

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA



Fiscal Years Ended June 30, 2021 and 2020

AUDIT REPORT

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Monica Settle	District Clerk



Financial Section
June 30, 2021 and 2020

Flathead Valley Community College



Independent Auditor's Report

Board of Trustees
Flathead Valley Community College
Kalispell, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Flathead Valley Community College (the College), as of and for the years ended June 30, 2021 and 2020, and the financial statements of the discretely presented component unit as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College'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 an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit – Flathead Valley Community College Foundation (the Foundation). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation is based solely on the report of the other auditors. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 College'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 College'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, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College as of June 30, 2021 and 2020, and the discretely presented component unit of the College as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's proportionate share of total OPEB liability, the schedule of employer contributions – OPEB, the schedule of employer's share of net pension liability, the schedule of employer contributions – pensions, and the notes to required supplementary information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 or 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's financial statements as a whole. The schedule of student financial aid – modified statement of cash receipts and disbursements, the schedule of federal expenditures – student financial assistance programs, the schedule of full time equivalents, and the schedule of functional classification of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedule of student financial aid – modified statement of cash receipts and disbursements, the schedule of expenditures – student financial assistance programs, the schedule of full time equivalents, the schedule of functional classification of operating expenses, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules noted above are fairly stated in all material respects in relation to the basic financial statements as a whole.

The organization section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
January 31, 2022

Overview

The following Management's Discussion and Analysis (MD&A) is required supplementary information under the Governmental Accounting Standards Board (GASB) reporting model. Flathead Valley Community College's (the College) MD&A presents an overview of its financial condition and results of operations for the fiscal years ended June 30, 2021 and 2020. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of the College's financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and footnote disclosures.

Financial Highlights

In fiscal year 2021, the operating loss was \$19.2 million, compared with \$18.2 million in 2020. Non-operating revenues including contributions and gain/loss on sale of capital assets decreased to \$23.9 million in 2021 compared to \$26.9 million in 2020, resulting in a change in net position of \$4.7 million in 2021 and \$8.8 million in 2020.

These results were achieved during a consistent decline in enrollment and reflect the College's ability to adjust spending appropriately and reaction to the changing higher education landscape while responding to the needs of students and the community.

How the Financial Statements Relate to Each Other

The financial statements included are the:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows

The financial statements are presented using the accrual basis of accounting. The accrual basis of accounting simply means that the transaction is recognized (recorded) when an exchange takes place. An exchange can be defined as a situation in which each party receives and gives something of equal value. For example, a student registers for a class on July 1st and sets up a payment plan to pay tuition and fees in full by July 31st. On July 1st, there is no cash presented, however, because the registration (exchange) takes place (reserved seat in class equals commitment to pay), revenue is recognized on July 1st. An offsetting student receivable is set up to track the amount the student owes. As the student pays for the tuition and fees, the receivable is reduced by the same increment.

The financial statements referred to above are interrelated and should be viewed in their entirety. The Statement of Net Position presents a snap shot of the financial condition of the College on June 30. The Statement of Revenues, Expenses, and Changes in Net Position presents the results of activities for the College throughout the fiscal year. The Statement of Cash Flows indicates where and how cash was utilized and provided in order to operate throughout the fiscal year.

Statement of Net Position

The Statement of Net Position presents the College's assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position as of the fiscal year end. The purpose of this statement is to present to the financial statement readers a snapshot of the College's financial position at June 30, 2021, 2020, and 2019. The data presented in the Statement of Net Position aids in determining the assets available to continue the College's operations. It also allows readers to determine how much the College owes to vendors and creditors. Finally, the Statement of Net Position provides a picture of net position and its availability for expenditure by the College. Assets and liabilities are presented in a classified format. This format differentiates between current and non-current assets and liabilities. Current assets and liabilities are those expected to be realized or expended within the next twelve months.

Net position is presented in three categories applicable to the College:

- Net Investment in Capital Assets
- Restricted – Expendable
- Unrestricted

This statement is one way of measuring the College's financial position at the end of the fiscal year. Improvements or deterioration of financial position can be measured over time by analyzing the change in net position.

