<u>\$ 2,645,528</u>	<u>\$ 7,219,423</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,982,964</u>	<u>\$ 1,079,477</u>	<u>\$ 1,793,361</u>	<u>\$ 807,277</u>	<u>\$ 2,788,028</u>	<u>\$ 8,451,107</u>

See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2023

Total fund balances - governmental funds	\$	7,219,423
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		20,456,793
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		202,473
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(11,614,264)
Net pension and other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(9,761,496)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		1,703,461
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(1,001,555)
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred outflows of resources and are not payable in the current period, therefore are not reported in the funds.		887,503
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.		(1,188,564)
Total net position - governmental activities	\$	<u><u>6,903,774</u></u>

See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	<u>General</u>	<u>Elementary Miscellaneous Programs</u>	<u>Elementary Interlocal Agreement</u>	<u>High School Miscellaneous Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Local revenue	\$ 3,341,941	\$ 90,624	\$ 207,085	\$ 340,673	\$ 2,771,818	\$ 6,752,141
County revenue	-	-	-	-	1,049,020	1,049,020
State revenue	4,860,150	20,383	-	168,984	88,478	5,137,995
Federal revenue	-	1,146,503	-	364,317	201,953	1,712,773
Total revenues	<u>\$ 8,202,091</u>	<u>\$ 1,257,510</u>	<u>\$ 207,085</u>	<u>\$ 873,974</u>	<u>\$ 4,111,269</u>	<u>\$ 14,651,929</u>
EXPENDITURES						
Instructional - regular	\$ 3,923,347	\$ 720,561	\$ -	\$ 286,147	\$ 616,364	\$ 5,546,419
Instructional - special education	513,327	8,672	-	100,320	159,574	781,893
Instructional - vocational education	242,745	-	-	11,897	37,258	291,900
Supporting services - operations & maintenance	851,060	44,392	-	19,704	164,703	1,079,859
Supporting services - general	528,061	-	-	-	56,996	585,057
Supporting services - educational media services	196,779	9,522	-	-	23,683	229,984
Administration - general	232,824	5,570	-	-	42,453	280,847
Administration - school	521,122	480	-	1,805	107,300	630,707
Administration - business	225,920	224	-	120	44,201	270,465
Student transportation	65,300	761	-	24,150	595,926	686,137
Extracurricular	325,245	26,510	-	171,443	29,023	552,221
School food	-	952	-	-	394,211	395,163
Community services	-	-	-	1,000	-	1,000
Debt service expense - principal	-	-	-	-	1,075,000	1,075,000
Debt service expense - interest	-	-	-	-	421,565	421,565
Capital outlay	320,872	438,868	-	54,828	138,278	952,846
Total expenditures	<u>\$ 7,946,602</u>	<u>\$ 1,256,512</u>	<u>\$ -</u>	<u>\$ 671,414</u>	<u>\$ 3,906,535</u>	<u>\$ 13,781,063</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 255,489</u>	<u>\$ 998</u>	<u>\$ 207,085</u>	<u>\$ 202,560</u>	<u>\$ 204,734</u>	<u>\$ 870,866</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of capital assets	\$ -	\$ -	\$ -	\$ 2,300	\$ 212,749	\$ 215,049
Proceeds from insurance	-	353,494	-	-	-	353,494
Transfers in	-	-	289,129	-	-	289,129
Transfers out	(289,129)	-	-	-	-	(289,129)
Total other financing sources (uses)	<u>\$ (289,129)</u>	<u>\$ 353,494</u>	<u>\$ 289,129</u>	<u>\$ 2,300</u>	<u>\$ 212,749</u>	<u>\$ 568,543</u>
Net Change in Fund Balance	<u>\$ (33,640)</u>	<u>\$ 354,492</u>	<u>\$ 496,214</u>	<u>\$ 204,860</u>	<u>\$ 417,483</u>	<u>\$ 1,439,409</u>
Fund balances - beginning	<u>\$ 1,440,627</u>	<u>\$ 370,087</u>	<u>\$ 1,297,147</u>	<u>\$ 444,108</u>	<u>\$ 2,228,045</u>	<u>\$ 5,780,014</u>
Fund balance - ending	<u>\$ 1,406,987</u>	<u>\$ 724,579</u>	<u>\$ 1,793,361</u>	<u>\$ 648,968</u>	<u>\$ 2,645,528</u>	<u>\$ 7,219,423</u>

See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$	1,439,409
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		952,846
- Depreciation expense		(691,174)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:		
- Proceeds from the sale of capital assets		(215,049)
- Gain on the sale of capital assets		5,170
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred inflows)		15,410
The change in compensated absences is shown as an expense in the Statement of Activities		
		(27,464)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Long-term debt principal payments		1,075,000
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		(171,173)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activites and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		
		(1,008,154)
State aid revenue related to the net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		
		149,079
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.		
		584,153
Amortization of the bond premium is shown as a reduction of interest expense on the Statement of Activities and is not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance.		
		77,989
Change in net position - Statement of Activities	\$	<u>2,186,042</u>

See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2023

		<u>Custodial Funds</u>
ASSETS		
Cash and short-term investments	\$	1,583
TOTAL ASSETS	\$	1,583
 LIABILITIES		
Accounts payable	\$	1,583
TOTAL LIABILITIES	\$	1,583

See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Contributions:	
Plan members	\$ <u>11,407</u>
Total additions	\$ <u>11,407</u>
 DEDUCTIONS	
Other expenditures	\$ <u>11,407</u>
Total deductions	\$ <u>11,407</u>
Change in net position	\$ <u>-</u>
 Net Position - Beginning of the year	 \$ <u>-</u>
Net Position - End of the year	\$ <u><u>-</u></u>

See accompanying Notes to the Financial Statements

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

New Accounting Pronouncements

GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. The District has implemented this pronouncement in the current fiscal year.

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component unit's board; the District is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

Primary Government

The District was established under Montana law to provide elementary and secondary educational services to residents of the District. The District actually consists of two legally separate districts. The Elementary District provides education from kindergarten through the eighth grade and the High School District provides education from grades nine through twelve. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the District is a primary government as defined by GASB Cod. Sec. 2100 and has no component units.

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Separate accounting records must be maintained for each District because of differences in funding and legal requirements. However, both districts are managed as a single system by a central board of trustees, elected in district-wide elections, and by a central administration appointed by and responsible to the Board. These financial statements present, as a single reporting entity, all activities over which the Board of Trustees exercises responsibility.

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the District except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net position are available.

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds:

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and inception of leases and SBITAs are reported as other financing sources.

