

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
Fiscal Year Ended June 30, 2015

AUDIT REPORT

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

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2015

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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, 2015

BOARD OF TRUSTEES

Paul Sandry
Patricia Landon
Christina Relyea
Zack Anderson
Paul Sullivan Jr.
Jessica Matrinz
Dana Whitney

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Trustee

DISTRICT OFFICIALS

Matt Jensen
Lacey Porrovecchio
Jack Eggensperger
Ed Corrigan

District Superintendent
Business Manager
County Superintendent
County Attorney

**BIGFORK PUBLIC SCHOOLS
SCHOOL DISTRICT #38,
FLATHEAD COUNTY, MONTANA**

MANAGEMENT’S DISCUSSION & ANALYSIS

JUNE 30, 2015

This management’s discussion and analysis provides an overview of the school’s financial activities for the fiscal year ended June 30, 2015.

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, on page 5, 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. 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, etc. The change in total current assets for FY 15 was \$58,586.

The statement of activities comparison, on page 6, 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 15 and FY 14. Some programs included here are instructional, support services, administration, student transportation, and school food. Total revenues for the District, including program and general revenues, for FY 15 increased by \$794,355.

	FY 14	FY 15	Variance
Expenditures	8,344,186	8,862,707	518,521
Revenue	8,371,244	9,165,599	794,355
Changes in Net Position	27,058	302,892	275,834

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.

CAPITAL ASSET AND DEBT ADMINISTRATION

The District's capitalization policy sets our capitalization amount at \$5,000. The district's capital assets include land, buildings, buses and other vehicles, and other major equipment. Net capital assets for the District have decreased by \$154,041.

The District does have outstanding general obligation bonds. In October 2007, the voters in the Bigfork Elementary School District authorized the issue and sale of general obligation bonds in the principal amount of \$5.5 million for the purpose of providing funds to pay the costs of designing, constructing, furnishing, and equipping improvements to the elementary school facilities and to make site improvements. Bonds were sold in November 2008: General Obligation Bonds, Series 2008). In October, because of low interest rates, the elementary district refunded the general obligation bonds. Glacier Bank bought them for an overall savings to district taxpayers of approximately \$140,000. Final payment will be in July 2023. In addition, the District implemented GASB 68 and reported a net pension liability of \$5,172,826.

THE FUTURE OF THE DISTRICT

The fall enrollment report completed in October 2015 shows that our overall elementary enrollment has increased by 16 students. K-6 enrollment increased by 5 students and grade 7 & 8 enrollment increased by 11 students. Our high school enrollment is showing a slight decrease after three years of gains.

ENROLLMENT	Fall 2015	2014-15	2013-14	2012-13
Elementary School (total)	572	556	540	523
K-6	427	422	416	397
7 & 8	145	134	124	126
High School	287	297	286	272

Special Education continues to be a major expenditure. Due to increased enrollment of special education students, the district no longer co-ops with Evergreen. The district employs it's own Special Education Director and in FY 15 used 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 \$116,156.97 and the High School special education expenses exceeded funds available by \$18,242.57.

SPECIAL EDUCATION	Elementary School	High School
State Allowable Cost	\$114,086.00	\$59,479.00
Required District Match	\$37,648.38	\$19,628.07
Federal Part B	\$110,254.00	\$53,004.00
Tuition Fund	\$24,648.74	\$36,942.00
TOTALS	\$286,637.12	\$169,053.07
District Expenses	\$402,794.09	\$187,295.64

In FY 15 the Food Service Fund was not supported by the general funds for the first time in many years. Expenditures in the Food Service Fund were \$222,556 and revenues were \$238,312.12. Efforts to decrease costs while at the same time increase revenues are working. The board implemented a no-charge policy for school lunches and staffing changes have contributed to the health of the Food Service Fund.

Due to the age of our high school facility, the board approved running a \$14,000,000 high school bond election. The bond passed with 64% of votes cast in favor of the bond on October 9, 2015. In June 2016, construction will begin. Construction will include renovation of existing spaces, additions to the high school and relocation of the bus barn. The last major addition to the high school was in 1977. Currently some high school classes are held in the middle school. When the high school project is complete, those classes will be moved, alleviating crowding in the middle school.

Given increasing operational costs, an increase in sustainable funding will be necessary to maintain desired staff levels and programs and to continue the District's desire to improve teacher salaries and keep class sizes low. Should funding levels not increase to a sufficient level, staff will have to be reduced thus increasing class sizes and requiring a cut back in programs. Since school funding levels are decided bi-annually by the state legislature, the future of school funding is still uncertain.

For more information:

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

Superintendent: Matthew Jensen, 406-837-7400, mattj@bigfork.k12.mt.us

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

Bigfork Public Schools, Flathead County, Montana
MD & A Comparisons
June 30, 2015

Table 1 - Net Position

	Governmental Activities		
	<u>FY15</u>	<u>FY14</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 2,202,251	\$ 2,106,796	\$ 95,455
Capital assets	7,139,231	7,293,272	(154,041)
Total assets	<u>9,341,482</u>	<u>9,400,068</u>	<u>(58,586)</u>
Long-term debt outstanding	\$ 4,368,309	\$ 4,662,262	\$ (293,953)
Other liabilities	5,328,669	149,045	5,179,624
Total liabilities	<u>9,696,978</u>	<u>4,811,307</u>	<u>4,885,671</u>
Invested in capital assets, net of debt	3,734,231	3,533,272	200,959
Restricted	1,219,570	1,131,360	88,210
Unrestricted (deficit)	<u>(5,629,597)</u>	<u>(75,871)</u>	<u>(5,553,726)</u>
Total net position	<u>\$ (675,796)</u>	<u>\$ 4,588,761</u>	<u>\$ (5,264,557)</u>

Bigfork Public Schools, Flathead County, Montana
MD & A Comparisons
June 30, 2015