The following is a summary of the Statements of Net Position at June 30, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 18,648,271	\$ 20,077,119	\$ 17,702,457
Capital Assets	57,890,580	45,436,783	42,410,565
Other Noncurrent Assets	-	6,607,983	3,023,834
Total noncurrent assets	<u>57,890,580</u>	<u>52,044,766</u>	<u>45,434,399</u>
Total assets	<u>76,538,851</u>	<u>72,121,885</u>	<u>63,136,856</u>
Deferred Outflow of Resources	<u>5,693,466</u>	<u>3,157,200</u>	<u>4,015,971</u>
Current Liabilities	4,614,958	4,798,632	4,027,577
Non-Current Liabilities	35,352,984	32,483,951	33,795,005
Total liabilities	<u>39,967,942</u>	<u>37,282,583</u>	<u>37,822,582</u>
Deferred Inflow of Resources	<u>1,702,212</u>	<u>2,122,026</u>	<u>2,235,974</u>
Net Investment in Capital Assets	43,368,774	29,628,678	25,263,603
Restricted - Expendable	1,055,738	7,644,094	4,045,050
Unrestricted	<u>(3,862,349)</u>	<u>(1,398,296)</u>	<u>(2,214,382)</u>
Total net position	<u>\$ 40,562,163</u>	<u>\$ 35,874,476</u>	<u>\$ 27,094,271</u>

Current assets include the College's cash, taxes, grants, student loans, accounts receivables, inventories and other assets expected to benefit the College within one year. Current assets decreased \$1.4 million in 2021 compared to 2020. The decrease was due to decrease in receivables from The Foundation of \$6.2 million and other receivables of \$1 million, offset by an increase in cash of \$5.6 million. Receivables decreased primarily due to timing of payments from the Foundation. Current assets increased \$2.4 million in 2020 compared to 2019. The increase was due to an increase in receivables of \$7 million, offset by a decrease in cash of \$5.2 million. Receivables increased primarily due to timing of payments from the Foundation, as well as \$1 million of proceeds from the sale of land in 2020.

Non-current assets include restricted cash and net capital assets. Non-current assets increased \$5.8 million in 2021 compared to 2020. The increase is primarily due to the continued construction of new buildings, offset by the annual depreciation expense. Non-current assets increased \$6.6 million in 2020 compared to 2019. The increase is primarily due to the continued construction of new buildings including cash restricted for capital projects, offset by the annual depreciation expense.

Deferred outflow of resources includes pension and other post-employment benefit obligations, which were the result of the implementation of GASB 68 and 71 in 2015, GASB 75 in 2018, as well as the deferred charge on refunding of debt, which was the result of the General Obligation Bond refunding that took place in 2015.

Current liabilities include payroll and related liabilities, unspent grant funds, amounts payable to vendors for goods and services received, student deposit balances and debt principal payments due within one year. Current liabilities decreased \$186 thousand in 2021 compared to 2020 due to a decrease in unspent grant funds. Current liabilities increased \$771 thousand in 2020 compared to 2019 due to an increase in accounts payable and unspent grant funds.

Non-current liabilities include debt principal due in greater than one year, accrued compensated absences greater than one year, other post-retirement benefit obligations (OPEB) for employees, and net pension liability. Non-current liabilities increased \$2.9 million in 2021 compared to 2020, driven by an increase in net pension liability, offset by annual payments on long-term debt. Non-current liabilities decreased \$1.3 million in 2020 compared to 2019, driven by an increase in net pension liability, offset by annual payments on long-term debt.

Deferred inflow of resources includes employer pension and other post-employment benefit assumptions, which was the result of the implementation of GASB 68 and 71 in 2015, and GASB 75 in 2018.

Net investment in capital assets represents historical cost of capital assets such as buildings and land held by the College less accumulated depreciation and net of debt balances related to the capital assets. The change year over year is primarily from the reduction or addition of long-term debt, and additions to capital assets, offset by the annual depreciation of capital assets.

Restricted-expendable net position represents funds that may be expended by the College but only in accordance with restrictions imposed by an external party, such as a donor, governmental entity, etc. There was a decrease of \$6.6 million in 2021 and an increase of \$3.6 million in 2020 due to restriction for capital projects. The remaining balance is restricted for debt service.