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

Property taxes, charges for current services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Major Funds:

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

Elementary Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

Elementary Interlocal Agreement - The Elementary Interlocal Agreement Fund is authorized by Section 20-3-363, MCA. The fund accounts for the resources and uses of the District interlocal cooperative agreement in performing any services, activities, and undertakings of the Districts for operations and maintenance.

High School Miscellaneous Programs Fund – Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations and expendable trusts for scholarships or other purposes that support district programs are deposited in this fund.

Fiduciary Funds:

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net assets. The fiduciary funds are:

Custodial Funds – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources are held by the District in a custodial capacity. This fund primarily consists of reporting of resources held by the District as an agent for individuals, private organizations, and other local governmental entities.

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District’s cash, except for the Student Extracurricular Fund is held by the County Treasurer and pooled with other County cash. School district cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. The County’s investment portfolio as of June 30, 2023, consisted certificates of deposit, U.S. Government Securities, and the State Short-Term Investment Pool (STIP). The Flathead County Investment pool is unrated.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer’s office, 800 S. Main Street, Kalispell, Montana 59901. Fair value approximates carrying value for investments as of June 30, 2023.

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorizes investments in U.S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash held in County pool	\$ 7,136,511
Cash in banks:	
Demand deposits	241,800
Total	<u>\$ 7,378,311</u>

Deposits

The District’s deposit balance at year end was \$241,800 and the bank balance was \$246,230. The bank balance was fully insured by FDIC.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2023, the government’s bank balance was exposed to custodial credit risk as follows:

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

	June 30, 2023 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 246,230
Total deposits and investments	<u>\$ 246,230</u>

Deposit Security

Section 7-6-207, Montana Code Annotated (MCA), states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for District deposits at June 30, 2023, equaled or exceeded the amount required by State statutes.

NOTE 3. RECEIVABLES

Tax Receivables

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 4. INVENTORIES AND PREPAIDS

The cost of inventories are recorded as an expenditure when purchased.

NOTE 5. CAPITAL ASSETS

The District's assets are capitalized at historical cost or estimated historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	20 – 50 years
Improvements	20 – 50 years
Equipment	5 – 20 years

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	<u>Balance</u>					<u>Balance</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Capital assets not being depreciated:						
Land	\$ 11,696	\$ -	\$ -	\$ -	\$ -	\$ 11,696
Construction in progress	16,776	359,464	(23,667)	-	-	352,573
Total capital assets not being depreciated	<u>\$ 28,472</u>	<u>\$ 359,464</u>	<u>\$ (23,667)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,269</u>
Other capital assets:						
Buildings	\$ 25,935,331	\$ 265,043	\$ 23,667	\$ -	\$ -	\$ 26,224,041
Improvements other than buildings	27,440	-	-	-	-	27,440
Machinery and equipment	3,126,426	328,339	-	(293,003)	-	3,161,762
Total other capital assets at historical cost	\$ 29,089,197	\$ 593,382	\$ 23,667	\$ (293,003)	\$ -	\$ 29,413,243
Less: accumulated depreciation	(8,712,669)	(691,174)	-	83,124	-	(9,320,719)
Total	<u>\$ 20,405,000</u>	<u>\$ 261,672</u>	<u>\$ -</u>	<u>\$ (209,879)</u>	<u>\$ -</u>	<u>\$ 20,456,793</u>

Governmental capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
Instructional – regular	\$ 1,116
Supporting services – operations and maintenance	5,214
Student transportation	12,645
Extracurricular	2,019
Unallocated	670,180
Total governmental activities depreciation expense	<u>\$ 691,174</u>

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs are expensed at the date of sale. Bond discounts or premiums are capitalized and amortized over the life of the bonds.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance			Balance	Due Within
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>	<u>One Year</u>
General obligation bonds	\$ 11,170,000	\$ -	\$ (1,075,000)	\$ 10,095,000	\$ 615,000
Compensated absences	477,945	27,464	-	505,409	152,050
Bond premiums	1,091,844	-	(77,989)	1,013,855	77,989
Total	<u>\$ 12,739,789</u>	<u>\$ 27,464</u>	<u>\$ (1,152,989)</u>	<u>\$ 11,614,264</u>	<u>\$ 845,039</u>

In prior years the General Fund and the compensated absences fund was used to liquidate compensated absences and claims and judgments.

General Obligation Bonds - The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2023, were as follows:

<u>Purpose</u>	<u>Origination</u>	<u>Interest</u>		<u>Maturity</u>	<u>Principal</u>	<u>Annual</u>	<u>Balance</u>
	<u>Date</u>	<u>Rate</u>	<u>Term</u>	<u>Date</u>	<u>Amount</u>	<u>Payment</u>	<u>June 30, 2023</u>
HS GO School Building Bonds, Series 2015	12/10/15	2.00-4.00%	20 yrs	7/1/36	9,075,000	Varies	\$ 6,520,000
HS GO School Building Bonds, Series 2016	6/2/16	3.00-4.00%	20 yrs	7/1/36	<u>4,925,000</u>	Varies	<u>3,575,000</u>
					<u>\$ 14,000,000</u>		<u>\$ 10,095,000</u>

Reported in the governmental activities.

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>		<u>Principal</u>		<u>Interest</u>
2024	\$	615,000	\$	393,550
2025		635,000		375,100
2026		660,000		353,800
2027		680,000		327,400
2028		710,000		300,200
2029		735,000		271,800
2030		765,000		242,400
2031		800,000		211,800
2032		830,000		179,800
2033		860,000		146,600
2034		900,000		112,200
2035		935,000		76,200
2036		970,000		38,800
Total	\$	<u>10,095,000</u>	\$	<u>3,029,650</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. Non-teaching District employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching employees and upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

The liability associated with governmental fund-type employees is reported in the governmental-type activities.

Bond Premiums

As of June 30, 2023, the District recognized bond premiums totaling \$1,013,855. The premium relates to the issuance of the High School General Obligation Bonds Series 2015 and 2016. The premiums are being amortized over the life of the bonds equal to 20 years. The total amount amortized during fiscal year 2023 was \$77,989.

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NOTE 7. LEASES

The District leases land to Gold Creek Cellular of Montana Limited Partnership for the installation and maintenance of a cellular tower providing services to the community. The lessee has non-exclusive rights to the area in the land lease agreement. The initial term of the agreement that began in January 2015 is 5 years, with automatic extensions for four additional 5 year terms. Total payments to be received in monthly installments equals \$22,800 to be adjusted at 2.5% per year. The total lease receivable and deferred inflows of resources recognized was \$431,259 at the end of the fiscal year. The District received payment of \$12,284 in principal and \$15,157 in interest during the fiscal year ending June 30, 2023.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan, as required by section 2-18-704, MCA, provides employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single employer defined benefit plan administered by the District. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs and covers these when they come due. The above described OPEB plan does not provide a stand-alone financial report.

Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	89
Active employees	1
Total employees	90

Total OPEB Liability

The District's total OPEB liability of \$1,711,515 at June 30, 2023, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was June 30, 2022 using standard roll-forward procedures to June 30, 2023.

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Actuarial assumptions and other input. The total OPEB liability in the June 30, 2023, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	60.86
Discount rate (average anticipated rate)	4.11%
Average salary increase (Consumer Price Index)	3.25%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>Medical</u>	<u>% Increase</u>
2022	2.9%	2.9%
2023	7.0%	7.0%
2024	6.5%	6.5%
2025	6.0%	6.0%
2026	5.9%	5.9%
2027	5.7%	5.7%
2028	5.6%	5.6%
2029	5.5%	5.5%
2030	5.3%	5.3%
2031-2047	5.2%	5.2%
2048	5.1%	5.1%
2049-2050	5.0%	5.0%
2051-2053	4.9%	4.9%
2054-2056	4.8%	4.8%
2057-2062	4.7%	4.7%
2063-2069	4.6%	4.6%
2070	4.5%	4.5%
2071	4.4%	4.4%
2072	4.3%	4.3%
2073-2074	4.2%	4.2%
2075	4.1%	4.1%
2076-2077	4.0%	4.0%
2078	3.9%	3.9%
2079 +	3.8%	3.8%

The discount rate was based on the 20-year General obligation (GO) bond index.

Participation Rate

40% of future retirees are assumed to elect medical coverage.

70% of the future retirees who elect coverage and are married (see marriage rate assumption) are assumed to elect spousal coverage as well.

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Marital Status – at Retirement

Actual spouse information is used for current retirees. Future retired members who elect to participate in the plan are assumed to be married at a rate of 60%. Males are assumed to be 3 years older than females.

Mortality - Healthy

For the Public Employees’ Retirement System, Mortality is assumed to follow the RP2000 Healthy Combined Mortality Table, set back one year for males, with mortality improvements projected to 2020 using Scale BB.

For the Montana Teachers Retirement System, Mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table, set back two years for both males and females, with mortality improvements projected by Scale BB to 2022.

Mortality – Disabled

For the Public Employees’ Retirement System, Mortality is assumed to follow the RP2000 Healthy Combined Mortality Table with no projections.

For the Montana Teachers Retirement System, Mortality is assumed to follow the RP2000 Disabled Mortality Table, set back three-year for males and set forward two years for females, with mortality improvements projected by Scale BB to 2022.

Withdrawal Rates

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

Changes in the Total OPEB Liability

Balance at 6/30/2022	\$ <u>1,562,297</u>
Changes for the year:	
Service Cost	\$ 124,510
Interest	67,711
Change in assumptions	(38,047)
Benefit payments	<u>(4,956)</u>
Net Changes	\$ <u>149,218</u>
Balance at 6/30/2023	\$ <u><u>1,711,515</u></u>

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Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (3.11%)	Discount Rate (4.11%)	1% Increase (5.11%)
Total OPEB Liability	\$ 2,151,666	\$ 1,711,515	\$ 1,378,837

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	\$ 1,327,786	\$ 1,711,515	\$ 2,237,757

**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized an OPEB expense of \$149,218. The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience. In addition, since District records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resourced related to OPEB from the following sources:

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Differences between expected and actual economic experience	\$ 132,628	(213,798)
Changes in actuarial assumptions	754,875	(974,766)
Total	\$ 887,503	\$ (1,188,564)

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

OPEB: Year ended June 30:	Amount recognized in OPEB Expense as an increase or (decrease) to OPEB Expense
2023	\$ (16,092)
2024	\$ (16,092)
2025	\$ (16,092)
2026	\$ (16,092)
2027	\$ (16,092)
2028	\$ (16,092)
2029	\$ (16,092)
Thereafter	\$ (240,509)

NOTE 9. NET PENSION LIABILITY (NPL)

As of June 30, 2023, the District reported the following balances as its proportionate share of PERS and TRS pension amounts:

District's Proportionate Share Associated With:

	PERS	TRS	Pension Totals
Net Pension Liability	\$ 1,284,734	\$ 6,765,247	\$ 8,049,981
Deferred outflows of resources*	\$ 301,915	\$ 1,401,546	\$ 1,703,461
Deferred inflows of resources	\$ 94,054	\$ 907,501	\$ 1,001,555
Pension expense	\$ 228,707	\$ 989,512	\$ 1,218,219

*Deferred outflows for PERS and TRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$86,977, and \$497,176, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2023.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

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Public Employee’s Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The District’s employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), 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).

Plan Descriptions

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, 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 defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have 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 established by state law and can only be amended by the Legislature.

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Summary of Benefits

Service retirement:

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

Early Retirement (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):

1) Retire 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. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. 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;

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Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

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

Contributions

The state Legislature has the authority to establish and amend contributions 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.

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

Fiscal Year	Member		School Districts	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2023	7.900%	7.900%	8.700%	0.370%
2022	7.900%	7.900%	8.600%	0.370%
2021	7.900%	7.900%	8.500%	0.370%
2020	7.900%	7.900%	8.400%	0.370%
2019	7.900%	7.900%	8.300%	0.370%
2018	7.900%	7.900%	8.200%	0.370%
2017	7.900%	7.900%	8.100%	0.370%
2016	7.900%	7.900%	8.000%	0.370%
2015	7.900%	7.900%	7.900%	0.370%
2014	7.900%	7.900%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	6.800%	0.370%
2010 – 2011	6.900%		6.800%	0.370%
2008 – 2009	6.900%		6.800%	0.235%
2000 - 2007	6.900%		6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution 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 actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member 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 the employer contributions allocated to the Plan Choice Rate (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.

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- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a statutory appropriation from its General Fund of \$34,633,570.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2023, and 2022 (reporting periods), are displayed below. The District 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 District recorded a liability of \$1,284,734 and the District's proportionate share was 0.054028 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,284,734	\$ 877,331	0.054028%	0.048385%	0.005643%
State of Montana Proportionate Share associated with Employer	422,325	290,120	0.017761%	0.016000%	0.001761%
Total	\$ 1,707,059	\$ 1,167,451	0.071789%	0.064385%	0.007404%

Changes in actuarial assumptions and methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated the rates of withdrawal, retirement, and disability.