Table 2 - Changes in Net Position

	Governmental Activities		Change Inc (Dec)
	<u>FY15</u>	<u>FY14</u>	
Revenues			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 121,881	\$ 120,998	\$ 883
Operating grants and contributions	1,338,495	1,185,024	153,471
<i>General revenues (by major source):</i>			
Property taxes for general purposes	3,705,983	3,323,739	382,244
Grants and entitlements not restricted to specific programs	2,714,229	2,573,953	140,276
Other state grants	193,089	-	193,089
Investment earnings	14,041	10,384	3,657
Miscellaneous (other revenue)	9,100	103,714	(94,614)
State entitlement (block grants)	339,469	316,334	23,135
State technology	5,686	11,016	(5,330)
County retirement	723,626	726,082	(2,456)
Total revenues	<u>\$ 9,165,599</u>	<u>\$ 8,371,244</u>	<u>\$ 794,355</u>
Program expenses			
Instructional - regular	\$ 4,253,664	\$ 4,110,070	\$ 143,594
Instructional - special education	562,350	643,402	(81,052)
Instructional - vocational education	192,768	50,472	142,296
Supporting services - operations & maintenance	788,695	722,834	65,861
Supporting services - general	346,699	249,374	97,325
Supporting services - educational media services	185,282	168,387	16,895
Administration - general	249,484	216,521	32,963
Administration - school	477,104	405,361	71,743
Administration - business	241,846	261,352	(19,506)
Student transportation	673,156	647,863	25,293
Extracurricular	273,873	249,284	24,589
School food	222,556	226,788	(4,232)
Debt service expense - interest	129,041	140,041	(11,000)
Unallocated depreciation*	266,189	252,437	13,752
Total expenses	<u>\$ 8,862,707</u>	<u>\$ 8,344,186</u>	<u>\$ 518,521</u>
Excess (deficiency) before special items and transfers	302,892	27,058	275,834
Increase (decrease) in net position	<u><u>\$ 302,892</u></u>	<u><u>\$ 27,058</u></u>	<u><u>\$ 275,834</u></u>

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

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bigfork Public Schools, Flathead County, Montana, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to 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 Bigfork Public Schools, Flathead County, Montana, as of and for the year ended June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As described in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB statement No. 68, *Accounting and financial Reporting for Pensions, (an amendment of GASB No. 27)*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding for other post employment benefits other than pensions, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 6, 46 through 47, 48, 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures for the extracurricular fund and the schedule of enrollment are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The accompanying schedule of revenues and expenditures for the extracurricular fund, the schedule of enrollment and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bigfork Public Schools, Flathead County, Montana's internal control over financial reporting and compliance.

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

March 25, 2016

Bigfork Public Schools, Flathead County, Montana
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 1,963,430
Taxes and assessments receivable, net	84,309
Due from other governments	154,512
Total current assets	\$ 2,202,251
Noncurrent assets	
Capital assets - land	\$ 11,696
Capital assets - depreciable, net	7,127,535
Total noncurrent assets	\$ 7,139,231
Total assets	\$ 9,341,482
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	\$ 156,264
Deferred outflows of resources - district contributions	413,007
Total deferred outflows of resources	\$ 569,271
LIABILITIES	
Current liabilities	
Accrued payroll	\$ 155,843
Current portion of long-term liabilities	7,000
Current portion of long-term capital liabilities	370,000
Current portion of compensated absences payable	124,885
Total current liabilities	\$ 657,728
Noncurrent liabilities	
Noncurrent portion of long-term liabilities	\$ 541,057
Noncurrent portion of long-term capital liabilities	3,035,000
Noncurrent portion of compensated absences	290,367
Net pension liability	5,172,826
Total noncurrent liabilities	\$ 9,039,250
Total liabilities	\$ 9,696,978
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	\$ 889,571
Total Deferred Inflows of resources	\$ 889,571
NET POSITION	
Net investment in capital assets	\$ 3,734,231
Restricted for capital projects	273,966
Restricted for debt service	34,779
Restricted for special projects	910,825
Unrestricted	(5,629,597)
Total net position	\$ (675,796)

See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Position</u>
Primary government:		<u>Services</u>	<u>Grants and</u>	<u>Primary Government</u>
Governmental activities:			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Instructional - regular	\$ 4,253,664	\$ 42,835	\$ 589,757	\$ (3,621,072)
Instructional - special education	562,350	-	374,383	(187,967)
Instructional - vocational education	192,768	-	23,723	(169,045)
Supporting services - operations & maintenance	788,695	-	512	(788,183)
Supporting services - general	346,699	-	-	(346,699)
Supporting services - educational media services	185,282	-	-	(185,282)
Administration - general	249,484	-	-	(249,484)
Administration - school	477,104	-	-	(477,104)
Administration - business	241,846	-	-	(241,846)
Student transportation	673,156	-	192,098	(481,058)
Extracurricular	273,873	-	-	(273,873)
School food	222,556	79,046	158,022	14,512
Debt service expense - interest	129,041	-	-	(129,041)
Unallocated depreciation*	266,189	-	-	(266,189)
Total primary government	\$ <u>8,862,707</u>	\$ <u>121,881</u>	\$ <u>1,338,495</u>	\$ <u>(7,402,331)</u>
General Revenues:				
			\$	3,705,983
			\$	2,714,229
				193,089
				14,041
				9,100
				339,469
				5,686
				723,626
Total general revenues, special items and transfer:			\$	<u>7,705,223</u>
Change in net position			\$	<u>302,892</u>
Net position - beginning			\$	4,588,761
Restatements				<u>(5,567,449)</u>
Net position - beginning - restated			\$	<u>(978,688)</u>
Net position - end			\$	<u>(675,796)</u>

* 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, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Current assets:			
Cash and investments	\$ 794,122	\$ 1,169,308	\$ 1,963,430
Taxes and assessments receivable, net	58,104	26,205	84,309
Due from other governments	80,874	73,638	154,512
Total assets	\$ 933,100	\$ 1,269,151	\$ 2,202,251
Current liabilities:			
Accounts payable	-	-	-
Accrued payroll	106,262	49,581	155,843
Total liabilities	\$ 106,262	\$ 49,581	\$ 155,843
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ 58,104	\$ 26,205	\$ 84,309
Total deferred inflows of resources	\$ 58,104	\$ 26,205	\$ 84,309
FUND BALANCES			
Restricted	-	1,194,087	1,194,087
Assigned	165,946	-	165,946
Unassigned fund balance	602,788	(722)	602,066
Total fund balance	\$ 768,734	\$ 1,193,365	\$ 1,962,099