Unrestricted net position are funds that the College has to use for whatever purpose it determines is appropriate. The decrease of \$2.5 million in 2021, is primarily attributed to timing of revenue and expenditures, an increase of \$4.2 million in the Pension/OPEB unfunded liability and offset by a decrease in net funds invested in capital assets and restricted funds for capital projects. The increase of \$816 thousand in 2020, was primarily attributable to the strong results, offset by an increase in net funds invested in capital assets and restricted funds for capital projects. It is worth noting that declining unrestricted net position is due to the performance of the State managed pension/OPEB and not a reflection of management.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reflects the results of operations for each fiscal year, distinguishing between operating and non-operating revenues and expenses as defined by GASB 35. GASB 35 has defined appropriations (state and local) as non-operating revenues, thus, the College is showing an operating loss of \$19.2 million, \$18.2 million and \$14.8 million for 2021, 2020 and 2019, respectively. Once the non-operating revenues, gain/loss on capital assets, and contributions are considered, the results become a change in net position of \$4.7 million, \$8.8 million, and \$7.5 million for 2021, 2020 and 2019, respectively. Inclusion of non-operating revenues (certain federal grants and contracts, and state and local appropriations) is a more useful measure of the College's activities.

The following is a summary of the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021, 2020 and 2019:

	2021	2020	2019
Operating Revenues	\$ 13,441,369	\$ 14,395,878	\$ 17,139,050
Operating Expenses	<u>32,625,102</u>	<u>32,552,054</u>	<u>31,922,319</u>
Operating Loss	<u>(19,183,733)</u>	<u>(18,156,176)</u>	<u>(14,783,269)</u>
Net Non-Operating Revenues	20,502,983	19,358,886	15,555,024
Contributions	3,363,742	6,576,954	6,729,801
Gain (Loss) on Sale of Capital Assets	<u>4,695</u>	<u>1,000,541</u>	<u>(5,375)</u>
Change in Net Position	<u>\$ 4,687,687</u>	<u>\$ 8,780,205</u>	<u>\$ 7,496,181</u>

Operating revenues include federal and state grants and contracts, tuition, fees and auxiliary activities. Operating revenues decreased \$900 thousand in 2021 compared to 2020 due to a decrease in federal and state grants and contracts. Operating revenues decreased \$2.7 million in 2020 compared to 2019 due to a decrease in auxiliary activities, partially due to the reduced on campus activity resulting from the COVID-19 pandemic.

Operating expenses increased \$71 thousand in 2021 compared to 2020 primarily due to a \$1.3 million pension increase which was offset by a \$1.3 million expense savings. Operating expenses increased \$630 thousand in 2020 compared to 2019 primarily due to a \$495 thousand increase in pension and other post-employment benefit expenses.

Non-operating revenues (expenses) are comprised of interest income and expense, unrealized gains on investments, and state and local appropriations. Non-operating revenue increased \$1.1 million in 2021 from 2020 due to an increase in local appropriations and COVID funding. Non-operating revenue increased \$3.8 million in 2020 from 2019 due to an increase in state and local appropriations.

In 2020, the College had a gain on disposal of capital assets of \$1 million due to the sale of excess land near campus.

The College received capital contributions of \$3.4 million and \$6.6 million in 2021 and 2020 relating to construction of the Broussard Family Library and Learning Commons and Paul D Wachholz College Center, and \$6.7 million in 2019.

Capital Assets

The College's investment in capital assets as of June 30, 2021, 2020 and 2019, amounted to \$57.9 million, \$45.4 million and \$42.4 million, respectively, net of accumulated depreciation. Investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, library equipment, leasehold improvements, and information technology equipment. Additional information on the College's capital assets can be found in Note 2 of this report.

Long-Term Liabilities

Total outstanding debt as of June 30, 2021, 2020 and 2019, amounted to \$14.6 million, \$15.9 million and \$17.3 million, respectively. The outstanding debt consisted of outstanding general obligation bonds, a note payable for construction of new building, named Founder's Hall, and outstanding InterCap loans. Additional information on the College's long-term obligations can be found in Note 5 of this report.

Economic Outlook

Historically, enrollment trends for community colleges are counter-cyclical to economic conditions. The College continues to focus on enrollment management and anticipates a leveling off of the decline in enrollment to near 2009 levels.

College management believes the College is well positioned to maintain its strong financial condition and to continue to provide excellent service to its students and other constituents. The College's financial position, as evidenced by its strong cash balance, provides a high degree of flexibility and stability to address future challenges. Management will continue to maintain a close watch over resources and expenses to ensure that the College's finances are sustainable, and that the College can plan for and react to future internal or external issues.