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5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

Changes in benefit terms:

There were 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:

At June 30, 2023, the District recognized a Pension Expense of \$184,933 for its proportionate share of the pension expense. The District also recognized grant revenue of \$43,774 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 184,933	\$ 51,690
State of Montana Proportionate Share associated with the Employer	43,774	78,581
 Total	 \$ 228,707	 \$ 130,271

Recognition of Beginning Deferred Outflow

At June 30, 2023, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2022 contributions of \$253,749.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the District 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	\$ 16,378	\$ -
Actual vs. Expected Investment Earnings	37,758	-
Changes in Assumptions	47,876	94,054
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	112,926	-
Employer contributions subsequent to the measurement date - FY23*	86,977	-
Total	\$ <u>301,915</u>	\$ <u>94,054</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$ 84,223
2024	\$ (8,583)
2025	\$ (40,724)
2026	\$ 85,967
Thereafter	\$ -

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member’s benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member’s benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Member 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 based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.

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- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

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Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly, and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ <u>1,852,004</u>	\$ <u>1,284,734</u>	\$ <u>808,801</u>

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

PERS Disclosure for the defined contribution plan

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

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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, 2023, 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 344 employers that have participants in the PERS-DCRP totaled \$1,681,603.

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

Teachers Retirement System

Summary of Significant Accounting Policies

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

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

Plan Descriptions

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

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

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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.

Contributions

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

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MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

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

School District and Other Employers

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

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

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2023, and June 30, 2022 (reporting dates).

BIGFORK PUBLIC SCHOOLS
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	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 6,765,247	\$ 5,976,631	0.3440%	0.3608%	-0.0168%
State of Montana Proportionate Share associated with Employer	3,735,663	3,409,773	0.1899%	0.2058%	-0.0159%
Total	\$ 10,500,910	\$ 9,386,404	0.5339%	0.5666%	-0.0327%

At June 30, 2023, the District recorded a liability of \$6,765,247 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on the District's contributions received by TRS during the measurement period July 1, 2021, through June 30, 2022, relative to the total District contributions received from all of TRS' participating employers. At June 30, 2023, the District's proportion was 0.3440 percent.

Changes in actuarial assumptions and methods:

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

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return assumption was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%.
- Updated all mortality tables to the PUB-2010 tables for teachers.
- Updated the rates of retirement and termination.
- Updated the salary scale merit rates.

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 net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability. 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.

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Pension Expense:

At June 30, 2023, the District recognized a Pension Expense of \$989,512 for its proportionate share of the TRS' pension expense. The District also recognized grant revenue of \$308,908 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the District.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 680,604	\$ 792,869
State of Montana Proportionate Share associated with the Employer	308,908	332,190
 Total	\$ 989,512	\$ 1,125,059

Recognition of Beginning Deferred Outflow

At June 30, 2023, the District recognized a beginning deferred outflow of resources for the District's fiscal year 2022 contributions of \$489,215.

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the District reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 99,161	\$ -
Actual vs. Expected Investment Earnings	158,237	-
Changes in Assumptions	345,769	618,437
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	301,203	289,064
Employer contributions subsequent to the measurement date - FY23*	497,176	-
 Total	\$ 1,401,546	\$ 907,501

BIGFORK PUBLIC SCHOOLS
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*Amounts reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2024	\$ 211,639
2025	\$ (122,090)
2026	\$ (462,723)
2027	\$ 370,044
2028	\$ -
Thereafter	\$ -

Actuarial Assumptions

The Total Pension Liability as of June 30, 2022, is based on the results of an actuarial valuation date of July 1, 2022. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2022, valuation was based on the results of the last actuarial experience study, dated May 3, 2022. Among those assumptions were the following:

- Total Wage Increases* 3.50% - 9.00% for Non-University Members and 4.25% for University Members
- Investment Return 7.30%
- Price Inflation 2.75%
- 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 1st.
 - 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
 - PUBT-2010 General Employee mortality projected to 2021. Projected generationally using MP-2021.
- Mortality among service retired members
 - PUBT-2010 Retiree mortality projected to 2021 adjusted 102% for males and 103% for females. Projected generationally using MP-2021.
- Mortality among beneficiaries
 - PUBT-2010 Contingent Survivor table projected to 2021. Projected generationally using MP-2021.

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- Mortality among disabled members
 - PUBT-2010 Disabled Retiree mortality table projected to 2021.

*Total Wage Increases include 3.50% general wage increase.

Discount Rate

The discount rate used to measure the total pension liability was 7.30%. 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 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 total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

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

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

BIGFORK PUBLIC SCHOOLS
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The long-term expected rate of return on pension plan investments of 7.30% is reviewed as part of regular experience studies prepared for the System about every five years. The current long-term rate of return is based on analysis in the experience study report dated May 3, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Sensitivity Analysis

1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
\$ 9,450,010	\$ 6,765,247	\$ 4,518,438

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2023:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Multidistrict cooperative agreement transfer	Elementary Interlocal Agreement – Nonmajor Governmental	General Fund – Major Governmental	<u>\$289,129</u>

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all District employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The District, categorizes fund balance of the governmental funds into the following categories:

Restricted - constraint is externally imposed by a third party, State Constitution, or enabling legislation.

Assigned – constraint is internally imposed by the body or official authorized to assign amounts for a specific purpose.

Unassigned – negative fund balance in all funds, or fund balance with no constraints in the General Fund.

The District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Restricted Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Elementary Interlocal	\$ 1,793,361	Operations and maintenance
Elementary Miscellaneous Programs	724,579	Third party grantor restrictions
High School		
Miscellaneous Programs	648,968	Third party grantor restrictions
All other aggregate	437,936	Student transportation
	500,250	Bus replacement
	227,741	Student food services
	386,602	Employer costs of benefits
	15,725	Adult education
	65,477	Student instructional services
	16,700	Operations and maintenance
	15,919	Future vacation and sick leave payments
	798,786	Future technology upgrades and maintenance
	14,954	Debt service
	<u>165,438</u>	Future construction costs
Total	<u>\$ 5,812,436</u>	

Assigned Fund Balance

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Assignment</u>
General Fund	<u>\$ 267,263</u>	Encumbrances

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June 30, 2023

NOTE 13. JOINT VENTURES

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

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based of \$200 for each participating student. Each District is charged a fee for each student participating in the program. For the fiscal year ended June 30, 2023, the District did not have students participating in the Interlocal so was not required to make payment.

The District entered into an Interlocal Agreement with Swan River School District and Swan Lake Salmon Elementary School District for the purpose of transporting students living in the two neighboring districts and attending Bigfork School District, at no cost.

