

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
Fiscal Year Ended June 30, 2018

**AUDIT REPORT**

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

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2018

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BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2018

**BOARD OF TRUSTEES**

Paul Sandry  
Zack Anderson  
Christina Relyea  
Dan Elwell  
Paul Sullivan Jr.  
Jessica Martinz  
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  
Flathead County, Montana  
Management’s Discussion & Analysis  
June 30, 2018**

This management’s discussion and analysis provides an overview of the school’s financial activities for the fiscal year ended June 30, 2018.

**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 District’s Net Position for FY 18 increased by \$595,553. The Net Position change was due in part to a decrease in long-term capital liabilities and a decrease in the net pension liability. 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 18 was (\$4,507,894) due to the ongoing High School Building project and use of bond monies. The High School Building project is nearly complete at this time.

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 18 and FY 17. 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 18 increased by \$639,894

	<b><u>FY 17</u></b>	<b><u>FY 18</u></b>	<b><u>Variance</u></b>
<b>Expenditures</b>	9,902,541	10,286,133	383,592
<b>Revenue</b>	10,734,234	11,374,128	639,894
<b>Changes in Net Position</b>	831,693	1,087,995	256,302

**Bigfork Public Schools  
Flathead County, Montana  
Management's Discussion & Analysis  
June 30, 2018**

**FUND FINANCIAL STATEMENTS - THE DISTRICT'S MOST SIGNIFICANT FUNDS**

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

The District's most significant funds in FY 18 include the General Funds, the Elementary Interlocal Agreement Fund, the High School Debt Service Fund and the High School Building Fund. The High School Building Fund balance decreased \$3,533,294 in FY 18 as the high school renovation and addition project neared completion. The Elementary Interlocal Agreement Fund ended FY 18 with \$535,832 fund balance. The District transferred \$168,967 in FYI 18 to the Elementary Interlocal Agreement Fund from the General Funds and the Transportation Funds. Possible future expenditures for the Elementary Interlocal Agreement Fund include building maintenance projects, land acquisition and vehicle purchases. The High School Debt Service Fund continues to be a significant fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District's capitalization policy sets the 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 increased by \$4,498,092.

Both the elementary and high school districts have outstanding general obligation bonds totaling \$15,215,000 at the end of June 30, 2018. An interest payment is made in December and an interest and principal payment is made in June from the Debt Service Fund for each district that reduced the debt \$945,000 during the fiscal year. The final elementary payment will be in June 2023 and the final high school payment will be in June 2036.

This is the fourth year the District has reported its portion of the net pension liability under GASB 68. As of the end of June 30, 2018, the outstanding liability was \$6,419,144 which was a decrease of \$234,395 from the previous fiscal year. This is the first year the District has implemented GASB 75 in reporting the total OPEB liability that totaled \$1,086,062. The District restated the liability \$516,131 as it is recognizing the total OPEB liability as no funding has been set aside.

**THE FUTURE OF THE DISTRICT**

The fall enrollment report completed in October 2018 shows that our overall elementary enrollment decreased by 5 students. K-6 enrollment decreased by 3 students and grade 7 & 8 enrollment decreased by 2 students. Our high school enrollment gained students with an increase of 8 students.

<b>ENROLLMENT</b>	<b>Fall 2018</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>
<b>Elementary School (total)</b>	569	574	583	572
<b>K-6</b>	437	440	436	427
<b>7 &amp; 8</b>	132	134	147	145
<b>High School</b>	320	312	305	287

**Bigfork Public Schools  
Flathead County, Montana  
Management's Discussion & Analysis  
June 30, 2018**

In the elementary, a few grade levels are at or near maximum levels based on state accreditation standards and we have had to turn away some out of district students.

Special Education continues to be a major expenditure. The district employs a Special Education Director and in FY 18 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 \$109,780.75 and the High School special education expenses exceeded funds available by \$23,572.51.

<b><u>SPECIAL EDUCATION</u></b>	<u>Elementary School</u>	<u>High School</u>
State Allowable Cost	\$ 121,528.62	\$ 65,792.55
Required District Match	40,104.45	20,551.04
Federal Part B	113,491.00	52,373.00
Tuition Fund	<u>204,246.24</u>	<u>56,037.94</u>
<b>TOTALS</b>	<b><u>\$ 479,370.31</u></b>	<b><u>\$ 194,754.53</u></b>
<b>District Expenses</b>	<b>\$ 589,151.06</b>	<b>\$ 218,327.04</b>

In FY 18 the Food Service Department expanded to the high school building. Expenditures in the Food Service Fund were \$295,249 and revenues were \$285,489.

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 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](mailto:mattj@bigfork.k12.mt.us)

Business Manager: Lacey Porrovecchio, 406-837-7400, [lporrovecchio@bigfork.k12.mt.us](mailto:lporrovecchio@bigfork.k12.mt.us)

**Bigfork Public Schools  
Flathead County, Montana  
Management's Discussion & Analysis  
June 30, 2018**

**Table 1 - Net Position**

	<b>Governmental Activities</b>		
	<b>Change</b>		
	<b>FY18</b>	<b>FY17</b>	<b>Inc (Dec)</b>
Current and other assets	\$ 3,905,674	\$ 8,846,871	\$ (4,941,197)
Capital assets	21,879,285	18,326,193	3,553,092
Total assets	<u>\$ 25,784,959</u>	<u>\$ 27,173,064</u>	<u>\$ (1,388,105)</u>
Long-term debt outstanding	\$ 16,775,012	\$ 17,168,675	\$ (393,663)
Other liabilities	7,952,084	9,540,079	(1,587,995)
Total liabilities	<u>\$ 24,727,096</u>	<u>\$ 26,708,754</u>	<u>\$ (1,981,658)</u>
Net investment in capital assets	\$ 6,664,285	\$ 2,166,193	\$ 4,498,092
Restricted	1,606,867	5,440,761	(3,833,894)
Unrestricted (deficit)	<u>(7,213,289)</u>	<u>(7,142,644)</u>	<u>(70,645)</u>
Total net position	<u>\$ 1,057,863</u>	<u>\$ 464,310</u>	<u>\$ 593,553</u>