Flathead Valley Community College

Statements of Net Position

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 14,022,456	\$ 8,447,902
Restricted cash and cash equivalents	1,055,738	1,036,111
Taxes and assessments receivable	274,501	414,718
Grants receivable	1,513,610	836,861
Tuition and fees receivable, net of allowance for uncollectible amounts of \$193,520 in 2021 and \$399,364 in 2020	141,421	217,704
Other accounts receivable	6,192	1,028,706
Due from Flathead Valley Community College Foundation	872,206	7,095,504
Inventories	532,399	732,806
Other assets	229,748	266,807
Total current assets	18,648,271	20,077,119
Non-Current Assets		
Restricted cash and cash equivalents	-	6,607,983
Capital assets - non-depreciable	21,005,087	11,650,570
Capital assets - depreciable, net	36,885,493	33,786,213
Total non-current assets	57,890,580	52,044,766
Total assets	76,538,851	72,121,885
Deferred Outflow of Resources		
Deferred charge on refunding	98,526	118,231
Deferred outflow on PERS liability	1,646,156	1,000,285
Deferred outflow on TRS liability	2,517,178	1,748,555
Deferred outflow on OPEB liability	1,431,606	290,129
Total deferred outflow of resources	5,693,466	3,157,200

Flathead Valley Community College

Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable and accrued liabilities	1,308,834	1,253,846
Unspent grant funds	-	297,446
Student deposits payable	288,574	229,809
Deposits payable	30,889	27,145
Interest payable	118,544	129,757
Accrued payroll	433,721	408,505
Unearned revenue - tuition and fees	175,872	265,518
Compensated absences, current portion	828,658	805,603
Long-term liabilities, current portion	<u>1,429,866</u>	<u>1,381,003</u>
Total current liabilities	<u>4,614,958</u>	<u>4,798,632</u>
Non-Current Liabilities		
Long-term liabilities, net of current portion	13,190,466	14,545,333
Compensated absences, net of current portion	809,330	816,634
Net pension liability	19,525,648	16,208,332
Obligation for other post-employment benefits	<u>1,827,540</u>	<u>913,652</u>
Total non-current liabilities	<u>35,352,984</u>	<u>32,483,951</u>
Total liabilities	<u>39,967,942</u>	<u>37,282,583</u>
Deferred Inflow of Resources		
Deferred inflow on PERS liability	787,193	1,519,724
Deferred inflow on TRS liability	67,366	112,156
Deferred inflow on OPEB liability	<u>847,653</u>	<u>490,146</u>
Total deferred inflow of resources	<u>1,702,212</u>	<u>2,122,026</u>
Net Position		
Net investment in capital assets	43,368,774	29,628,678
Restricted - Expendable		
Debt service	1,055,738	1,036,111
Capital projects	-	6,607,983
Unrestricted	<u>(3,862,349)</u>	<u>(1,398,296)</u>
Total net position	<u>\$ 40,562,163</u>	<u>\$ 35,874,476</u>

Flathead Valley Community College
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$965,314 in 2021 and \$1,015,131 in 2020	\$ 6,034,797	\$ 6,532,358
Federal grants and contracts	2,536,927	3,018,036
State grants, contracts, and aid	1,544,359	1,073,168
Private and local grants and contracts	1,485,193	1,352,683
Indirect cost recoveries	100,061	104,718
Seminars and workshops	50,557	68,323
Auxiliary activities	1,434,228	1,988,825
Other operating revenues	255,247	257,767
Total operating revenues	13,441,369	14,395,878
Operating Expenses		
Personnel services	20,449,474	20,001,233
Travel	19,917	157,193
Supplies	1,747,380	1,494,714
Contracted services	2,641,885	2,763,565
Bond issuance expense	15,000	-
Bad debt expense	-	53,299
Scholarships and grants	5,024,241	5,648,050
Non-capitalized equipment	565,621	289,195
Other operating expenses	152,523	169,917
Depreciation	2,009,061	1,974,888
Total operating expenses	32,625,102	32,552,054
Operating Loss	(19,183,733)	(18,156,176)
Non-Operating Revenues (Expenses)		
State appropriations	9,196,094	9,204,303
Statewide equalization millage	576,141	561,421
Local appropriations	7,579,529	7,264,746
Federal grants and contracts	3,553,837	2,579,640
Interest revenue	92,352	279,268
Interest expense	(494,970)	(530,492)
Gain on disposal of capital assets	4,695	1,000,541
Total non-operating revenues	20,507,678	20,359,427
Net Income Before Capital Contributions	1,323,945	2,203,251
Capital Contributions	3,363,742	6,576,954
Change in Net Position	4,687,687	8,780,205
Net Position, Beginning of Year	35,874,476	27,094,271
Net Position, End of Year	\$ 40,562,163	\$ 35,874,476