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, 2015

Total fund balances - governmental funds	\$	1,962,099
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,139,231
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.		84,309
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(4,368,309)
Proportionate share of ending collective net pension liability		(5,172,826)
Deferred outflows related to net pension liability		569,271
Deferred inflows related to net pension liability		(889,571)
Total net position - governmental activities	\$	<u><u>(675,796)</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, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local revenue	\$ 2,634,124	\$ 1,450,415	\$ 4,084,539
County revenue	-	788,385	788,385
State revenue	3,222,939	302,293	3,525,232
Federal revenue	-	697,037	697,037
Total revenues	<u>\$ 5,857,063</u>	<u>\$ 3,238,130</u>	<u>\$ 9,095,193</u>
EXPENDITURES			
Instructional - regular	\$ 3,094,984	\$ 989,163	\$ 4,084,147
Instructional - special education	266,007	296,343	562,350
Instructional - vocational education	143,818	48,950	192,768
Supporting services - operations & maintenance	719,588	57,990	777,578
Supporting services - general	303,873	42,441	346,314
Supporting services - educational media services	157,200	28,082	185,282
Administration - general	214,712	34,772	249,484
Administration - school	415,323	61,781	477,104
Administration - business	191,866	49,980	241,846
Student transportation	61,939	549,306	611,245
Extracurricular	195,056	78,032	273,088
School food	-	222,556	222,556
Debt service expense - principal	-	355,000	355,000
Debt service expense - interest	-	129,041	129,041
Capital outlay	8,500	186,745	195,245
Total expenditures	<u>\$ 5,772,866</u>	<u>\$ 3,130,182</u>	<u>\$ 8,903,048</u>
Net Change in Fund Balance	<u>\$ 84,197</u>	<u>\$ 107,948</u>	<u>\$ 192,145</u>
Fund balances - beginning	\$ 671,529	\$ 1,079,230	\$ 1,750,759
Restatements	13,008	6,187	19,195
Fund balances - beginning, restated	<u>\$ 684,537</u>	<u>\$ 1,085,417</u>	<u>\$ 1,769,954</u>
Fund balance - ending	<u>\$ 768,734</u>	<u>\$ 1,193,365</u>	<u>\$ 1,962,099</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, 2015

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

Net change in fund balances - total governmental funds	\$	192,145
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		195,245
- Depreciation expense		(351,350)
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 revenue)		(122,683)
The change in compensated absences is shown as an expense in the Statement of Activities		
		24,130
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		355,000
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:		
- Termination benefits, beginning of the year		28,000
- Termination benefits, end of the year		(21,000)
- Post-employment benefits other than retirement liability		(92,177)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance		
		(510,514)
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		
		193,089
Current year contributions to retirement reclassified to deferred outflows		
		413,007
Change in net position - Statement of Activities	\$	<u>302,892</u>

See accompanying Notes to the Financial Statements

Bigfork Public Schools, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2015

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 125,507	\$ 164,713
Total assets	<u>\$ 125,507</u>	<u>\$ 164,713</u>
LIABILITIES		
Warrants payable	\$ -	\$ 96,657
Due to others	-	68,056
Total liabilities	<u>\$ -</u>	<u>\$ 164,713</u>
NET POSITION		
Assets held in trust	<u>\$ 125,507</u>	

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, 2015

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Student activities	\$ 136,124
Total additions	\$ 136,124
 DEDUCTIONS	
Student activities	\$ 123,134
Total deductions	\$ 123,134
Change in net position	\$ 12,990
 Net Position - Beginning of the year	 \$ 112,517
Net Position - End of the year	\$ 125,507

See accompanying Notes to the Financial Statements

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for years beginning after June 15, 2014 (fiscal year ended June 30, 2015, for the District). The statement establishes accounting and financial reporting standards for the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The statement requires the liability of employers for defined benefit pensions to be measured as the portion of the present, value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The statement also requires employers to present, as required supplementary information, information about the changes in the net pension liability and the related ratios, including the plan's fiduciary net position as a percentage of total pension liability, and the net pension liability, as a percentage of covered-employee payroll. As a cost-sharing employer under this statement, the District is required to recognize a liability for its proportionate share of the net pension liability, and to recognize pension expense and report deferred outflows and deferred inflows. The District is further required to present as required supplementary information a 10- year schedule containing the net pension liability and certain related ratios, and information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios. The District adopted GASB Statement No. 68 in 2015 by retroactively restating financial statements for all periods presented.

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 units' 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.

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

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 reporting entity except fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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 and 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.

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type 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 assets are available.

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be 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.

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 to be 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 acquisitions under capital leases are reported as other financing sources.

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.

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:

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Student Extracurricular Activities Fund – The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the “Student Activity Fund Accounting” guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the District as an agent for individuals, private organizations, other local governmental entities and the District’s claims and payroll clearing funds.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

The District’s cash, except for the Student Extracurricular Fund (an expendable trust) 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, 2015, consisted of certificates of deposit, Federal Home Loans, U.S. Government Securities, and Federal National Mortgage Association investments. 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 South Main Street, Kalispell, MT 59901. Fair value approximates carrying value for investments as of June 30, 2015.

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.

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Deposits

The District's deposit balance at year end was \$125,506 and the bank balance was \$131,705 which was fully insured by FDIC.

NOTE 3. RECEIVABLES

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

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 District. 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 taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

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.

NOTE 4. INVENTORIES

The costs of inventories are recorded as expenditures 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
Vehicles and heavy equipment	8-20 years

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the District has included the value of all infrastructure into the 2015 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

Governmental activities:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifying</u>	<u>Restatements</u>	Balance <u>June 30, 2015</u>
Capital assets not being depreciated:						
Land	\$ 11,696	\$ -	\$ -	\$ -	\$ -	\$ 11,696
Total capital assets not being depreciated	\$ 11,696	\$ -	\$ -	\$ -	\$ -	\$ 11,696
Other capital assets:						
Buildings	\$ 10,218,992	\$ -	\$ -	\$ -	\$ -	\$ 10,218,992
Improvements other than buildings	56,708	-	-	(29,268)	-	27,440
Machinery and equipment	2,145,809	195,245	(5,000)	29,268	(6,073)	2,359,249
Total other capital assets at historical cost	\$ 12,421,509	\$ 195,245	\$ (5,000)	\$ -	\$ (6,073)	\$ 12,605,681
Less: accumulated depreciation	\$ (5,139,933)	\$ (351,350)	\$ 5,000	\$ -	\$ 8,137	\$ (5,478,146)
Total	\$ <u>7,293,272</u>	\$ <u>(156,105)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,064</u>	\$ <u>7,139,231</u>

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

Governmental Activities:

Instructional – regular	\$ 10,963
Supporting services – operations and maintenance	11,117
Supporting services – general	385
Student transportation	61,911
Extracurricular	785
Unallocated	<u>266,189</u>
Total governmental activities depreciation expense	\$ <u>351,350</u>

NOTE 6. OPERATING LEASE COMMITMENTS

The District is bound by several lease commitments which are considered for accounting purposes to be operating leases. Minimum lease payments for the fiscal year ended June 30, 2015, amounted to \$19,383. For those operating leases having remaining noncancellable lease terms, the future minimum rental payments are as follows:

Year Ended	<u>Items Leased</u>
<u>June 30</u>	<u>Copier Lease</u>
2016	\$19,442
2017	\$19,442

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2015, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	Balance <u>June 30, 2015</u>	Due Within <u>One Year</u>
General obligation bonds \$	3,760,000	\$ -	\$ (355,000)	\$ -	\$ 3,405,000	\$ 370,000
Compensated absences	439,382	-	(24,130)	-	415,252	124,885
Retiree liability	28,000	-	(7,000)	-	21,000	7,000
Net pension liability**	-	-	(915,157)	6,087,983	5,172,826	-
Other post-employment benefits*	434,880	92,177	-	-	527,057	-
Total	<u>\$ 4,662,262</u>	<u>\$ 92,177</u>	<u>\$ (1,301,287)</u>	<u>\$ 6,087,983</u>	<u>\$ 9,541,135</u>	<u>\$ 501,885</u>

*See Note 8

**See Note 9

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, 2015 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2015</u>
Elementary Building, Series 2008	02/28/08	3.05-5%	15 yrs	07/01/23	\$ <u>5,500,000</u>	Varies	\$ <u>3,405,000</u>

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 370,000	\$ 141,762
2017	380,000	127,332
2018	400,000	112,132
2019	415,000	95,932
2020	430,000	78,710
2021	450,000	60,650
2022	470,000	41,525
2023	490,000	21,320
Total	<u>\$ 3,405,000</u>	<u>\$ 679,363</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.

Special Retirement Benefits

The District offers early retirement incentives which are intended to provide teachers flexibility in developing new career options through capitalization of financial incentives of value to both the teacher and to the District. The incentive offered certified staff in fiscal year ending June 30, 2012 was a cash payment of \$21,000 to be paid over three years beginning in fiscal year ended June 30, 2013. The District had 6 employees participating in this incentive. In addition, District offered an administrative employee cash payment of \$49,000 to be paid over seven years beginning in fiscal year ended June 30, 2013. The District recorded a liability of \$21,000, for retirement incentives due as of June 30, 2015.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The Bigfork School District has a single-employer defined benefit healthcare plan. Bigfork School District provides medical benefits to eligible retirees and their spouses.

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Retirees of Bigfork School District #38 and their eligible dependents shall be eligible under this plan if the retiree satisfies one of the following conditions.

1. The retired person was an eligible covered employee under this plan on the day immediately before the date of retirement and retired pursuant to the terms of the Montana Teachers Retirement System or Public Employees Retirement laws and is eligible for coverage pursuant to the terms of 2-181-704, MCA, as amended from time to time.
2. The retired person was an eligible covered employee under this plan on the day immediately before the date of retirement, was not eligible for retirement under the terms of 2-18-407, MCA, but was eligible for retirement under the terms and conditions of the employment policies and practices of the Member Group with which the person was employed on the day immediately before retirement.

The plan does not issue a stand alone financial report.

Funding Policy. The contribution requirements of plan members and the State are established and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

Annual Required Contribution (ARC)	\$	92,177
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	92,177
Contributions made		-
Increase in net OPEB obligation	\$	92,177
Net OPEB obligation - beginning of year		434,880
Net OPEB obligation - end of year	\$	527,057

Funded Status and Funding Progress. As of July 1, 2012 the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability (AAL) for benefits was \$742,127, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$742,127.

BIGFORK PUBLIC SCHOOLS
 FLATHEAD COUNTY, MONTANA
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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

The actuarial funding method used to determine the cost of the Bigfork Public School is the projected unit credit funding method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled to at retirement is broken down into units, each associated with a year of past or future credited service. Typically, when this method is introduced there will be an initial liability for benefits credited for services prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with and amortization schedule.

The actuarial assumptions include a:

- 4.25% Investment/discount rate
- 2.5% Projected payroll increases
- 45% Of future retirees are assumed to elect coverage at the time of retirement
- 48% Of future eligible spouses of future retirees are assumed to elect medical coverage

The actuarial assumption also included the following healthcare cost trend:

	<u>Initially</u>	<u>By 2015</u>
Medical and prescription drugs	10%	8.0%

NOTE 9. NET PENSION LIABILITY

Plan Descriptions

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

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA
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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.

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

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

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. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

TRS

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

BIGFORK PUBLIC SCHOOLS
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- 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 calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members 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. The legislative enactment that allows for reduction of the GABA for Tier One members is currently being litigated. A temporary restraining order requires continued calculation of the GABA at the full 1.5% rate for Tier One members pending resolution of the litigation.

PERS

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

Eligibility for benefit

Service retirement:

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

Hired on or after July 1, 2011: Age 65, 5 years of membership 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.

Vesting

5 years of membership service

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;

BIGFORK PUBLIC SCHOOLS
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June 30, 2015

- 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)**

- 3% for members hired prior to July 1, 2007
 - 1.5% for members hired on or after July 1, 2007
- 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.

*At this time, as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

Overview of Contributions

TRS

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.

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.

PERS

1. Rates are specified by state law for periodic employer and employee contributions.

The State legislature has the authority to establish and amend contribution rates to the plan.