**Table 2 - Changes in Net Position**

	<b>Governmental Activities</b>		
	<b>Change</b>		
	<b>FY18</b>	<b>FY17</b>	<b>Inc (Dec)</b>
<b>Revenues</b>			
<i>Program revenues (by major source):</i>			
Charges for services	\$ 169,078	\$ 106,400	\$ 62,678
Operating grants and contributions	1,463,945	1,256,154	207,791
<i>General revenues (by major source):</i>			
Property taxes for general purposes	5,546,058	4,784,037	762,021
Grants and entitlements not restricted to specific programs	2,994,856	2,983,464	11,392
Other state grants	250,801	311,389	(60,588)
Investment earnings	54,760	113,442	(58,682)
Miscellaneous (other revenue)	54,685	45,600	9,085
State entitlement (block grants)	41,569	328,969	(287,400)
State technology	-	5,847	(5,847)
County retirement	830,153	798,932	31,221
Total revenues	<u>\$ 11,405,905</u>	<u>\$ 10,734,234</u>	<u>\$ 671,671</u>
<b>Program expenses</b>			
Instructional - regular	\$ 5,072,218	\$ 4,801,356	\$ 270,862
Instructional - special education	568,896	544,417	24,479
Instructional - vocational education	190,568	175,234	15,334
Supporting services - operations & maintenance	795,387	770,300	25,087
Supporting services - general	396,727	380,431	16,296
Supporting services - educational media services	268,919	277,193	(8,274)
Administration - general	267,184	264,284	2,900
Administration - school	494,613	502,781	(8,168)
Administration - business	210,570	191,740	18,830
Student transportation	721,179	746,230	(25,051)
Extracurricular	286,856	276,397	10,459
School food	316,991	218,818	98,173
Debt service expense - interest	455,553	484,130	(28,577)
Unallocated depreciation*	240,472	249,943	(9,471)
Other current charges	-	19,000	(19,000)
Special Assessments	-	287	(287)
Total expenses	<u>\$ 10,286,133</u>	<u>\$ 9,902,541</u>	<u>\$ 383,592</u>
Excess (deficiency) before special items and transfers	\$ 1,119,772	\$ 831,693	\$ 288,079
Gain (loss) on sale of capital assets	(31,777)	-	(31,777)
<b>Increase (decrease) in net position</b>	<u>\$ 1,087,995</u>	<u>\$ 831,693</u>	<u>\$ 256,302</u>

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

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

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**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, 2018, 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, 2018, 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 2018, the District adopted new accounting guidance, GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, (an amendment of GASB No. 45). Our opinion is not modified with respect to this matter.

As discussed in Note 11 to the financial statements, the previously issued financial statements of the governmental activities fund have been restated in fiscal year 2017 for the change in accounting principle of the total OPEB liability under GASB No. 75 in the respective period totaling \$516,131. This restatement did not affect our opinion as it was determined to be appropriate.

## **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 changes in the other post-employment benefits other than pensions liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 5, 50 through 54 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 revenues and expenditures for the extracurricular fund and the schedule of enrollment 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 and the schedule of enrollment are 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 January 21, 2019, 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.

*Derring, Downey and Associates, CPA's, P.C.*

January 21, 2019

**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Net Position**  
**June 30, 2018**

		<b>Governmental Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	2,846,373
Taxes and assessments receivable, net		147,680
Due from other governments		135,652
Total current assets	\$	3,129,705
Noncurrent assets		
Capital assets - land	\$	11,696
Capital assets - construction in progress		15,391,489
Capital assets - depreciable, net		6,476,100
Total noncurrent assets	\$	21,879,285
Total assets	\$	25,008,990
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources - pensions	\$	775,969
Total deferred outflows of resources	\$	775,969
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	\$	25,784,959
 <b>LIABILITIES</b>		
Current liabilities		
Current portion of long-term capital liabilities	\$	975,000
Current portion of compensated absences payable		154,723
Total current liabilities	\$	1,129,723
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$	1,086,062
Noncurrent portion of long-term capital liabilities		14,240,000
Noncurrent portion of compensated absences		319,227
Net pension liability		6,419,144
Total noncurrent liabilities	\$	22,064,433
Total liabilities	\$	23,194,156
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - pensions	\$	129,140
Deferred inflows of resources - bond premium		1,403,800
Total Deferred Inflows of resources	\$	1,532,940
 <b>NET POSITION</b>		
Net investment in capital assets	\$	6,664,285
Restricted for capital projects		405,014
Restricted for debt service		55,619
Restricted for special projects		1,662,365
Unrestricted		(7,213,289)
Total net position	\$	1,057,863
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	\$	25,784,959

See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position Primary Government</u>
<b>Primary government:</b>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instructional - regular	\$ 5,072,218	\$ 20,007	\$ 761,932	\$ (4,290,279)
Instructional - special education	568,896	-	356,459	(212,437)
Instructional - vocational education	190,568	-	18,053	(172,515)
Supporting services - operations & maintenance	795,387	1,184	-	(794,203)
Supporting services - general	396,727	-	-	(396,727)
Supporting services - educational media services	268,919	-	-	(268,919)
Administration - general	267,184	-	5,366	(261,818)
Administration - school	494,613	-	928	(493,685)
Administration - business	210,570	-	-	(210,570)
Student transportation	721,179	-	146,751	(574,428)
Extracurricular	286,856	-	37,801	(249,055)
School food	316,991	147,887	136,655	(32,449)
Debt service expense - interest	455,553	-	-	(455,553)
Unallocated depreciation*	240,472	-	-	(240,472)
Total primary government	\$ 10,286,133	\$ 169,078	\$ 1,463,945	\$ (8,653,110)
		General Revenues:		
				\$ 5,546,058
				2,994,856
				250,801
				54,760
				54,685
				41,569
				830,153
				(31,777)
				\$ 9,741,105
				\$ 1,087,995
				\$ 464,310
				(494,442)
				\$ (30,132)
				\$ 1,057,863

\* 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, 2018**

	<u>General</u>	<u>Elementary Interlocal Agreement</u>	<u>High School Debt Service</u>	<u>High School Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 860,367	\$ 535,832	\$ (20,312)	\$ 152,068	\$ 1,318,418	\$ 2,846,373
Taxes and assessments receivable, net	81,848	-	27,812	-	38,020	147,680
Due from other governments	64,492	-	20,514	-	50,646	135,652
<b>TOTAL ASSETS</b>	<u>\$ 1,006,707</u>	<u>\$ 535,832</u>	<u>\$ 28,014</u>	<u>\$ 152,068</u>	<u>\$ 1,407,084</u>	<u>\$ 3,129,705</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources	\$ 81,848	\$ -	\$ 27,812	\$ -	\$ 38,020	\$ 147,680
Total deferred inflows of resources	<u>\$ 81,848</u>	<u>\$ -</u>	<u>\$ 27,812</u>	<u>\$ -</u>	<u>\$ 38,020</u>	<u>\$ 147,680</u>
<b>FUND BALANCES</b>						
Restricted	\$ -	\$ 535,832	\$ 202	\$ 152,068	\$ 1,369,064	\$ 2,057,166
Assigned	311,150	-	-	-	-	311,150
Unassigned fund balance	613,709	-	-	-	-	613,709
Total fund balance	<u>\$ 924,859</u>	<u>\$ 535,832</u>	<u>\$ 202</u>	<u>\$ 152,068</u>	<u>\$ 1,369,064</u>	<u>\$ 2,982,025</u>
<b>TOTAL DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 1,006,707</u>	<u>\$ 535,832</u>	<u>\$ 28,014</u>	<u>\$ 152,068</u>	<u>\$ 1,407,084</u>	<u>\$ 3,129,705</u>