NOTE 14. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

The District is provided various financial services by Flathead County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections received by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

NOTE 15. RISK MANAGEMENT

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

Insurance Policies:

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

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
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Insurance Pools:

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

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

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

Group Health Insurance:

The Northwest Montana Public Schools Health Consortium was created pursuant to MCA 20-3-363, to create a multi-district or interlocal cooperative to allow the participants to cooperate in and jointly fund certain services, activities, and undertakings deemed beneficial by the participating Districts. The consortium is made up of Whitefish School District (WSD), and the Flathead Group (FG), which includes Bigfork School District, Cayuse Prairie School District, Eureka School District, Fair-Mont-Egan School District, Flathead Special Education Cooperative, Northwest Montana Educational Cooperative, Olney-Bissell School District, Somers/Lakeside School District, Smith Valley School District, Swan River School, and West Valley Schools. Mike Young has assumed responsibility of the financial administration of the cooperative arrangement, previous consultant/broker for the plan, and can be contacted at myoung@consultconsilium.com for further information. The participants have contracted with First Choice Administrators (FCHA) to provide third party administrative services group's respective plans.

BIGFORK PUBLIC SCHOOLS
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The participants have agreed to form the consortium to jointly arrange for and purchase administrative services and stop loss insurance coverage for their respective health insurance plans. The consortium is not intended to provide for the joint payments of claims under the groups respective plans, and each group is responsible for all costs under its plan. In addition, the participants will be charged and be responsible for its own claims at renewal except those costs that exceed stop loss thresholds will be appropriated among all participants for purposes of renewal. The term of the agreement is for a three- year period beginning July 1, 2020.

The Flathead Group Northwest Montana Schools' Health Multidistrict Interlocal Consortium Participation Agreement was made and entered into July 1, 2020 by and between the respective governing bodies of the following Districts: Cayuse Prairie School District, Eureka School District, Fair-Mont-Egan School District, Northwest Montana Educational Cooperative, Olney-Bissell School District, Somers/Lakeside School District, Smith Valley School District, Swan River School, West Valley Schools. In addition, any additional school district and other entity eligible to participate by law which become party to this agreement.

The purpose of the consortium is to provide for joint purchasing of health, life, disability and AD & D coverage, administrative services therefore, stop loss coverage, and related benefits for the Districts, their respective Plans, and their eligible employees and dependents and operating the group health benefit plan.

The Districts participating in the FG shall make monthly payments in accordance with their respective District's fee schedule. Such fee schedule states the fixed monthly premiums for which the participating district is obligated as approved by the board. The monthly premiums are determined by the Flathead Group Board for each participating District within the FG based on the plan option and coverage tier selected for each individual district. Districts joining the FG may be required by the board to make prorate reserve contributions commensurate with existing FG reserves previously established by participating Districts.

The Flathead Group Consortium Participating Agreement is intended to provide for the joint payment of claims under the Flathead Group Plans. The FG shall fund all claims under or made pursuant to its governing plan and will be charged for and shall be responsible for its own claim experience at renewal; except that, any claims costs in excess of its aggregate attachment point shall be apportioned among all consortium groups for purposes of renew.

NOTE 16. PENDING LITIGATION

The following is a list of litigation pending against the District and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Morrison v. Bigfork Public School District</i>	Unknown	Unknown

**REQUIRED SUPPLEMENTARY
INFORMATION**

Bigfork Public Schools, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY	VARIANCE WITH FINAL
	ORIGINAL	FINAL	BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Local revenue	\$ 3,341,982	\$ 3,341,982	\$ 3,334,339	\$ (7,643)
State revenue	4,547,413	4,547,413	4,547,414	1
Amounts available for appropriation	\$ 7,889,395	\$ 7,889,395	\$ 7,881,753	\$ (7,642)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 4,169,593	\$ 4,169,593	\$ 3,588,885	\$ 580,708
Instructional - special education	413,676	413,676	513,327	(99,651)
Instructional - vocational education	236,422	236,422	242,745	(6,323)
Supporting services - operations & maintenance	885,482	885,482	766,939	118,543
Supporting services - general	521,394	521,394	538,396	(17,002)
Supporting services - educational media services	238,902	238,902	194,100	44,802
Administration - general	345,836	345,836	234,414	111,422
Administration - school	538,659	538,659	525,356	13,303
Administration - business	220,552	220,552	221,799	(1,247)
Student transportation	67,578	67,578	65,300	2,278
Extracurricular	251,301	251,301	320,137	(68,836)
Capital outlay	-	-	362,914	(362,914)
Total charges to appropriations	\$ 7,889,395	\$ 7,889,395	\$ 7,574,312	\$ 315,083
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (289,129)	\$ (289,129)
Total other financing sources (uses)	\$ -	\$ -	\$ (289,129)	\$ (289,129)
Net change in fund balance			\$ 18,312	
Fund balance - beginning of the year			\$ 807,540	
Fund balance - end of the year			\$ 825,852	

Bigfork Public Schools, Flathead County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	General
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 7,881,753
Combined funds (GASBS 54) revenues	320,338
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds.	\$ 8,202,091
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,574,312
Combined funds (GASBS 54) expenditures	322,493
- Encumbrances reported at the beginning of the year	317,060
- Encumbrances reported at the end of the year	(267,263)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 7,946,602

Note B

The Elementary Miscellaneous Programs, Elementary Interlocal Agreement and High School Miscellaneous Programs Funds are non budgeted funds.

Bigfork Public Schools, Flathead County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service Cost	\$ 124,510	\$ 155,660	\$ 163,207	\$ 65,432	\$ 64,351	\$ 65,632
Interest	67,711	54,058	51,477	46,663	39,129	43,494
Differences in experience	-	154,800	-	(268,836)	-	(37,301)
Change in assumptions and inputs	(38,047)	(1,024,377)	149,305	776,951	97,286	(52,044)
Benefit payments	<u>(4,956)</u>	<u>(7,171)</u>	<u>(6,115)</u>	<u>(16,565)</u>	<u>(19,020)</u>	<u>(25,095)</u>
Net change in total OPEB liability	149,218	(667,030)	357,874	603,645	181,746	(5,314)
Total OPEB Liability - beginning	1,562,297	2,229,327	1,871,453	1,267,808	1,086,062	575,245
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,131</u>
Total OPEB Liability - ending	<u>\$ 1,711,515</u>	<u>\$ 1,562,297</u>	<u>\$ 2,229,327</u>	<u>\$ 1,871,453</u>	<u>\$ 1,267,808</u>	<u>\$ 1,086,062</u>
Covered-employee payroll	\$ 5,080,714	\$ 4,920,788	\$ 4,043,871	\$ 4,043,871	\$ 4,057,362	\$ 3,910,710
Total OPEB liability as a percentage of covered -employee payroll	33.69%	32%	55%	46%	31%	28%