Flathead Valley Community College

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Tuition and fees	\$ 6,021,434	\$ 6,523,498
Federal grants and contracts	1,562,732	3,114,200
Other grants and contracts	3,087,923	3,082,281
Seminars and workshops	50,557	68,323
Auxiliary activities	2,456,742	1,972,800
Other	355,308	362,485
Payments to suppliers	(2,186,153)	(2,809,016)
Payments for contracted services	(2,656,885)	(2,763,565)
Payments for scholarships and grants	(5,024,241)	(5,648,050)
Payments to employees	<u>(19,133,383)</u>	<u>(19,148,614)</u>
Net Cash used for Operating Activities	<u>(15,465,966)</u>	<u>(15,245,658)</u>
Noncapital Financing Activities		
State appropriations	9,196,094	9,204,303
Local appropriations	8,295,887	7,724,413
Federal grants and contracts	<u>3,553,837</u>	<u>2,579,640</u>
Net Cash from Noncapital Financing Activities	<u>21,045,818</u>	<u>19,508,356</u>
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(14,411,638)	(4,326,851)
Proceeds from the sale of capital assets	9,150	30,000
Proceeds from new debt	75,000	-
Principal paid on capital debt	(1,381,004)	(1,358,562)
Interest paid on capital debt	(506,183)	(551,260)
Capital contributions	<u>9,528,669</u>	<u>-</u>
Net Cash used for Capital and Related Financing Activities	<u>(6,686,006)</u>	<u>(6,206,673)</u>
Investing Activities		
Interest on investments	<u>92,352</u>	<u>279,268</u>
Net Cash from Investing Activities	<u>92,352</u>	<u>279,268</u>
Net Change in Cash and Cash Equivalents	(1,013,802)	(1,664,707)
Cash and Cash Equivalents, Beginning of Year	<u>16,091,996</u>	<u>17,756,703</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,078,194</u>	<u>\$ 16,091,996</u>

Flathead Valley Community College

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (19,183,733)	\$ (18,156,176)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	2,009,061	1,974,888
GASB 68 - Actuarial pension expense	1,145,206	654,691
Change in OPEB obligation	129,918	120,792
Changes in assets and liabilities		
Grants receivable	(676,749)	(213,406)
Tuition and fees receivable	76,283	(48,742)
Other accounts receivable	1,022,514	(16,025)
Due from Flathead Valley Community College Foundation	58,371	668,554
Inventories	200,407	(411,460)
Other assets	37,059	77,421
Accounts payable and accrued liabilities	(687)	(344,661)
Unspent grant funds	(297,446)	297,446
Student deposits payable	58,765	34,746
Deposits payable	3,744	(1,134)
Accrued payroll	25,216	(37,350)
Unearned revenue - tuition and fees	(89,646)	39,882
Compensated absences	15,751	114,876
Net Cash used for Operating Activities	\$ (15,465,966)	\$ (15,245,658)
Supplemental Disclosure of Noncash Activity		
Capital contributions within Due from Flathead Valley Community College Foundation	\$ 310,330	\$ 6,576,954
Capital assets acquired from accounts payable	\$ 55,675	\$ 704,866
Sale of capital assets within other accounts receivable	\$ -	\$ 1,001,152
Reconciliation of Cash, Restricted Cash and Cash Equivalents and Investments		
Cash and cash equivalents	\$ 14,022,456	\$ 8,447,902
Restricted cash and cash equivalents, current	1,055,738	1,036,111
Restricted cash and cash equivalents, noncurrent	-	6,607,983
Total cash, restricted cash and cash equivalents and investments	\$ 15,078,194	\$ 16,091,996

Flathead Valley Community College Foundation

Statements of Financial Position – Component Unit

December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 196,361	\$ 1,451,765
Investments	19,891,908	21,309,814
Promises to give	2,824,676	4,647,437
Other current assets	42,268	44,361
Total current assets	22,955,213	27,453,377
Property and Equipment, Net	196,918	196,918
	\$ 23,152,131	\$ 27,650,295
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and other liabilities	\$ 2,463,430	\$ 352,971
Foundation scholarships payable	559,535	725,091
Other scholarships payable	234,133	272,582
Deferred revenue	-	40,000
Total current liabilities	3,257,098	1,390,644
Long-Term Liabilities		
Deferred gift liability	39,472	39,659
Total liabilities	3,296,570	1,430,303
Net Assets		
Without donor restrictions	-	109,106
Without donor restrictions - board designated	507,811	626,922
With donor restrictions	19,347,750	25,483,964
Total net assets	19,855,561	26,219,992
	\$ 23,152,131	\$ 27,650,295