See accompanying Notes to the Financial Statements

**Bigfork Public Schools, Flathead County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2018**

<b>Total fund balances - governmental funds</b>	\$	2,982,025
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		21,879,285
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.		147,680
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(16,775,012)
Proportionate share of ending collective net pension liability		(6,419,144)
Deferred outflows related to net pension liability		775,969
Deferred inflows related to net pension liability		(129,140)
Deferred inflows related to bond premium		(1,403,800)
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u><u>1,057,863</u></u></b>

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, 2018**

	<u>General</u>	<u>Elementary Interlocal Agreement</u>	<u>High School Debt Service</u>	<u>High School Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Local revenue	\$ 3,085,079	\$ 5,132	\$ 1,040,075	\$ 13,643	\$ 1,738,478	\$ 5,882,407
County revenue	-	-	-	-	899,170	899,170
State revenue	3,221,221	-	-	-	474,663	3,695,884
Federal revenue	-	-	-	-	638,230	638,230
Total revenues	<u>\$ 6,306,300</u>	<u>\$ 5,132</u>	<u>\$ 1,040,075</u>	<u>\$ 13,643</u>	<u>\$ 3,750,541</u>	<u>\$ 11,115,691</u>
<b>EXPENDITURES</b>						
Instructional - regular	\$ 3,343,503	\$ -	\$ -	\$ -	\$ 1,277,517	\$ 4,621,020
Instructional - special education	249,560	-	-	-	319,336	568,896
Instructional - vocational education	149,867	-	-	-	40,701	190,568
Supporting services - operations & maintenance	653,222	12,393	-	-	113,558	779,173
Supporting services - general	353,091	-	-	-	43,636	396,727
Supporting services - educational media services	239,474	-	-	-	29,445	268,919
Administration - general	223,092	-	-	-	44,092	267,184
Administration - school	417,987	-	-	-	75,985	493,972
Administration - business	177,161	-	-	-	33,409	210,570
Student transportation	59,998	-	-	-	587,957	647,955
Extracurricular	228,399	-	-	-	55,876	284,275
School food	-	-	-	-	312,254	312,254
Debt service expense - principal	-	-	530,000	-	415,000	945,000
Debt service expense - interest	-	-	477,183	-	56,359	533,542
Capital outlay	118,492	-	-	3,555,592	244,292	3,918,376
Total expenditures	<u>\$ 6,213,846</u>	<u>\$ 12,393</u>	<u>\$ 1,007,183</u>	<u>\$ 3,555,592</u>	<u>\$ 3,649,417</u>	<u>\$ 14,438,431</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 92,454</u>	<u>\$ (7,261)</u>	<u>\$ 32,892</u>	<u>\$ (3,541,949)</u>	<u>\$ 101,124</u>	<u>\$ (3,322,740)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ -	\$ -	\$ 8,100	\$ 8,100
Transfers in	-	168,967	-	-	-	168,967
Transfers out	(77,967)	-	-	-	(91,000)	(168,967)
Total other financing sources (uses)	<u>\$ (77,967)</u>	<u>\$ 168,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,900)</u>	<u>\$ 8,100</u>
Net Change in Fund Balance	<u>\$ 14,487</u>	<u>\$ 161,706</u>	<u>\$ 32,892</u>	<u>\$ (3,541,949)</u>	<u>\$ 18,224</u>	<u>\$ (3,314,640)</u>
Fund balances - beginning	\$ 897,338	\$ 374,126	\$ (32,690)	\$ 3,685,362	\$ 1,350,840	\$ 6,274,976
Restatements	13,034	-	-	8,655	-	21,689
Fund balances - beginning, restated	<u>\$ 910,372</u>	<u>\$ 374,126</u>	<u>\$ (32,690)</u>	<u>\$ 3,694,017</u>	<u>\$ 1,350,840</u>	<u>\$ 6,296,665</u>
Fund balance - ending	<u>\$ 924,859</u>	<u>\$ 535,832</u>	<u>\$ 202</u>	<u>\$ 152,068</u>	<u>\$ 1,369,064</u>	<u>\$ 2,982,025</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, 2018**

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

<b>Net change in fund balances - total governmental funds</b>	\$	(3,314,640)
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		3,918,376
- Depreciation expense		(352,449)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:		
- Gain on the sale of capital assets		(31,777)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Donated capital assets		18,942
- Long-term receivables (deferred revenue)		12,371
The change in compensated absences is shown as an expense in the Statement of Activities		(47,520)
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		945,000
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		7,000
- Post-employment benefits other than retirement liability		5,314
Pension expense related to the net pension liability is shown as an expense on the Statement of Activites and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		(401,412)
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		250,801
Amortization of the bond premium is shown as an offset to debt service - interest expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance		77,989
<b>Change in net position - Statement of Activities</b>	<b>\$</b>	<b><u>1,087,995</u></b>

See accompanying Notes to the Financial Statements



**Bigfork Public Schools, Flathead County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 174,558	\$ 253,621
Total assets	<u>\$ 174,558</u>	<u>\$ 253,621</u>
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 109,005
Due to others	-	144,616
Total liabilities	<u>\$ -</u>	<u>\$ 253,621</u>
<b>NET POSITION</b>		
Assets held in trust	<u>\$ 174,558</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, 2018**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Student activities	\$	<u>95,284</u>
Total additions	\$	<u>95,284</u>
 <b>DEDUCTIONS</b>		
Student activities	\$	<u>91,631</u>
Total deductions	\$	<u>91,631</u>
Change in net position	\$	<u>3,653</u>
 Net Position - Beginning of the year	 \$	 170,905
 Net Position - End of the year	 \$	 <u>174,558</u>

See accompanying Notes to the Financial Statements

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

**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.

GASB No. 75 *Accounting and Financial Report for Postemployment Benefits Other than Pension (OPEB)*, is effective for years beginning after June 15, 2017 with early implementation encouraged. The statement fully amends the previously issued GASB No. 45 *Accounting and Financial Report for Postemployment Benefits Other than Pension*. GASB 75 established standards for recognition and measurement of the liabilities, deferred outflows and inflows of resources, and expense/expenditures related to OPEB. Different distinctions are made regarding the particular requirements depending upon whether the OPEB plans are administered through a trust that meets criteria identified in the statement. The statement also identifies the methods and assumptions required in projecting benefit payments, discounting those payments to actuarial present value, and applying that present value to periods of employee service in the District. The disclosure requirements for OPEB plans is defined in this statement, that includes further detail on the District's plan and benefits provided, the assumptions used in the valuations, sensitivity analysis, and number of employees in the plan. Lastly, it increased the required supplementary information requiring 10 most recent fiscal years summarizing sources of change in OPEB liability, its components, and other related ratios. These changes are similar to pension GASB No. 68 that became effective in the prior fiscal year.