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be provided as it becomes available.*

Bigfork Public Schools, Flathead County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023

	<u>PERS</u> <u>2023</u>	<u>PERS</u> <u>2022</u>	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.054028%	0.048385%	0.044747%	0.047541%	0.046061%	0.057744%	0.055975%	0.066887%	0.066702%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,284,734	\$ 877,331	\$ 1,180,508	\$ 993,748	\$ 961,365	\$ 1,124,634	\$ 953,451	\$ 934,997	\$ 831,113
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 422,325	\$ 290,120	\$ 415,582	\$ 359,404	\$ 358,738	\$ 55,904	\$ 44,560	\$ 43,935	\$ 38,852
Total	\$ <u>1,707,059</u>	\$ <u>1,167,451</u>	\$ <u>1,596,090</u>	\$ <u>1,353,152</u>	\$ <u>1,320,103</u>	\$ <u>1,180,538</u>	\$ <u>998,011</u>	\$ <u>978,932</u>	\$ <u>869,965</u>
Employer's covered payroll	\$ 975,119	\$ 881,816	\$ 774,904	\$ 809,932	\$ 784,748	\$ 742,451	\$ 693,114	\$ 807,064	\$ 781,201
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	131.75%	99.49%	152.34%	122.70%	122.51%	151.48%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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	<u>TRS</u> <u>2023</u>	<u>TRS</u> <u>2022</u>	<u>TRS</u> <u>2021</u>	<u>TRS</u> <u>2020</u>	<u>TRS</u> <u>2019</u>	<u>TRS</u> <u>2018</u>	<u>TRS</u> <u>2017</u>	<u>TRS</u> <u>2016</u>	<u>TRS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.3440%	0.3608%	0.3227%	0.3184%	0.3125%	0.3140%	0.3120%	0.3056%	0.2821%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 6,765,247	\$ 5,976,631	\$ 7,259,990	\$ 6,140,333	\$ 5,800,715	\$ 5,294,510	\$ 5,700,088	\$ 5,020,552	\$ 4,341,713
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 3,735,663	\$ 3,409,773	\$ 4,292,033	\$ 3,718,478	\$ 3,607,420	\$ 3,360,920	\$ 3,716,622	\$ 3,368,079	\$ 2,976,125
Total	\$ <u>10,500,910</u>	\$ <u>9,386,404</u>	\$ <u>11,552,023</u>	\$ <u>9,858,811</u>	\$ <u>9,408,135</u>	\$ <u>8,655,430</u>	\$ <u>9,416,710</u>	\$ <u>8,388,631</u>	\$ <u>7,317,838</u>
Employer's covered payroll	\$ 5,049,092	\$ 5,138,734	\$ 4,442,366	\$ 4,322,677	\$ 4,408,385	\$ 4,141,737	\$ 4,337,012	\$ 3,900,154	\$ 3,558,012
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	133.99%	116.31%	163.43%	142.05%	131.58%	127.83%	131.43%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	70.61%	75.54%	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

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

Bigfork Public Schools, Flathead County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2023

	PERS 2023	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 86,977	\$ 84,444	\$ 75,740	\$ 65,778	\$ 67,465	\$ 64,161	\$ 59,957	\$ 56,043	\$ 64,324
Contributions in relation to the contractually required contributions	\$ 86,977	\$ 84,444	\$ 75,740	\$ 65,778	\$ 67,465	\$ 64,161	\$ 59,957	\$ 56,997	\$ 64,324
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 999,736	\$ 975,119	\$ 881,816	\$ 774,904	\$ 809,932	\$ 784,748	\$ 742,451	\$ 693,114	\$ 807,064
Contributions as a percentage of covered payroll	8.70%	8.66%	8.59%	8.49%	8.33%	8.18%	8.08%	8.22%	7.97%

	TRS 2023	TRS 2022	TRS 2021	TRS 2020	TRS 2019	TRS 2018	TRS 2017	TRS 2016	TRS 2015
Contractually required contributions	\$ 497,176	\$ 489,215	\$ 491,579	\$ 435,027	\$ 400,975	\$ 398,087	\$ 385,879	\$ 372,696	\$ 348,498
Contributions in relation to the contractually required contributions	\$ 497,176	\$ 489,215	\$ 491,579	\$ 435,027	\$ 400,975	\$ 398,087	\$ 385,879	\$ 372,696	\$ 348,498
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,265,197	\$ 5,049,092	\$ 5,138,734	\$ 4,442,366	\$ 4,322,677	\$ 4,408,385	\$ 4,141,737	\$ 4,337,012	\$ 3,900,154
Contributions as a percentage of covered payroll	9.44%	9.69%	9.57%	9.79%	9.28%	9.03%	9.32%	8.59%	8.94%

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

Bigfork Public Schools, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

General Revisions - House Bill 101, effective January 1, 2016

Second Retirement Benefit - for PERS

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.

Bigfork Public Schools, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2017 Legislative 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

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 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.
- 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%.

Bigfork Public Schools, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

Lump-sum payouts

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

Disabled PERS Defined Contribution (DC) Members

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

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, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using
Mortality (Healthy members)	Scale BB, males set back 1 year
	For Males and Females: RP 2000 Combined Mortality
Mortality (Disabled members)	Table, with no projections
Admin Expense as % of Payroll	0.28%

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

Bigfork Public Schools, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

Teachers' Retirement System of Montana (TRS)

Changes of Benefit Terms:

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

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

The GABA for Tier 1 members has also been modified as follows:

- If the most recent actuarial valuation of the System shows that the funded ratio is less than 90%, then the maximum increase that can be granted is 0.50%.
- If the funded ratio is at least 90% and the increase is not projected to cause the System's funded ratio to be less than 85%, an increase can be granted to that is greater than 0.50% but not more than 1.50%.

The second tier benefit structure for members hired on or after July 1, 2013 is summarized below:

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

Bigfork Public Schools, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

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

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

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
 - School Districts contributions will increase from 7.47% to 8.47%
 - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
 - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System. This amount will increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 the total employer contribution is equal to 11.85% of re-employed retiree compensation.

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2022:

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return assumption was increased from 7.06% to 7.30%.
- The inflation rate was increased from 2.40% to 2.75%.
- Updated all mortality tables to the PUB-2010 tables for teachers.
- Updated the rates of retirement and termination.
- Updated the salary scale merit rates.