2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

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- b. The 7.90% member contributions is 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.
- 3. Employer contributions to the system:
 - a. Local government entities are required to contribution 8.17% of members' compensation.
 - b. School district employers contributed 7.90% of members' compensation.
 - c. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
 - d. Effective July 1, 2013, the additional employer contributions for DCRP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
 - e. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- 4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes from the Coal Tax Severance fund

Stand-Alone Statements

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

The PERS stand-alone financial statements, actuarial valuations and experience studies can be found online at, <http://mpera.mt.gov/annualReports.shtml> and <http://mpera.mt.gov/actuarialValuations.asp>

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Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability (NPL), Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. 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 and PERS that are used to provide pension benefits to the retired members. 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 State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	TRS NPL as of 6/30/13	TRS NPL as of 6/30/14	Percent of Collective NPL	PERS NPL as of 6/30/13	PERS NPL as of 6/30/14	Percent of Collective NPL	Total NPL as of 6/30/13	Total NPL as of 6/30/14	Percent of Collective NPL
Employer Proportionate Share	\$ 5,018,468	\$ 4,341,713	0.2821%	\$ 1,069,515	\$ 831,113	0.0667%	\$ 6,087,983	\$ 5,172,826	0.3488%
State of Montana Proportionate Share associated with Employer	3,440,023	2,976,125	0.1934%	49,996	38,852	0.3244%	3,490,019	3,014,977	0.5178%
Total	<u>\$ 8,458,491</u>	<u>\$ 7,317,838</u>	<u>0.48%</u>	<u>\$ 1,119,511</u>	<u>\$ 869,965</u>	<u>0.3911%</u>	<u>\$ 9,578,002</u>	<u>\$ 8,187,803</u>	<u>0.8666%</u>

At June 30, 2015, the employer recorded a liability of \$5,172,826 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS and PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of TRS and PERS participating employers. At June 30, 2014, the employer's proportion was 0.3488 percent.

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Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs that affected the measurement of the Total Pension Liability have been made since the previous measurement date for TRS.

- 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 expensed 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.

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability for PERS.

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 employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

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Pension Expense as of 6/30/14

	<u>TRS</u>	<u>PERS</u>	<u>Total</u>
Proportionate Share	\$ 277,221	\$ 40,204	\$ 317,425
State of Montana			
Proportionate Share	166,652	26,437	193,089
associated with the			
Employer			
Total	<u>\$ 443,873</u>	<u>\$ 66,641</u>	<u>\$ 510,514</u>

At June 30, 2015, the employer recognized a Pension Expense of \$510,514 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$193,089 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$499,275.

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of TRS' and PERS deferred outflows of resources and deferred inflows of resources related to TRS and PERS from the following sources:

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	TRS Deferred Outflows of Resources	TRS Deferred Inflows of Resources	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,950	\$ -	\$ -	\$ -	\$ 42,950	\$ -
Changes in actuarial assumptions	98,402	-	-	-	98,402	-
Difference between projected and actual investment earnings	-	672,471	-	214,746	-	887,217
Difference between actual and expected contributions	14,912	-	-	2,354	14,912	2,354
*Contributions paid subsequent to the measurement date - FY 2015 Contributions	348,498		64,509	-	413,007	-
Total	<u>\$ 504,762</u>	<u>\$ 672,471</u>	<u>\$ 64,509</u>	<u>\$ 217,100</u>	<u>\$ 569,271</u>	<u>\$ 889,571</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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TRRS: Year ended June 30, 2015:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ 52,088	\$ 168,118	\$ (116,030)
2017	\$ 52,088	\$ 168,118	\$ (116,030)
2018	\$ 52,088	\$ 168,118	\$ (116,030)
2019	\$ -	\$ 168,118	\$ (168,118)

PERS: Year ended June 30, 2015:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 54,471	\$ (54,471)
2017	\$ -	\$ 54,471	\$ (54,471)
2018	\$ -	\$ 54,471	\$ (54,471)
2019	\$ -	\$ 53,686	\$ (53,686)

Actuarial Assumptions

TRRS

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of July 1, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Total Wage Increases* 8.51%
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases 1.50%
(starting three years after retirement)
- Mortality among contributing members, service retired members, and beneficiaries
 - 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
 - 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.

*Total Wage Increases include 4.00% general wage increase assumption and 4.51% merit and longevity increases.

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 June 30, 2015

PERS

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired on or after July 1, 2007

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.

*At this time as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

TRS

The discount rate used to measure the total pension liability was 7.75%. 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 2116. 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.

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 June 30, 2015

PERS

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. 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 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

TRS

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis
Broad US Equity	36.00%	4.80%
Broad International Equity	18.00%	6.05%
Private Equity	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%
Core Real Estate	4.00%	4.50%
High Yield Bonds	2.60%	3.25%
Non-Core Real Estate	4.00%	7.50%
Total	100.00%	

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. 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 a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2014, is summarized in the above table.

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 FLATHEAD COUNTY, MONTANA
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PERS

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%
Total	100.00%	

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

Sensitivity Analysis

	1.0% Decrease	Current Discount Rate	1.0% Increase
	-6.75%		-8.75%
TRS	\$ 6,032,020	\$ 4,341,713	\$ 2,913,663
PERS	\$ 1,322,215	\$ 831,113	\$ 416,917

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 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

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Summary of Significant Accounting Policies

The Teachers' Retirement System (TRS) and The Montana Public Employee Retirement Administration (MPERA) 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 and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by TRS or MPERA. 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 and MPERA adhere to all applicable Governmental Accounting Standards Board (GASB) statements.

NOTE 10. 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.

NOTE 11. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government 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 government 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>
All other aggregate	\$ 50,053	Instructional - regular
	189,950	Supporting services – operations & maintenance
	9,002	Future technology upgrades
	11,967	Future vacation and sick leave payments
	261,127	Third party grant restrictions
	217,243	Employer cost of benefits
	125,371	Student transportation
	204,649	Bus replacement
	46,617	School food services
	11,845	Debt service
	<u>66,263</u>	Capital projects
Total	<u>\$1,194,087</u>	

BIGFORK PUBLIC SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Other Significant Commitments

Encumbrances

<u>Fund</u>	<u>Amount of Encumbrance</u>
General	\$ <u>165,946</u>

NOTE 12. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be eliminated</u>
High School Tuition	\$ (772)	Increase in special education expenditures	Subsequent tax revenue collections

NOTE 13. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
EL General	2,459	Prior Period revenue adjustment
HS General	7,802	Prior Period revenue adjustment
EL Flexibility	1,373	Prior Period revenue adjustment
HS Flexibility	1,374	Prior Period revenue adjustment
EL Transportation	2,024	Prior Period revenue adjustment
EL Debt Service	50	Prior Period revenue adjustment
EL Building	875	Prior Period revenue adjustment
EL Building Reserve	372	Prior Year Encumbrance adjustment
HS Transportation	2,024	Prior Period revenue adjustment
HS School Food Services	15	Prior Period revenue adjustment
HS Miscellaneous Programs	812	Prior Period revenue adjustment
HS Debt Service	15	Prior Period revenue adjustment
Governmental Activities	(5,588,708)	GASB#68 liability adjustment
Governmental Activities	2,737	Capital assets restatement

NOTE 14. 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.