**Financial Reporting Entity**

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component 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.

*Primary Government*

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

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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. The statements distinguish between governmental and business-type activities. 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.

*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.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

**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.

*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 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.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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

*Major Funds:*

The District reports the following major governmental funds:

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

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

*High School Debt Service* – The High School Debt Service Fund is authorized by section 20-9-438, MCA. It is primarily used to account for the tax resources related to making the principal and interest payments of the High School General Obligation Bonds that had a remaining outstanding principal balance of \$12,955,000 at June 30, 2018.

*High School Building Fund* – The Building Fund is authorized by Section 20-9-508, MCA. It is used primarily to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403, MCA. The fund is also used to account for insurance proceeds for damaged property as provided in 20-6-608, MCA, or the sale or rental of property as provided by 20-6-604 and 607, MCA.

***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. The District has elected to report its Extracurricular Activities in this fund, which is explained in more detail below.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

*Agency Funds* – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consists 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

*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.

**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, 2018, consisted certificates of deposit, Federal Home Loan Mortgage Corp., Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, Fannie Mae, and the State Unified Investment Program (STIP). The Flathead County Investment pool is unrated.

The School District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer’s office, 800 South Main Street, Kalispell, MT 59901. Fair value approximates carrying value for investments as of June 30, 2018.

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, 2018

**Deposits**

The District's deposit balance at year end was \$174,558 and the bank balance was \$175,724, 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 an expenditure when purchased.

**NOTE 5. CAPITAL ASSETS**

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

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



**BIGFORK PUBLIC SCHOOLS**  
**FLATHEAD COUNTY, MONTANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

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

Governmental activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 11,696	\$ -	\$ -	\$ 11,696
Construction in progress	11,719,405	3,672,084	-	15,391,489
Total capital assets not being depreciated	<u>\$ 11,731,101</u>	<u>\$ 3,672,084</u>	<u>\$ -</u>	<u>\$ 15,403,185</u>
Other capital assets:				
Buildings	\$ 10,186,788	\$ -	\$ (38,465)	\$ 10,148,323
Improvements other than buildings	27,440	-	-	27,440
Machinery and equipment	2,543,310	265,234	(180,033)	2,628,511
Total other capital assets at historical cost	\$ 12,757,538	\$ 265,234	\$ (218,498)	\$ 12,804,274
Less: accumulated depreciation	\$ (6,162,446)	\$ (352,449)	\$ 186,721	\$ (6,328,174)
Total	<u>\$ 18,326,193</u>	<u>\$ 3,584,869</u>	<u>\$ (31,777)</u>	<u>\$ 21,879,285</u>

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

Governmental Activities:

Instructional – regular	\$ 14,580
Supporting services – operations and maintenance	16,214
Administration – school	641
Student transportation	73,224
Extracurricular	2,581
School food	4,737
Unallocated	<u>240,472</u>
Total governmental activities depreciation expense	<u>\$ 352,449</u>

**NOTE 6. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale and bond discounts or premiums, are amortized over the bond term and reported and deferred outflow of resources.

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt:

**BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018**

Governmental Activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 16,160,000	\$ -	\$ (945,000)	\$ -	\$ 15,215,000	\$ 975,000
Compensated absences	426,430	47,520	-	-	473,950	154,723
Retiree liability	7,000	-	(7,000)	-	-	-
Net pension liability*	6,653,539	-	(234,395)	-	6,419,144	-
Other post-employment benefits**	575,245	-	(5,314)	516,131	1,086,062	-
Total	<u>\$ 23,822,214</u>	<u>\$ 47,520</u>	<u>\$ (1,191,709)</u>	<u>\$ 516,131</u>	<u>\$ 23,194,156</u>	<u>\$ 1,129,723</u>

\*See Note 9

\*\*See Note 7

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, 2018 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, 2018</u>
EL GO Refunding Bond Series 2015	10/20/15	2.10%	8 yrs	7/1/23	\$3,485,000	Varies	\$ 2,260,000
HS GO School Building Bonds, Series 2015	12/10/15	2.00-4.00%	20 yrs	7/1/36	\$9,075,000	Varies	8,380,000
HS GO School Building Bonds, Series 2016	6/2/16	3.00-4.00%	20 yrs	7/1/36	<u>\$4,925,000</u>	Varies	<u>4,575,000</u>
					<u>\$17,485,000</u>		<u>\$ 15,215,000</u>

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2018

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 975,000	\$ 512,060
2020	1,000,000	490,235
2021	1,020,000	467,845
2022	1,050,000	444,995
2023	1,075,000	421,480
2024	615,000	393,550
2025	635,000	375,100
2026	660,000	353,800
2027	680,000	327,400
2028	710,000	300,200
2029	735,000	271,800
2030	765,000	242,400
2031	800,000	211,800
2032	830,000	179,800
2033	860,000	146,600
2034	900,000	112,200
2035	935,000	76,200
2036	970,000	38,800
Total	<u>\$ 15,215,000</u>	<u>\$ 5,366,265</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, the 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 recognized the remaining retiree liability in the current fiscal year ending June 30, 2018.

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2018

**NOTE 7. BOND PREMIUM**

At the end of the fiscal year ending 2016, the District had capitalized \$1,559,778 in bond premiums related to the High School General Obligation bonds totaling \$9,075,000 and \$4,925,000. The premiums will be amortized over the life of the loan totaling 20 years at a rate of \$77,989 per year. The ending balance at June 30, 2018 totaled \$1,403,800.

**NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB), since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the District. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

*Employees covered by benefit terms.* At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	9
Active employees	<u>77</u>
Total employees	<u><u>86</u></u>

Total OPEB Liability

The District's total OPEB liability of \$1,086,062 at June 30, 2018, and was determined by using the alternative measurement method as of that date.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2018 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	3.87%
Average salary increase (Pension Plan Valuations)	4.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2018	7.50%
2019	7.00%
2020	6.50%
2021	6.00%
2022	5.90%
2023	5.70%
2024 and after decreasing 0.10%	5.60%

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

For PERS, mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table projected to 2015 using Scale AA with no collar adjustment for males and females.

For TRS, mortality is assumed to follow the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018.