Flathead Valley Community College Foundation
Statement of Activities – Component Unit
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Pledges and other public support	\$ 212,810	\$ 1,234,508	\$ 1,447,318
In-kind donations	37,215	184,563	221,778
Change in value of split-interest agreements	-	(6,095)	(6,095)
Net realized and unrealized investment gains	6,902	1,536,404	1,543,306
Investment income	24,831	300,857	325,688
Net assets released from restriction	9,386,451	(9,386,451)	-
Total revenues and other support	<u>9,668,209</u>	<u>(6,136,214)</u>	<u>3,531,995</u>
Allocations and Expenses			
Program services	9,566,549	-	9,566,549
Management and general	88,273	-	88,273
Fundraising	241,604	-	241,604
Total allocations and expenses	<u>9,896,426</u>	<u>-</u>	<u>9,896,426</u>
Change in Net Assets	(228,217)	(6,136,214)	(6,364,431)
Net Assets, Beginning of Year	<u>736,028</u>	<u>25,483,964</u>	<u>26,219,992</u>
Net Assets, End of Year	<u>\$ 507,811</u>	<u>\$ 19,347,750</u>	<u>\$ 19,855,561</u>

Flathead Valley Community College Foundation
Statement of Activities – Component Unit
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Pledges and other public support	\$ 287,811	\$ 2,710,777	\$ 2,998,588
In-kind donations	95,072	335,582	430,654
Change in value of split-interest agreements	-	(7,353)	(7,353)
Net realized and unrealized investment gains	10,652	1,753,488	1,764,140
Investment income	82,292	307,291	389,583
Net assets released from restriction	1,551,921	(1,551,921)	-
	<u>2,027,748</u>	<u>3,547,864</u>	<u>5,575,612</u>
Allocations and Expenses			
Program services	1,712,992	-	1,712,992
Management and general	97,526	-	97,526
Fundraising	478,141	-	478,141
	<u>2,288,659</u>	<u>-</u>	<u>2,288,659</u>
Change in Net Assets	(260,911)	3,547,864	3,286,953
Net Assets, Beginning of Year	<u>996,939</u>	<u>21,936,100</u>	<u>22,933,039</u>
Net Assets, End of Year	<u>\$ 736,028</u>	<u>\$ 25,483,964</u>	<u>\$ 26,219,992</u>

Note 1 - Principal Business Activity and Significant Accounting Policies**Description of Entity**

Flathead Valley Community College (the College) was established under Montana law and provides high-quality academic programs taught by some of the nation's brightest faculty. The College also offers the Running Start program for eligible area high school students who want to get a jump start on their college education while saving a significant amount of money on tuition; online classes where students can learn anywhere at any time; classes taught through interactive television reaching students living in rural communities; select undergraduate and graduate degrees through partnerships with various Montana colleges and universities so students do not have to leave the Flathead Valley; customized workforce training for area businesses; and a wide variety of fun, enriching and affordable non-credit classes for all ages.

Reporting Entity

The College's financial statements are prepared in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles in the United States of America (GAAP).

As defined by GAAP established under GASB, the financial reporting entity consists of the primary government, as well as its component unit, Flathead Valley Community College Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation's financial statements for fiscal years ended December 31, 2020 and 2019, are discreetly presented because the College does not have financial accountability for the Foundation.

The Foundation is a private not-for-profit organization that reports its financial statements in accordance with the pronouncements of Financial Accounting Standard Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Accordingly, those financial statements have been reported on separate pages following the financial statements of the College. No modifications have been made to the Foundation's financial information included in the College's report; however significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Financial statements for the Foundation can be obtained by contacting: Flathead Valley Community College Foundation, 777 Grandview Drive, Kalispell, MT 59901.

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Non-exchange transactions, in which the College receives value without directly giving equal value in return include: property taxes, federal, state and local grants, state appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenues from grants, state appropriations, and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The College considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. Cash balances that are restricted and not expected to be expended within the subsequent year are classified as noncurrent assets.

The College's cash, except petty cash, is held by the Flathead County Treasurer (the County) and pooled with other County cash. With the College cash which is not necessary for short-term obligations, the College 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 funded on a pro rata basis. The County's investment portfolio as of June 30, 2021 and 2020, consisted of certificates of deposit, savings accounts, and U.S. Government Securities.