BIGFORK PUBLIC SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
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The District is a member of the Northwest Montana Education Cooperative. The purpose is to maintain and employ personnel to oversee and coordinate the operation and management of education services including joint purchases of materials and the curriculum development process. The Cooperative is comprised of 19 member districts, each of which contributes to the operating costs of the Cooperative based on an annual fiscal budget adopted by the Cooperative and the benefits derived from the Cooperative's services. Kalispell School District #5 is designated as the prime agency for the Interlocal. Every year, each member district appoints a member to the Joint Advisory Board. From this board, a five member Management Council is elected to administer the Cooperative. The County Superintendent of Schools is the prime fiscal agent. Separate financial statements are available from the Flathead County Education Cooperative.

The District is also 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 that District's representative on the Management Board. 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 placement fee based of \$400 for each participating student. Each District is also charged a fee of \$2.00 per ANB count based on the Spring count for students grades 1 through 8.

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.

District also established a Multidistrict Interlocal for the purpose of providing joint funding of operations and maintenance of both Elementary and High School districts. Bigfork Elementary District is designated as the prime agency and established a nonbudgeted interlocal cooperative fund for the purpose of financial administration of the Interlocal.

NOTE 15. 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 made 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.

BIGFORK PUBLIC SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 16. RISK MANAGEMENT

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

Insurance Policies:

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

Insurance Pools:

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

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.

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NOTE 17. SUBSEQUENT EVENTS

The voters passed a High School General Obligation Bond for \$14,000,000 in October, 2015. District entered into the agreement with Glacier Bank to purchase the bonds. Dorsey & Whitney was used as the bond council.

District also refinanced Elementary General Obligation Series 2008 bond, which had an outstanding balance of \$3,405,000 as of June 30, 2015.

**REQUIRED SUPPLEMENTAL
INFORMATION**

Bigfork Public Schools, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Local revenue	\$ 2,570,694	\$ 2,570,694	\$ 2,633,893	\$ 63,199
State revenue	3,181,522	3,181,522	3,181,522	-
Amounts available for appropriation	<u>\$ 5,752,216</u>	<u>\$ 5,752,216</u>	<u>\$ 5,815,415</u>	<u>\$ 63,199</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instructional - regular	\$ 3,011,050	\$ 3,011,050	\$ 3,027,812	\$ (16,762)
Instructional - special education	263,374	263,374	266,007	(2,633)
Instructional - vocational education	143,819	143,819	143,818	1
Supporting services - operations & maintenance	702,352	702,352	693,584	8,768
Supporting services - general	306,222	306,222	306,223	(1)
Supporting services - educational media services	157,342	157,342	157,342	-
Administration - general	252,848	252,848	252,849	(1)
Administration - school	400,626	400,626	417,583	(16,957)
Administration - business	208,932	208,932	191,975	16,957
Student transportation	62,059	62,059	61,939	120
Extracurricular	190,797	190,797	190,797	-
Capital outlay	27,795	27,795	36,295	(8,500)
Other current charges	25,000	25,000	-	25,000
Total charges to appropriations	<u>\$ 5,752,216</u>	<u>\$ 5,752,216</u>	<u>\$ 5,746,224</u>	<u>\$ 5,992</u>
Net change in fund balance			<u>\$ 69,191</u>	
Fund balance - beginning of the year			\$ 479,782	
Restatements			10,261	
Fund balance - beginning of the year - restated			<u>\$ 490,043</u>	
Fund balance - end of the year			<u><u>\$ 559,234</u></u>	

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	\$ 5,815,415
Combined funds (GASBS 54) revenues	41,648
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ 5,857,063
Uses/Outflows of resources	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,746,224
Combined funds (GASBS 54) expenditures	18,590
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	
- Encumbrances reported at the beginning of the year	164,507
- Encumbrances reported at the end of the year	(156,455)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 5,772,866

Bigfork Public School, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2015

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 549,837	\$ 549,837	0%	\$ 3,454,921	15.9%
July 1, 2012	\$ -	\$ 742,127	\$ 742,127	0%	\$ 4,256,856	17.4%

Changes in plan provisions effective July 1, 2011

Changed vendors and plans offered

Preexisting condition waiting period has been waived

Fully-covered in-Network Preventive Benefits have been implemented

Comprehensive Life Maximum has been removed

Definition of eligible dependent has changed

Bigfork Public Schools, Flathead County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

	TRS 2015	PERS 2015
Employer's proportion of the net pension liability	\$ 4,341,713	\$ 831,113
Employer's proportionate share of the net pension liability associated with the Employer	0.2821%	0.066702%
State of Montana's proportionate share of the net pension liability associated with the Employer	2,976,125	38,852
Total	\$ 7,317,838	\$ 869,965
Employer's covered-employee payroll	\$ 3,936,989	\$ 781,201
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.280%	106.389%
Plan fiduciary net position as a percentage of the total pension liability	70.36%	79.9%

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, 2015

	TRS 2015	PERS 2015
Contractually required contributions	\$ 348,498	\$ 61,506
Contributions in relation to the contractually required contributions	348,498	61,506
Contribution deficiency (excess)		-
District's covered-employee payroll	\$ 3,936,989	\$ 781,201
Contributions as a percentage of covered-employee payroll	8.852%	7.873%

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, 2015

Teachers Retirement System of Montana (TRS)

Changes of assumptions: The following changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date:

- 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 expensed to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
 For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
 For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
 For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open Remaining
amortization period	28 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

Public Employees' Retirement System of Montana (PERS)

Changes of assumptions:

Assumptions related to future member contribution rates have been updated based on revised projections, which incorporate Plan experience over the year ending on the valuation date.