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

Changes in the Total OPEB Liability

Balance at 6/30/2017		\$ <u>575,245</u>
Changes for the year:		
Service Cost	\$	65,632
Interest		43,494
Differences in experience		(37,301)
Changes in assumptions or other inputs		(52,044)
Benefit payments(estimated)		(25,095)
Restatement		<u>516,131</u>
Net Changes	\$	<u>510,817</u>
Balance at 6/30/2018	\$	<u><u>1,086,062</u></u>

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

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 861,853	\$ 1,086,062	\$ 1,390,429

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

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability	\$ 1,338,905	\$ 1,086,062	\$ 892,134

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

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

For the year ended June 30, 2018, the District recognized an OPEB expense of (\$5,314) that was the net of the service cost, interest and changes in assumptions that equaled \$65,632, \$43,494, and (\$114,440). The District does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as the differences between expected and actual experience or changes in assumptions were not significant to the District. In addition, since District records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

**NOTE 9. INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Transfers**

The following is an analysis of operating transfers in and out during Fiscal Year 2018:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Multidistrict cooperative agreement transfer	Elementary Interlocal Agreement - Major	General -Major	\$ 77,967
Multidistrict cooperative agreement transfer	Elementary Interlocal Agreement -Major	Elementary Transportation– Non-Major	49,000
Multidistrict cooperative agreement transfer	Elementary Interlocal Agreement -Major	High School Transportation– Non-Major	<u>42,000</u>
Total			<u>\$ 168,967</u>

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**NOTE 10. NET PENSION LIABILITY**

**Plan Descriptions**

**PERS**

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

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

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

**TRS**

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

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

**Summary of Benefits**

**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.

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**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.

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

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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

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

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

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

**Vesting**

5 years of membership service



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*Member's highest average compensation (HAC)*

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

*Compensation Cap*

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

**Monthly benefit formula**

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

**Guaranteed Annual Benefit Adjustment (GABA)**

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

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

**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:

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

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date.

The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

### **Overview of Contributions**

#### **PERS**

1. Rates are specified by state law and are a percentage of the member's compensation.
  - a. Contributions are deducted from each member's salary and remitted by participating employers;
  - b. 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.
  - 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.

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3. Employer contributions to the system:
  - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
  - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
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 a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

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. The System also receives 0.11% of reportable compensation from the State's general fund for all TRS Employers including State Agency and University System Employers. Finally, the State is also required to contribute \$25 million in perpetuity payable July 1st of each year.

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.

Stand-Alone Statements

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

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

**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 Public Employees' Retirement System (PERS) and Montana Teachers' Retirement System (TRS) Statement 68 became effective June 30, 2016 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, 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 PERS, TRS 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. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2017 and June 30, 2018 (reporting dates).

	TRS NPL as of 6/30/17	TRS NPL as of 6/30/18	Percent of Collective NPL	PERS NPL as of 6/30/17	PERS NPL as of 6/30/18	Percent of Collective NPL	Total NPL as of 6/30/17	Total NPL as of 6/30/18	Percent of Collective NPL
Employer Proportionate Share	\$ 5,700,088	\$ 5,294,510	0.3140%	\$ 953,451	\$ 1,124,634	0.0560%	\$ 6,653,539	\$ 6,419,144	0.3700%
State of Montana Proportionate Share associated with Employer	3,716,622	3,360,920	0.1993%	44,560	55,904	0.2736%	3,761,182	3,416,824	0.4729%
<b>Total</b>	<u>\$ 9,416,710</u>	<u>\$ 8,655,430</u>	<u>0.5133%</u>	<u>\$ 998,011</u>	<u>\$ 1,180,538</u>	<u>0.3296%</u>	<u>\$ 10,414,721</u>	<u>\$ 9,835,968</u>	<u>0.8429%</u>

At June 30, 2018, the employer recorded a liability of \$6,419,144 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS, TRS, during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERS, TRS, participating employers. At June 30, 2018, the employer's proportion was 0.3700 percent.

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*Changes in actuarial assumptions and methods:*

**PERS**

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

**TRS**

There have been no changes in actuarial assumptions and other inputs since the previous measurement date.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

*Changes in benefit terms:*

**PERS**

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

**TRS**

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

*Changes in proportionate share:* Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

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**Pension Expense as of 6/30/18**

	TRS	PERS	Total
Employer Proportionate Share	\$ 518,169	\$ 87,521	\$ 605,690
State of Montana Proportionate Share associated with the Employer	231,733	19,068	250,801
Total	\$ 749,902	\$ 106,589	\$ 856,491

At June 30, 2018, the employer recognized a Pension Expense of \$605,690 for its proportionate share of the pension expense. The employer also recognized grant revenue and expense of \$250,801 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, 2018, the employer recognized a beginning deferred outflow of resources for the employers FY 2017 contributions of \$450,780.

**Deferred Inflows and Outflows**

At June 30, 2018, the employer reported its proportionate share of PERS and TRS deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

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	<u>TRS Deferred Outflows of Resources</u>	<u>TRS Deferred Inflows of Resources</u>	<u>PERS Deferred Outflows of Resources</u>	<u>PERS Deferred Inflows of Resources</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 19,471	\$ 7,916	\$ 27,696	\$ 1,628	\$ 47,167	\$ 9,544
Changes in actuarial assumptions	-	22,135	153,726	-	153,726	22,135
Difference between projected and actual investment earnings	-	20,952	-	7,553	-	28,505
Difference between actual and expected contributions	115,053	5,686	-	63,270	115,053	68,956
Changes in proportion	-	-	-	-	-	-
*Contributions paid subsequent to the measurement date - FY 2018 Contributions	398,087	-	61,936	-	460,023	-
Total	<u>\$ 532,611</u>	<u>\$ 56,689</u>	<u>\$ 243,358</u>	<u>\$ 72,451</u>	<u>\$ 775,969</u>	<u>\$ 129,140</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, 2018.

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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**Deferred Inflows and Outflows**

TRS: Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2019	\$ 111,146	\$ 96,707	\$ 14,439
2020	\$ 130,056	\$ 14,303	\$ 115,753
2021	\$ 42,703	\$ 1,610	\$ 41,093
2022	\$ -	\$ 93,448	\$ (93,448)
2023	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -

PERS: Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2019	\$ -	\$ -	\$ 39,837
2020	\$ -	\$ -	\$ 87,942
2021	\$ -	\$ -	\$ 68,399
2022	\$ -	\$ -	\$ (23,937)
2023	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -

**Actuarial Assumptions**

**PERS**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases:

**Guaranteed Annual Benefit Adjustment(GABA)**

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:



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- 1.5% for each year PERS is funded at or above 90%;
  - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
  - 0% whenever the amortization period for PERS is 40 years or more.
- 
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
  - Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

TRS

The Total Pension Liability as of June 30, 2017, is based on the results of an actuarial valuation date of July 1, 2017. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2017 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\* 4% - 8.51% for Non-University Members and 5.00% for University Members
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from 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: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from 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.

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\*Total Wage Increases include 4.00% general wage increase.

- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, males set back 1 year.
- Mortality assumptions among Disabled Members were based on RP 2000 Combined Mortality Tables.