The College does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer's office, 800 S. Main Street, Kalispell, Montana 59901. The Flathead County external investment pool is not rated.

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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a financial institution, the College's deposits and investments may not be returned to it. At June 30, 2021 and 2020, all of the College's deposits were insured or collateralized. The College does not have a deposit policy for custodial credit risk.

Property Tax Receivable

Property taxes levied through 2021 are recorded as receivables. Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property. 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.

Receivables

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable balances are recorded net of estimated uncollectible amounts.

Inventories

Inventories consist mainly of bookstore merchandise and are valued at cost on the first in, first out method. The costs of inventory are recorded as expenditures when consumed.

Restricted Cash and Cash Equivalents

In accordance with debt covenant restrictions and agency fund requirements, the College is obligated to separately hold cash amounts sufficient to satisfy the upcoming debt payments. These are considered current restricted cash and cash equivalents. Additionally, the College holds funds restricted by donors for specific ongoing capital projects. These amounts are shown as noncurrent assets.

Capital Assets

Capital assets are stated at cost when purchased or constructed, or if donated, at the estimated acquisition value at the date of the gift. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings and building improvements costing more than \$25,000, any land purchases regardless of cost, land improvements and infrastructure costing \$10,000 or more, and library books treated as a collection and valued at 3% or more of total capital assets reported by the College are capitalized. Renovations and improvements to buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follow:

Buildings and improvements	40 years
Machinery and equipment	5-20 years
Library equipment	10 years
Leasehold improvements	20 years
Information technology	3-7 years

Unearned Revenue and Unspent Grant Funds

Unearned revenue includes amounts received for tuition and fees, prior to the end of the fiscal year but related to the subsequent accounting period. Unspent grant funds arise when grant monies are received prior to the occurrence of qualifying expenditures.

Compensated Absences

Non-teaching College 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 at the rate of one day per month for the length of time at the full-time teaching contract. 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.

Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

Restricted Net Position – Expendable – Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenues

The College has classified its revenues as either operating or non-operating according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as: student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, and contracts and federal appropriations.

Non-Operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 34 and 35, such as state appropriations, property taxes and most federal, state and local grants, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Income Taxes

As a public institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the college of its exempt purpose or function. The College does not have unrelated business income tax to report during the fiscal years ended June 30, 2021 and 2020.

Deferred Outflows and Inflows of Resources

The Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has three items that qualify for reporting in this category: the pension liability, the OPEB liability, and the deferred charge on refunding. The pension liability results in changes in assumptions or other inputs in the actuarial calculation of the College's net

pension liability. The OPEB liability results from differences between expected and actual experience, and changes in assumptions or other inputs in the actuarial calculation of the College's OPEB liability. The deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The Statement of Net Position will include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has two items that qualify for reporting in this category reported on the statement of net position: the pension liability and the OPEB liability. The pension liability results from the differences between the expected and actual experience and the net difference between projected and actual earnings on pension plan investments derived from the actuarial calculation of the College's net pension liability. The OPEB liability results from differences between expected and actual experience, and changes in assumptions or other inputs in the actuarial calculation of the College's OPEB liability.

Pensions

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 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) statement.

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

Other Post-Employment Benefits (OPEB) – Health Insurance Plan

For purposes of measuring the total OPEB liability for the health insurance plan, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the College and additions to/deductions from the College's fiduciary net position have been determined on the same basis as they are reported by the College. For this purpose, the College recognizes benefit payments when due and payable in accordance with the benefit items.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 2 - Capital Assets

Capital assets at June 30, 2021 consist of the following:

	Balance June 30, 2020	Additions	Transfers/ Disposals	Balance June 30, 2021
Capital assets not depreciated				
Land	\$ 3,296,277	\$ -	\$ -	\$ 3,296,277
Construction in progress	8,354,293	13,008,842	(3,654,325)	17,708,810
Total capital assets not depreciated	<u>11,650,570</u>	<u>13,008,842</u>	<u>(3,654,325)</u>	<u>21,005,087</u>
Capital assets being depreciated				
Buildings	44,639,475	1,081,324	3,654,325	49,375,124
Improvements other than buildings	3,430,602	-	-	3,430,602
Machinery and equipment	9,009,910	366,753	(188,085)	9,188,578
Library equipment	391,548	7,027	(41,910)	356,665
Leasehold improvements	555,045	-	-	555,045
Information technology	1,328,191	3,367	-	1,331,558
Total capital assets being depreciated	<u>59,354,771</u>	<u>1,458,471</u>	<u>3,424,330</u>	<u>64,237,572</u>
Less accumulated depreciation	<u>25,568,558</u>	<u>2,009,061</u>	<u>(225,540)</u>	<u>27,352,079</u>
Capital assets being depreciated, net	<u>33,786,213</u>	<u>(550,590)</u>	<u>3,649,870</u>	<u>36,885,493</u>
Total capital assets, net	<u>\$ 45,436,783</u>	<u>\$ 12,458,252</u>	<u>\$ (4,455)</u>	<u>\$ 57,890,580</u>