Assumptions related to the Guaranteed Annual Benefit Adjustment (GABA) for members hired on or after July 1, 2013 have been added, given new guidance on the GABA applicable to these members.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	3 percent
Rate of Increase in Total Payroll	4 percent
Investment rate of return	7.75 percent

SUPPLEMENTAL INFORMATION

BIGFORK PUBLIC SCHOOLS
Flathead County, Montana
SCHEDULE OF ENROLLMENT
For the Fiscal Year Ended June 30, 2015

Fall Enrollment - October, 2014

Elementary School District

	FALL		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	71	71	0
Grades 1-6	351	351	0
Grades 7-8	134	134	0
Total Elementary	<u>556</u>	<u>556</u>	<u>0</u>

High School District

	FALL		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Grades 9-12	297	297	0
19 year-olds	0	0	0
Job Corps students	1	1	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	2	3	2	0	2	3	2	0

Winter Enrollment - December, 2014

Elementary School District

	WINTER		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Kindergarten Full	73	73	0
Grades 1-6	353	353	0
Grades 7-8	138	138	0
Total Elementary	<u>564</u>	<u>564</u>	<u>0</u>

High School District

	WINTER		
	Per Enrollment	Audit Per	
	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
Grades 9-12	293	293	0
19 year-olds	0	0	0
Job Corps students	0	0	0

BIGFORK PUBLIC SCHOOLS
Flathead County, Montana
SCHEDULE OF ENROLLMENT - continued
For the Fiscal Year Ended June 30, 2015

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	2	4	1	0	2	4	1	0

Spring Enrollment - February, 2015

Elementary School District

SPRING

	Per Enrollment	Audit Per	<u>Difference</u>
	<u>Reports</u>	<u>District Records</u>	
Kindergarten - Full	74	74	0
Grades 1-6	349	349	0
Grades 7-8	134	134	0
Total Elementary	557	557	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
Kinder - Full	0	0	1	0	0	0	1	0	0

High School District

SPRING

	Per Enrollment	Audit Per	<u>Difference</u>
	<u>Reports</u>	<u>District Records</u>	
Grades 9-12	281	281	0
19 year-olds	0	0	0
Early Graduates	2	2	0
Job Corps students	1	1	0

Part-time Students

Grade	Per Enrollment Reports				Audit per District Records				Difference
	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	< 181 hrs/yr	181-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	0	0	1	1	0	0	1	1	0

Bigfork Public Schools
Flathead County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - ELEMENTARY FUND ACCOUNTS
Fiscal Year Ended June 30, 2015

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Art Fund	\$ 1,024	\$ -	\$ -	\$ -	\$ 1,024
Athletics	(6,025)	7,555	3,913	(10)	(2,393)
Band	1,139	-	-	-	1,139
Bank fees	176	-	-	-	176
Eighth Grade	112	-	-	-	112
Enrichment	606	-	-	-	606
Fifth Grade	40	-	-	-	40
First Grade	-	1	-	-	1
Fourth Grade	7,489	5,954	5,774	-	7,669
General	984	2,918	1,436	-	2,466
Grade School	14	-	-	-	14
Japan	(2)	-	-	-	(2)
Library	1,480	164	-	-	1,644
Middle School Choir	154	-	-	-	154
Music Boosters	525	-	-	-	525
National Junior Honor	547	-	-	-	547
Needy Kids	431	1,874	1,944	-	361
Other Student Activities	6	-	-	-	6
Ravenwood	1,084	-	-	-	1,084
Science	17	-	-	-	17
Second Grade	62	-	-	-	62
Seventh Grade	143	-	-	-	143
Sixth Grade	1,593	2,374	2,207	-	1,760
Student Council	1,238	1,608	1,956	-	890
Student Store	188	-	-	-	188
Technology	84	-	-	-	84
Third Grade	164	1,810	1,086	-	888
Trish Shults - FOBS	250	-	-	-	250
Yearbook	1,585	1,980	1,567	-	1,998
National History Day	-	6,342	4,121	-	2,221
Total	\$ <u>15,108</u>	\$ <u>32,580</u>	\$ <u>24,004</u>	\$ <u>(10)</u>	\$ <u>23,674</u>

Bigfork Public Schools
Flathead County, Montana
EXTRACURRICULAR FUND
SCHEDULE OF REVENUES AND EXPENDITURES - HIGH SCHOOL ACCOUNTS
Fiscal Year Ended June 30, 2015

FUND ACCOUNT	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In(Out)</u>	<u>Ending Balance</u>
AFS	\$ 1,591	\$ -	\$ -	\$ -	\$ 1,591
Alpine Club	517	-	-	-	517
Annual	4,822	13,980	15,036	60	3,826
Art Club	1,048	-	-	-	1,048
Athletics	41	37,148	33,413	10	3,786
Auto Repair/Parts	5,591	875	2,173	-	4,293
Auto Shop	3,926	1,385	-	-	5,311
Band	6,291	8,239	13,292	-	1,238
Band Scholarship	455	-	164	-	291
Bio Club	179	-	-	-	179
Book Club	1,003	-	-	-	1,003
Boys Basketball	4,250	1,550	2,111	-	3,689
Cheerleaders	1,252	2,961	3,211	-	1,002
Choir	256	248	124	-	380
Class of 2018	1,100	100	593	500	1,107
Class of 2015	2,125	-	167	-	1,958
Class of 2016	1,338	1,223	1,491	500	1,570
Class of 2017	752	-	28	500	1,224
Close Up	123	-	-	-	123
Computer Club	386	-	-	-	386
Concessions	120	-	-	-	120
Cross Country	44	502	546	-	-
Drama	2,380	-	-	-	2,380
Family & Consumer	688	-	35	-	653
Football Donations	1,051	1,652	-	-	2,703
General Activities	1,374	550	486	-	1,438
Girls Basketball	1,618	3,627	-	-	5,245
Golf	50	-	80	-	(30)
Hiawatha Trail	733	-	-	-	733
Indoor Track	1,973	-	-	-	1,973
Library Club	658	60	-	-	718
Lit Magazine	2,175	3,150	4,727	-	598
National Honor Society	76	518	276	-	318
Newspaper	366	2,581	1,617	-	1,330
Pepsi #1	1,737	182	-	-	1,919
Pepsi #1F-SB	2,193	882	-	(1,500)	1,575
Pepsi #2-SC	5,876	882	1,084	(5,000)	674