**Discount Rate**

**PERS**

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

**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 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.

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2018

**Target Allocations**  
 PERS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	<u>8.00%</u>	4.00%	<u>0.32%</u>
Total	<u>100.00%</u>		<u>4.37%</u>
	Inflation		2.75%
	Portfolio Return Expectation		7.12%

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized above. The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2018

TRS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Rate of Return Arithmetic Basis</u>	Long-Term Expected Portfolio Real Rate of Return*
Broad US Equity	36.00%	4.80%	1.73%
Broad International Equity	18.00%	6.05%	1.09%
Private Equity	12.00%	8.50%	1.02%
Intermediate Bonds	23.40%	1.50%	0.35%
Core Real Estate	4.00%	4.50%	0.18%
High Yield Bonds	2.60%	3.25%	0.08%
Non-Core Real Estate	<u>4.00%</u>	7.50%	<u>0.30%</u>
Total	<u>100.00%</u>		<u>4.75%</u>
		Inflation	<u>3.25%</u>
		Expected arithmetic nominal return	8.00%

\*The long-term expected nominal rate of return above of 8.00% differs from the total TRS long-term rate of return assumption of 7.75%. The assumed rate is comprised of a 3.25% inflation rate and a real long-term expected rate of return of 4.50%.

The assumed 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 2009 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, 2017, is summarized in the above table.

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2018

**Sensitivity Analysis**

		1.0% Decrease	Current Discount Rate		1.0% Increase
TRS	\$	7,296,000	\$ 5,294,510	\$	3,608,836
PERS	\$	1,637,933	\$ 1,124,634	\$	693,758

**TRS**

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.

**PERS**

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

**Summary of Significant Accounting Policies**

The Montana Public Employee Retirement Administration (MPERA (for PERS)) MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

TRS

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

**NOTE 11. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

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

**NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

Governmental Fund equity is classified as fund balance. Bigfork Public Schools, categorizes fund balance of the governmental funds into the following categories:

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

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

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

The 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.

BIGFORK PUBLIC SCHOOLS  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2018

**Restricted Fund Balance**

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Elementary Interlocal Agreement	\$ 535,832	Operations and maintenance
High School Debt Service	202	Debt service
High School Building	152,068	Future capital costs
All other aggregate	224,436	Student transportation
	209,708	Bus replacement
	90,900	Student food services
	235,495	Employer costs of benefits
	452,826	Third party grant restrictions
	62,698	Student instructional services
	10,669	Operations and maintenance
	14,970	Future vacation and sick leave payments
	29,327	Future technology upgrades
	362	Debt service
	<u>37,673</u>	Future capital costs
Total	<u>\$ 2,057,166</u>	

**Assigned Fund Balance**

**Other Significant Commitments**

<u>Fund</u>	<u>Amount</u>	<u>Purpose of Assignment</u>
General	<u>\$ 311,150</u>	Encumbrances

**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>
General	\$ 13,034	Overstated encumbrances in prior year
High School Building	8,655	Overstated encumbrances in prior year
Government-wide	<u>(516,131)</u>	Recognition of total OPEB liability per GASB 75
	<u>\$ (494,442)</u>	

**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  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

The District is a member of the Flathead Crossroads Interlocal Agreement which is a collaborative effort by the school districts of Flathead County to meet the needs of students who have severe emotional/behavioral needs. The Special Education Directors from the participating district will serve as the Advisory Board of the Interlocal. Evergreen School District, Flathead County, Montana is the host District. Each District electing to participate agrees to provide fiscal responsibility to the Host District which includes a participation fee based of \$400 for each participating student. Each District is charge a fee for each student participating in the program. For the fiscal year ended June 30, 2018, the District didn't have any student participate in the Interlocal.

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

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 non-budgeted 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.

**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.



BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

Insurance Pools:

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

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

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

Group Health Insurance:

The Northwest Montana Public Schools Health Consortium was created pursuant to MCA 20-3-363, to create a multi-district or interlocal cooperative to allow the participants to cooperate in and jointly fund certain services, activities, and undertakings deemed beneficial by the participating Districts. The consortium is made up of Whitefish School District (WSD), and the Flathead Group (FG), which includes West Valley School District. Kalispell Public Schools was the primary agency to be vested with the financial administration of the cooperative arrangement, but withdrew from these responsibilities as at the beginning of fiscal year 2017. Mike Young has assumed this responsibility, previous consultant/broker for the plan, and can be contacted at myoung@consultconsilium.com for further information. The participants have contracted with First Choice Administrators (FCHA) to provide third party administrative services to the group's respective plans.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

Effective July 1, 2014, the participants have agreed to form the consortium to jointly arrange for and purchase administrative services and stop loss insurance coverage for their respective health insurance plans. The consortium is not intended to provide for the joint payments of claims under the groups respective plans, and each group is responsible for all costs under its plan. In addition, the participants will be charged and be responsible for its own claims at renewal except those costs that exceed stop loss thresholds will be appropriated among all participants for purposes of renewal.

The Flathead Group Northwest Montana Schools' Health Multidistrict Interlocal Consortium Participation Agreement was made and entered into July 1, 2014 by and between the respective governing bodies of the following Districts: Cayuse Prairie School District, Eureka School District, Fair-Mont-Egan School District, Northwest Montana Educational Cooperative, Olney-Bissell School District, Somers/Lakeside School District, Smith Valley School District, Swan River School, West Valley Schools. In addition, any additional school district and other entity eligible to participate by law which become party to this agreement.

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

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

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

**NOTE 17. PENDING LITIGATION**

A human rights complaint was filed by a school administrator alleging disability discrimination by the District. The complaint is currently being investigated by the Montana Human Rights Bureau and is pending. No known damages are expected at this time.

BIGFORK PUBLIC SCHOOLS  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 18. CONSTRUCTION COMMITMENT**

As of June 30, 2018, the District had entered into construction contracts to build a new high school totaling \$15,325,624 which includes all related costs of the project. As of June 30, 2018, \$15,391,489 had been expended on the construction. The District issued bonds totaling \$14,000,000 at a premium totaling \$1,559,778. These funds have been exhausted and the District is wrapping up the project with the remaining High School Building Fund monies that totaled \$152,068 at the end of June 30, 2018, and have spent \$73,358 through October 2018.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**Bigfork Public Schools, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Local revenue	\$ 3,102,874	\$ 3,102,874	\$ 3,084,368	\$ (18,506)
State revenue	3,223,533	3,223,533	3,200,448	(23,085)
Amounts available for appropriation	\$ 6,326,407	\$ 6,326,407	\$ 6,284,816	\$ (41,591)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Instructional - regular	\$ 3,378,568	\$ 3,378,568	\$ 3,369,428	\$ 9,140
Instructional - special education	249,720	249,720	248,985	735
Instructional - vocational education	168,893	168,893	149,867	19,026
Supporting services - operations & maintenance	705,575	705,575	701,144	4,431
Supporting services - general	352,992	352,992	352,991	1
Supporting services - educational media services	239,572	239,572	239,573	(1)
Administration - general	224,126	224,126	224,126	-
Administration - school	415,057	415,057	415,056	1
Administration - business	175,156	175,156	175,157	(1)
Student transportation	58,956	58,956	60,151	(1,195)
Extracurricular	227,015	227,015	227,014	1
Capital outlay	52,810	52,810	47,315	5,495
Total charges to appropriations	\$ 6,248,440	\$ 6,248,440	\$ 6,210,807	\$ 37,633
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (77,967)	\$ (77,967)	\$ (77,967)	\$ -
Total other financing sources (uses)	\$ (77,967)	\$ (77,967)	\$ (77,967)	\$ -
Net change in fund balance			\$ (3,958)	
Fund balance - beginning of the year			\$ 546,624	
Restatements			13,034	
Fund balance - beginning of the year - restated			\$ 559,658	
<b>Fund balance - end of the year</b>			\$ 555,700	