Bigfork Public Schools, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

The following changes to the actuarial assumptions were adopted in 2021:

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

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

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

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

Bigfork Public Schools, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

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.
- 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.

Bigfork Public Schools, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year Ended June 30, 2023

Method and assumptions used in calculations of actuarially determined contributions:

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

SUPPLEMENTAL INFORMATION

Bigfork Public Schools
Flathead County, Montana
Schedule of Enrollment/ANB Schedule
For the Fiscal Year Ended June 30, 2023

Students Grade K – 8

Full-Time Students:

Fall Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	65	65	0
Grades 1-6	397	397	0
Grades 7-8	149	149	0
Spring Enrollment-EI District	MAEFAIRS Reports	District Reports	Difference
Kindergarten Half Day	0	0	0
Kindergarten Full Day	67	67	0
Grades 1-6	404	404	0
Grades 7-8	151	151	0

Part Time Students:

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

Students Grades 9 – 12:

Full-Time Students:

Fall Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grades 9 - 12	354	354	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Spring Enrollment-HS District	MAEFAIRS Reports	District Reports	Difference
Grades 9 - 12	336	336	0
19-year olds included	0	0	0
Job Corps	0	0	0
Youth challenge	0	0	0
Early Graduates	2	2	0
Other	1	1	0

Part Time Students:

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

Bigfork Public Schools
Flathead County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ELEMENTARY FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2023

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Art Fund	\$ 1,024	\$ -	\$ -	\$ -	\$ 1,024
Athletics	6,271	7,000	8,195	-	5,076
Bank (py Band)	673	-	10	-	663
Banking (py Bank fees)	175	-	-	-	175
Eighth Grade	62	2,821	2,883	-	-
Enrichment	606	-	-	-	606
Fifth Grade	58	4,396	3,512	-	942
First Grade	1	-	-	-	1
Fourth Grade	7,859	904	-	-	8,763
General	7,019	6,278	6,182	-	7,115
Grade School	13	-	-	-	13
Library	1,841	1,122	-	-	2,963
Middle School Choir	154	-	-	-	154
Music Boosters	525	-	-	-	525
National History Day	4,050	-	-	-	4,050
National Junior Honor	547	-	-	-	547
Needy Kids	10,236	770	1,035	-	9,971
Partners Club	268	-	-	-	268
Ravenwood	1,084	-	-	-	1,084
Science	17	-	-	-	17
Second Grade	68	-	-	-	68
Seventh Grade	143	-	-	-	143
Sixth Grade	1,031	-	314	-	717
Student Activities - Other	6	-	-	-	6
Student Council	1,307	830	844	-	1,293
Student Store	119	-	-	-	119
Technology	84	-	-	-	84
Third Grade	1,445	1,639	1,639	-	1,445
Trish Shults - FOBS	250	-	-	-	250
Yearbook	4,449	2,400	1,896	-	4,953
Conversion	479	-	-	-	479
Total	<u>\$ 51,864</u>	<u>\$ 28,160</u>	<u>\$ 26,510</u>	<u>\$ -</u>	<u>\$ 53,514</u>

Bigfork Public Schools
Flathead County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - HIGH SCHOOL FUNDS ACCOUNTS
Fiscal Year Ended June 30, 2023

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
AFS	\$ 1,591	\$ -	\$ -	\$ -	\$ 1,591
Alpine Club	517	-	-	-	517
Annual	3,450	9,400	2,054	-	10,796
Art Club	3,795	-	3,000	-	795
Athletics	37,757	73,199	72,686	-	38,270
Band	946	5,656	4,441	-	2,161
Band Fundraising	786	700	27	-	1,459
Basketball Camp Donations	4,890	-	-	-	4,890
Bio Club	179	-	-	-	179
Book Club	1,690	-	-	-	1,690
Boys Basketball	2,246	6,347	8,571	-	22
Captains Club	274	-	-	-	274
Cheerleaders	1,255	365	180	-	1,440
Choir	1,105	543	1,507	-	141
Class of 2022	394	-	392	-	2
Close Up	127	-	-	-	127
Computer Club	386	-	-	-	386
Concessions	120	-	-	-	120
HS Europe	580	3,380	700	-	3,260
FCCLA	56	-	-	-	56
Football Donations	1,888	15,673	11,761	-	5,800
General Activities	1,156	-	-	-	1,156
Girls Basketball	7,191	3,761	2,756	-	8,196
Hiawatha Trail	661	-	-	-	661
HOSA	453	-	-	-	453
HS Pepsi #1	2,095	-	-	-	2,095
Indoor Track	1,290	575	505	-	1,360
Lit Magazine	2,625	1,128	798	-	2,955
National Honor Society	-	1,207	1,020	-	187
Needy Kids Account	7,118	240	52	-	7,306
Newspaper	3,243	2,100	1,103	-	4,240
Prom	5,184	4,205	3,703	-	5,686
Pepsi #1F-SB	(1)	-	-	-	(1)
Pepsi #2-SC	(2)	-	-	-	(2)
SADD	102	-	-	-	102
Scholarships	3,684	-	-	-	3,684
Science Club	2,374	-	-	-	2,374
Special Olympics	1,508	732	1,631	-	609
Speech	3,180	-	87	-	3,093
Stand	75	-	-	-	75
Student Council	3,268	2,361	3,429	-	2,200

Bigfork Public Schools
Flathead County, Montana
EXTRACURRICULAR FUND

SCHEDULE OF REVENUES AND EXPENDITURES - HIGH SCHOOL FUNDS ACCOUNTS - Continued
Fiscal Year Ended June 30, 2023

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In(Out)</u>	<u>Ending Balance</u>
Tennis Club	1,217	508	743	-	982
Tennis Courts	25	-	-	-	25
Tournament	61,471	12,128	13,297	-	60,302
Volleyball	7,986	-	2,845	-	5,141
Wood Shop Club	1,271	-	-	-	1,271
Young Deomocrates	60	-	-	-	60
Conversion Account	1,121	-	-	-	1,121
Clover Clearing Fund	1	-	-	-	1
Total	\$ <u>182,388</u>	\$ <u>144,208</u>	\$ <u>137,288</u>	\$ <u>-</u>	\$ <u>189,308</u>