Bigfork Public Schools
Flathead County, Montana
EXTRACURRICULAR FUND

SCHEDULE OF REVENUES AND EXPENDITURES - HIGH SCHOOL ACCOUNTS - continued

Fiscal Year Ended June 30, 2015

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
SADD	102	-	-	-	102
Scholarships	3,833	18	107	(60)	3,684
Science Club	4,035	-	-	-	4,035
Soccer	1,048	-	-	-	1,048
Spanish Club	(142)	-	-	-	(142)
Speech	1,416	910	999	-	1,327
Stand	75	-	-	-	75
Student Council	(372)	1,384	749	5,000	5,263
Student Store	662	-	-	-	662
Swimming	159	-	-	-	159
Tennis Club	11	-	-	-	11
Tennis Courts	25	-	-	-	25
Tournament	20,104	3,305	-	-	23,409
Volleyball	5,834	3,645	6,907	-	2,572
Washington DC Trip	1	-	-	-	1
Wood Shop	786	-	-	-	786
Wood Shop Club	350	-	-	-	350
Wrestling	82	350	370	-	62
Young Deomocrates	60	-	-	-	60
Youth Legislature	-	-	-	-	-
HOSA	-	606	597	-	9
Needy Kids Account	-	500	115	-	385
Greece and Italy Trip	-	3,143	2,600	-	543
Conversion Account	-	537	-	-	537
Total	\$ 98,227	\$ 96,693	\$ 93,098	\$ 10	\$ 101,832

SINGLE AUDIT SECTION

Bigfork Public Schools, Flathead County, Montana
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<i>Passed-through Montana Office of Public Instruction</i>			
National School Lunch Program	10.555	N/A	\$ 122,015
National School Lunch Program - Food Distribution	10.555	N/A	16,146
School Breakfast Program	10.553	N/A	20,122
Fresh Fruit and Vegetable Program	10.582	N/A	15,028
Team Nutrition Grants	10.574	1503312111SW	1,719
Total U.S. Department of Agriculture			\$ 175,030
U.S. Department of Education			
<i>Passed-through Montana Office of Public Instruction</i>			
Special Education_Grants to States	84.027	01503307715	\$ 163,256
Career and Technical Education -- Basic Grants to States	84.048	01503318115	19,528
Title I Grants to Local Educational Agencies	84.010	01503303115	324,380
<i>Direct:</i>			
Small Rural Schools	84.358	S358A141851	15,560
Small Rural Schools	84.358	S358A141852	14,999
Total U.S. Department of Education			\$ 537,723
Total Federal Financial Assistance			\$ 712,753

BIGFORK PUBLIC SCHOOLS
FLATHEAD COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Bigfork Public Schools, Flathead County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Value of Federal Awards Expended in the form of Noncash Assistance

- *Food Commodities value equals the assessed value provided by the federal agency.*
\$16,146

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

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

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, 2015, and the related notes to the financial statements, which collectively comprise the Bigfork Public Schools's basic financial statements and have issued our report thereon dated March 25, 2016,

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies listed as item 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bigfork Public Schools'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 Schools's Response to Findings

Bigfork Public Schools's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bigfork Public Schools'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 25, 2016

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 OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Bigfork Public Schools, Flathead County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bigfork Public Schools's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bigfork Public Schools, Flathead County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Bigfork Public Schools, Flathead County, Montana, 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, 2015.

Report on Internal Control Over Compliance

Management of Bigfork Public Schools, Flathead County, Montana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Derrington, Downey and Associates, CPAs, P.C.

March 25, 2016

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

Fiscal Year Ended June 30, 2015

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?	No
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major 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 OMB Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2015-001 Student Activity Receipting

Condition:

The following internal control weaknesses were noted during the review of extracurricular receipting process:

1. At the both Elementary and High School, the receipts for fundraisers and ticket sales did not include the supporting documentation of sales for the person receipting the monies to verify all monies received were turned in for deposit.
2. At the both Elementary and High School, two procedures were used for issuing receipts for monies collected, the manual receipt book and the Black Mountain electronic receipts, However, not all receipts entered into Black Mountain were receipted into the manual receipt book;
3. The High School Secretary did not indicate by signature and date, that money being receipted was verified or recounted at the time of the collection.

Context:

We reviewed FY15 internal controls of extracurricular receipting process at the Elementary and High School and assessed the internal control procedures.

Criteria:

Internal control procedures should be in place to ensure that all monies received are verified and turned in for deposit, and that all supporting documentation for ticket sales and fundraisers receipts is maintained.

Effect:

The internal control procedures were weak with regards to student activity fund/ account receipting.

Cause:

The secretaries were unaware of the proper internal control procedures for receipting and issuing receipts.

Recommendation:

Internal control procedures should be implemented to ensure that monies collected are verified and properly supported. Consistency in a receipting process should be implemented to ensure that a receipt is given at each time of collection.

Views of Responsible Officials and Planned Corrective Action:

1. Staff members will be required to turn in supporting documentation of sales when they turn in fundraising monies.
2. Building secretaries will receipt all student account monies into Black Mountain. Occasionally, money is received at the buildings that need to be receipted in to Finance by the District Office. That money will need a manual receipt from the building secretary and then it will be forwarded to the District Office to be receipted in to Black Mountain.
3. The High School Secretary will sign and date that money being receipted was verified and recounted at the time of collection.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2015-002 Disbursement Internal Control

Condition:

The following internal control weaknesses were noted during the review of the disbursement process:

1. Blank checks were maintained in a locked file cabinet in the storage room. The key to the file cabinet was kept in the maintenance closet, next to the storage room. Both rooms were kept unlocked and the key was accessible to anyone.
2. The Business Manager, who is also a check signer, had access to the board member's signature stamp.
3. The Accounts Payable clerk had access to the Business Manager's signature stamp and sometimes used it for invoice approvals.

Context:

We reviewed the internal controls of the disbursements process and assessed weaknesses and the presence of fraud risks.

Criteria:

Internal control procedures should be in place to ensure safeguarding of assets (blank checks) and to ensure the segregation of signature stamps.

Effect:

The internal control procedures were weak in the disbursement process, allowing risk of fraud.

Cause:

Lack of internal controls procedures restricting access to checks for those printing and signing checks, and restricting access to the signature stamps.

Recommendation:

Internal control procedures should be implemented to segregate the board member's and the Business Manager's signature stamp access. District should limit access of blank check documents to those responsible for printing and signing the checks.

Views of Responsible Officials and Planned Corrective Action:

1. The blank checks have been moved to the superintendent's office. They are locked in his file cabinet and his office door is locked when he is absent.
2. The board member's signature stamp has been moved to the superintendent's office and is locked in a file cabinet with restricted access.
3. The Business Manager's signature stamp has been moved to the superintendent's office and is locked in a file cabinet with restricted access.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

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

The prior audit report contained 2 recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Student Activities Deposits	Implemented
Enrollment	Implemented

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

March 25, 2016