**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**

	<b>General</b>
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,284,816
Combined funds (GASBS 54) revenues	21,484
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds.	\$ 6,306,300
<b>Uses/Outflows of resources</b>	
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,210,807
Combined funds (GASBS 54) expenditures	24,073
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	290,117
- Encumbrances reported at the end of the year	(311,151)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 6,213,846

**Bigfork Public Schools, Flathead County, Montana**  
**Schedule of Changes in the Total OPEB Liability**  
**and Related Ratios**  
**For the Year Ended June 30, 2018**

	2018
<b>Total OPEB liability</b>	
Service Cost	\$ 65,632
Interest	43,494
Actual Claims Experience vs Expected	(37,301)
Change of Assumptions	(52,044)
Benefit Payments	(25,095)
Net change in total OPEB liability	(5,314)
Total OPEB Liability - beginning	575,245
Restatement	516,131
Total OPEB Liability - ending	\$ 1,086,062
Covered-employee payroll	\$ 3,910,710
 Total OPEB liability as a percentage of covered -employee payroll	28%

*\*The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, but due to this being the first year of implementation only one year of data is available.*

**Bigfork Public Schools, Flathead County, Montana**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2018**

	<b>PERS 2018</b>	<b>PERS 2017</b>	<b>PERS 2016</b>	<b>PERS 2015</b>
Employer's proportion of the net pension liability	0.0577%	0.0560%	0.0669%	0.0667%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,124,634	\$ 953,451	\$ 934,997	\$ 831,113
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 55,904	\$ 44,560	\$ 43,935	\$ 38,852
Total	<u>\$ 1,180,538</u>	<u>\$ 998,011</u>	<u>\$ 978,932</u>	<u>\$ 869,965</u>
Employer's covered payroll	\$ 742,451	\$ 693,114	\$ 807,064	\$ 781,201
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	151.48%	137.56%	115.85%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.75%	74.71%	78.40%	79.87%

	<b>TRS 2018</b>	<b>TRS 2017</b>	<b>TRS 2016</b>	<b>TRS 2015</b>
Employer's proportion of the net pension liability	0.3140%	0.3120%	0.3056%	0.2821%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 5,294,510	\$ 5,700,088	\$ 5,020,552	\$ 4,341,713
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 3,360,920	\$ 3,716,622	\$ 3,368,079	\$ 2,976,125
Total	<u>\$ 8,655,430</u>	<u>\$ 9,416,710</u>	<u>\$ 8,388,631</u>	<u>\$ 7,317,838</u>
Employer's covered payroll	\$ 4,141,737	\$ 4,337,012	\$ 3,900,154	\$ 3,558,012
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	127.83%	131.43%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	70.09%	66.69%	69.30%	70.36%

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



**Bigfork Public Schools, Flathead County, Montana**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2018**

	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>	<b>PERS</b>
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 61,936	\$ 59,957	\$ 56,043	\$ 64,324
Contributions in relation to the contractually required contributions	\$ 61,936	\$ 59,957	\$ 56,997	\$ 64,324
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 755,317	\$ 742,451	\$ 693,114	\$ 807,064
Contributions as a percentage of covered payroll	8.20%	8.08%	8.22%	7.97%

	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>	<b>TRS</b>
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 398,087	\$ 385,579	\$ 372,696	\$ 348,498
Contributions in relation to the contractually required contributions	\$ 398,087	\$ 385,879	\$ 732,696	\$ 348,498
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,408,385	\$ 4,141,737	\$ 4,337,012	\$ 3,900,154
Contributions as a percentage of covered payroll	9.03%	9.32%	8.59%	8.94%

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

**Bigfork Public Schools, Flathead County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2018**

**PERS**

**Changes of Benefit Terms**

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

**2015 Legislative Changes:**

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

Second Retirement Benefit – for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:

- Refund of member's contributions from second employment plus regular interest (currently 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

1) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:

- Member receives a recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months.

2) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:

- Refund of member's contributions from second employment plus regular interest (currently 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:

- Member receives the same retirement benefit as prior to return to service;
- Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
- GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

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

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47% and the 1.00% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

**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, 2018**

**2017 Legislative Changes:**

General Revisions – House Bill 101, effective July 1, 2017

**Working Retiree Limitations** – for PERS

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

**Terminating Employers – Recovery of actuary costs** – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

**Refunds**

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

**Family Law Orders**

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

**Disabled PERS Defined Contribution (DC) Members**

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

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
  - a. FY2020 - \$32.277 million
  - b. FY2021 - \$32.6 million
  - c. FY2022 - \$32.926 million
  - d. FY2023 - \$33.255 million
  - e. FY2024 - \$33.588 million
  - f. FY2025 - \$33.924 million

**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, 2018**

**Changes in Actuarial Assumptions and Methods**

**Method and assumptions used in calculations of actuarially determined contributions**

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
* Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Mortality (Healthy members)	For Males and Females: RP 200 Combine Employee and Annuitant Mortality Table project to 2020 Using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.23%

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

**TRS**

**Changes of Benefit Terms:**

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

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

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

- (1) **Final Average Compensation:** average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- (2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- (3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55

**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, 2018**

(4) **Professional Retirement Option:** if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%

(5) **Annual Contribution:** 8.15% of member's earned compensation

(6) **Supplemental Contribution Rate:** On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:

- a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
- b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
- c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

(7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination

(8) **Guaranteed Annual Benefit Adjustment (GABA):**

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

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

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

**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, 2018**

Changes in actuarial assumptions and other inputs:

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

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

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

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

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

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

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

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

**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, 2018**

*Method and assumptions used in calculations of actuarially determined contributions:*

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	22 years
Asset valuation method	4- year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 83.51 percent, including inflation for Non-University Members and 5.00% for University members;
Investment rate of return	7.75 percent, net of pension plan investment expense and including inflation