SINGLE AUDIT SECTION

**Bigfork Public Schools
Flathead County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture School Breakfast Program		Montana Office of Public Instruction	
School Breakfast Program	10.553		\$ 41,346
Total School Breakfast Program			\$ 41,346
National School Lunch Program		Montana Office of Public Instruction	
National School Lunch Program	10.555		\$ 30,824
National School Lunch Program	10.555		134,005
National School Lunch Program	10.555		26,602
Total National School Lunch Program			\$ 191,431
<i>Total United States Department of Agriculture</i>			\$ 232,777
Total Child Nutrition Cluster-Cluster			\$ 232,777
Special Education Cluster (IDEA)-Cluster			
Department of Education Special Education Grants to States		Montana Office of Public Instruction,015-0330-77- 2023	
Special Education Grants to States	84.027		\$ 186,494
Special Education Grants to States	84.027	Montana Office of Public Instruction,015-0330-70- 2022 Covid-19 (84.027X)	65
Total Special Education Grants to States			\$ 186,559
Special Education Preschool Grants		Montana Office of Public Instruction,015-0330-79- 2023	
Special Education Preschool Grants	84.173		\$ 5,104
Total Special Education Preschool Grants			\$ 5,104
<i>Total Department of Education</i>			\$ 191,663
Total Special Education Cluster (IDEA)-Cluster			\$ 191,663
Other Programs			
Department of Education Title I Grants to Local Educational Agencies		Montana Office of Public Instruction,015-0330-31- 2023	
Title I Grants to Local Educational Agencies	84.010		\$ 227,310
Total Title I Grants to Local Educational Agencies			\$ 227,310
Career and Technical Education -- Basic Grants to States		Montana Office of Public Instruction,015-0331-81- 2023	
Career and Technical Education -- Basic Grants to States	84.048		\$ 20,162
Total Career and Technical Education -- Basic Grants to States			\$ 20,162

Bigfork Public Schools
Flathead County, Montana
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Rural Education			
Rural Education	84.358		\$ 39,169
Total Rural Education			\$ 39,169
Student Support and Academic Enrichment Program			
Student Support and Academic Enrichment Program	84.424	Montana Office of Public Instruction,015-0330-52- 2023	\$ 12,500
Total Student Support and Academic Enrichment Program			\$ 12,500
Education Stabilization Fund			
Education Stabilization Fund	84.425	Montana Office of Public Instruction,015-0330-92- 2021 Covid-19 (84.425D)	\$ 246,539
Education Stabilization Fund	84.425	Montana Office of Public Instruction,015-0330-91- 2020 Covid-19 (84.425D)	12,700
Education Stabilization Fund	84.425	Montana Office of Public Instruction,015-0330-93- 2021 Covid-19 (84.425U)	359,934
Total Education Stabilization Fund			\$ 619,173
<i>Total Department of Education</i>			\$ 918,314
United States Environmental Protection Agency			
Air Pollution Control Program Support			
Air Pollution Control Program Support	66.001	Montana Department of Environmental Quality	\$ 5,551
Total Air Pollution Control Program Support			\$ 5,551
<i>Total United States Environmental Protection Agency</i>			\$ 5,551
Total Other Programs			\$ 923,865
Total Expenditures of Federal Awards			\$ 1,348,305

The accompanying notes are an integral part of this schedule

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2023

Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Bigfork Public Schools, Flathead County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the Bigfork Public Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Bigfork Public Schools. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Bigfork Public Schools has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

Value of Federal Awards Expended in the form of Noncash Assistance

- *Food Commodities value equals the fair value at the time of the receipt, \$30,824.*

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South – P.O. Box 1957 Kalispell, MT 59903-1957

**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***

To the Board of Trustees
Bigfork Public Schools
Flathead County
Bigfork, Montana

We have audited, in accordance with the 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 Bigfork Public Schools, Flathead County, Montana, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Bigfork Public School’s basic financial statements and have issued our report thereon dated March 6, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bigfork Public Schools, Flathead County, Montana’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 Bigfork Public Schools, Flathead County, Montana’s internal control. Accordingly, we do not express an opinion on the effectiveness of Bigfork Public Schools’s internal control over financial reporting.

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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses listed as item 2023-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bigfork Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bigfork Public School's Response to Findings

Bigfork Public Schools's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. Bigfork Public School's response was not subject 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.

Denning, Downey and Associates, CPA's, P.C.

March 6, 2024

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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

To the Board of Trustees
Bigfork Public Schools
Flathead County
Bigfork, Montana

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bigfork Public School's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bigfork Public School's Major federal programs for the year ended June 30, 2023. Bigfork Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bigfork Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Bigfork Public School's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Bigfork Public School's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Denning, Downey and Associates, CPA's, P.C.

March 6, 2024

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2023-001 Unrecorded Accounts Payable and Due from Other Governments

Condition:

The District did not accrue expenditures incurred prior to fiscal year ended June 30, 2023 that were paid in fiscal year 2024 as accounts payables. These unrecorded accounts payables caused there to be unrecorded due from other government receivables and revenues.

Context:

We reviewed significant claims paid in July and August 2023 and noted two claims which pertained for services received prior to June 30, 2023. The accounts payables identified caused there to be unrecorded due from other governments as the payables related to reimbursement based grants.

Criteria:

Internal control procedures should be in place to review claims paid shortly after year-end for any which pertain to prior year services.

Effect:

The accounts payables and expenditures were understated \$74,453 in the elementary miscellaneous programs fund, \$34,835 in the general fund, and \$5,573 in the high school miscellaneous programs fund. In addition, the due from other governments and revenues were understated \$74,453 in the elementary miscellaneous programs and \$5,573 in the high school miscellaneous programs. These misstatements have been corrected and are reflected in the financial statements.

Cause:

The District did not review the claims paid in July and August for services which were received prior of June 30, 2023.

Recommendation:

The District should implement internal control procedures which review the claims paid subsequent to year end for amounts that should be recorded as accounts payable and make note of any accounts payables related to grants to recognize the corresponding due from other governments receivables and revenues.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.



BIGFORK PUBLIC SCHOOL DISTRICT 38

*P.O. Box 188,60 0 Commerce Street
Bigfork, Montana 59911
Phone: 406.837.7400 Fax: 406.837.7407*

Home of the
VIKES
and
VALS

Auditee Response FY23 Audit

Contact Person: Lacey Porrovecchio, Business Manager/District Clerk

Expected Completion Date of Corrective Action Plan: Procedure implemented immediately.

Subject: FINDING 2023-001 Unrecorded Accounts Payable and Due From Other Governments

Condition : The District did not accrue expenditures incurred prior to fiscal year ended June 30, 2023 that were paid in fiscal year 2024 as accounts payables. These unrecorded accounts payables caused there to be unrecorded due from other government receivables and revenues.

Corrective Action Plan

Auditee Response:

The District will implement internal control procedures which review the claims paid subsequent to year end for amount s that should be recorded as accounts payable and make note of any accounts payables related to grants to recognize the corresponding due from other governments receivables and revenues. This procedure will be added to existing end of fiscal year processes.