# **SUPPLEMENTAL INFORMATION**



**BIGFORK PUBLIC SCHOOLS**  
**Flathead County, Montana**  
**SCHEDULE OF ENROLLMENT**  
**For the Fiscal Year Ended June 30, 2018**

**Fall Enrollment - October, 2017**  
**Elementary School District**

	FALL		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Kindergarten Full	75	75	0
Grades 1-6	365	365	0
Grades 7-8	134	134	0
Total Elementary	574	574	0

**High School District**

	FALL		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Grades 9-12	312	312	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	3	2	4	0	3	2	4	0

**Spring Enrollment - February, 2018**  
**Elementary School District**

	SPRING		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Kindergarten - Full	74	74	0
Grades 1-6	360	360	0
Grades 7-8	132	132	0
Total Elementary	566	566	0

**High School District**

	SPRING		
	Per Enrollment	Audit Per	Difference
	<u>Reports</u>	<u>District Records</u>	
Grades 9-12	311	311	0
19 year-olds	0	0	0
Early Graduates	1	1	0
Job Corps students	0	0	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	3	1	4	0	3	1	4	0

Bigfork Public Schools  
Flathead County, Montana  
EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2018

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Art Fund	\$ 1,024	\$ -	\$ -	\$ -	\$ 1,024
Athletics	1,341	8,359	3,968	-	5,732
Band	1,173	-	-	-	1,173
Bank fees	175	-	-	-	175
Eighth Grade	112	644	694	-	62
Enrichment	606	-	-	-	606
Fifth Grade	40	-	-	-	40
First Grade	1	-	-	-	1
Fourth Grade	7,023	1,150	137	-	8,036
General	3,965	2,470	2,173	-	4,262
Grade School	13	-	-	-	13
Library	1,505	135	15	-	1,625
Middle School Choir	154	-	-	-	154
Music Boosters	525	-	-	-	525
National History Day	9,351	750	6,051	-	4,050
National Junior Honor	547	-	-	-	547
Needy Kids	2,693	2,173	80	-	4,786
Partners Club	249	172	90	-	331
Ravenwood	1,084	-	-	-	1,084
Science	17	-	-	-	17
Second Grade	68	-	-	-	68
Seventh Grade	143	-	-	-	143
Sixth Grade	2,161	1,437	995	(500)	2,103
Student Activities - Other	6	-	-	-	6
Student Council	232	495	264	-	463
Student Store	188	-	-	-	188
Technology	84	-	-	-	84
Third Grade	1,046	2,578	2,356	-	1,268
Trish Shults - FOBS	250	-	-	-	250
Yearbook	2,483	3,180	2,720	-	2,943
Conversion	479	-	-	-	479
<b>Total</b>	<b>\$ 38,738</b>	<b>\$ 23,543</b>	<b>\$ 19,543</b>	<b>\$ (500)</b>	<b>\$ 42,238</b>

Bigfork Public Schools  
Flathead County, Montana  
EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS**  
Fiscal Year Ended June 30, 2018

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
AFS	\$ 1,591	\$ -	\$ -	\$ -	\$ 1,591
Alpine Club	517	-	-	-	517
Annual	11,828	2,540	11,793	(150)	2,425
Art Club	1,237	830	56	-	2,011
Athletics	11,355	24,232	18,180	-	17,407
Auto Repair/Parts	818	-	569	-	249
Auto Shop	10,172	1,453	7,527	-	4,098
Band	477	5,444	5,765	-	156
Band Fundraising	392	1,115	-	-	1,507
Band Scholarship	303	1,000	197	-	1,106
Bio Club	179	-	-	-	179
Book Club	1,003	10	-	-	1,013
Boys Basketball	651	1,431	790	-	1,292
Cheerleaders	827	-	-	-	827
Choir	895	2,624	2,413	-	1,106
Class of 2017	440	-	-	(440)	-
Class of 2018	2,671	92	933	(528)	1,302
Class of 2019	864	2,478	1,579	-	1,763
Class of 2020	1,445	-	-	-	1,445
Close Up	126	-	-	-	126
Computer Club	386	-	-	-	386
Concessions	120	-	-	-	120
Drama	2,380	-	-	-	2,380
England & Ireland Trip	1,100	3,927	5,027	-	-
Family & Consumer	653	540	-	-	1,193
FCCLA	56	-	-	-	56
Football Donations	4,109	3,540	1,985	-	5,664
General Activities	1,299	-	-	-	1,299
Girls Basketball	1,923	1,819	1,819	-	1,923
Golf	10	-	-	-	10
Hiawatha Trail	733	-	-	-	733
HOSA	453	-	-	-	453
HS Pepsi #1	2,095	-	-	-	2,095
Indoor Track	2,205	50	432	-	1,823
Library Club	823	362	20	-	1,165
Lit Magazine	1,375	635	1,040	-	970
National Honor Society	499	103	539	440	503
Needy Kids Account	1,230	1,300	1,120	-	1,410
Newspaper	195	1,614	2,158	678	329
Pepsi #1F-SB	2,287	-	-	-	2,287
Pepsi #2-SC	610	-	-	-	610
SADD	102	-	-	-	102

Bigfork Public Schools  
Flathead County, Montana  
EXTRACURRICULAR FUND  
**SCHEDULE OF REVENUES AND EXPENDITURES - ALL FUNDS ACCOUNTS- continued**  
Fiscal Year Ended June 30, 2018

FUND ACCOUNT	Beginning Balance	Revenues	Expenditures	Transfers In(Out)	Ending Balance
Scholarships	3,684	-	-	-	3,684
Science Club	2,374	-	-	-	2,374
Soccer	1,648	-	-	-	1,648
Special Olympics	-	100	218	500	382
Speech	809	158	907	-	60
Stand	75	-	-	-	75
Student Council	3,792	652	1,797	-	2,647
Student Store	662	-	-	-	662
Swimming	166	-	-	-	166
Tennis Club	11	-	-	-	11
Tennis Courts	25	-	-	-	25
Tournament	39,337	9,427	3,375	-	45,389
Volleyball	2,718	2,646	466	-	4,898
Washington DC Trip	1	-	-	-	1
Wood Shop	786	-	-	-	786
Wood Shop Club	485	-	-	-	485
Wrestling	336	-	200	-	136
Young Deomocrates	60	-	-	-	60
Conversion Account	1,147	-	-	-	1,147
Total	\$ 130,550	\$ 70,122	\$ 70,905	\$ 500	\$ 130,267

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

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

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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, 2018, and the related notes to the financial statements, which collectively comprise the Bigfork Public School's basic financial statements and have issued our report thereon dated January 21, 2019.

**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 School's internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

### **Compliance and Other Matters**

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

### **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 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.

*Derring, Downey and Associates, CPAs, P.C.*

January 21, 2019

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

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

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

<u>Recommendation</u>	<u>Action Taken</u>
Student Activity Receipting	Implemented

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

January 21, 2019