Flathead Valley Community College

Notes to Financial Statements

June 30, 2021 and 2020

Capital assets at June 30, 2020 consist of the following:

	Balance June 30, 2019	Additions	Transfers/ Disposals	Balance June 30, 2020
Capital assets not depreciated				
Land	\$ 3,325,200	\$ -	\$ (28,923)	\$ 3,296,277
Construction in progress	4,205,018	4,386,438	(237,163)	8,354,293
Total capital assets not depreciated	<u>7,530,218</u>	<u>4,386,438</u>	<u>(266,086)</u>	<u>11,650,570</u>
Capital assets being depreciated				
Buildings	44,639,475	-	-	44,639,475
Improvements other than buildings	2,780,823	412,616	237,163	3,430,602
Machinery and equipment	8,927,595	191,906	(109,591)	9,009,910
Library equipment	432,880	6,578	(47,910)	391,548
Leasehold improvements	555,045	-	-	555,045
Information technology	1,294,012	34,179	-	1,328,191
Total capital assets being depreciated	<u>58,629,830</u>	<u>645,279</u>	<u>79,662</u>	<u>59,354,771</u>
Less accumulated depreciation	<u>23,749,483</u>	<u>1,974,888</u>	<u>(155,813)</u>	<u>25,568,558</u>
Capital assets being depreciated, net	<u>34,880,347</u>	<u>(1,329,609)</u>	<u>235,475</u>	<u>33,786,213</u>
Total capital assets, net	<u>\$ 42,410,565</u>	<u>\$ 3,056,829</u>	<u>\$ (30,611)</u>	<u>\$ 45,436,783</u>

Note 3 - Lease Obligations

The College is committed under various operating leases, primarily for equipment. The lease terms range from one to five years. The expense for operating leases was \$58,969 and \$57,087, for fiscal years 2021 and 2020, respectively. As of June 30, 2021, future minimum operating lease commitments are as follows:

<u>Years Ended June 30,</u>	
2022	\$ 55,722
2023	39,461
2024	3,697
	<u>\$ 98,880</u>

Note 4 - Compensated Absences

Compensated absences represent vacation and sick leave earned by employees which is payable upon termination.

Compensated absences activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 1,622,237	\$ 628,171	\$ 612,420	\$ 1,637,988	\$ 828,658

Compensated absences activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 1,507,361	\$ 652,787	\$ 537,911	\$ 1,622,237	\$ 805,603

Note 5 - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 6,615,000	\$ -	\$ 965,000	\$ 5,650,000	\$ 995,000
College Center Bonds	-	75,000	-	75,000	1,396
Intercap loans	741,336	-	246,004	495,332	248,470
Note payable	8,570,000	-	170,000	8,400,000	185,000
Total long-term liabilities	<u>\$ 15,926,336</u>	<u>\$ 75,000</u>	<u>\$ 1,381,004</u>	<u>\$ 14,620,332</u>	<u>\$ 1,429,866</u>

Long-term liability activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 7,555,000	\$ -	\$ 940,000	\$ 6,615,000	\$ 965,000
Intercap loans	984,898	-	243,562	741,336	246,003
Note payable	8,745,000	-	175,000	8,570,000	170,000
Total long-term liabilities	<u>\$ 17,284,898</u>	<u>\$ -</u>	<u>\$ 1,358,562</u>	<u>\$ 15,926,336</u>	<u>\$ 1,381,003</u>

Flathead Valley Community College

Notes to Financial Statements

June 30, 2021 and 2020

In 2021, the College entered into a Note Purchase Agreement of \$9,750,000 with TrailWest Bank at a rate of 2.85% per annum. The Note will be a limited obligation of FVCC payable solely from Paul D. Wachholz College Center pledged revenues. The Note is issued as a drawdown Note, with advances of principal to be made by TrailWest to the College commencing on the Note closing date, of July 14, 2020, and concluding no later than July 1, 2022. As of June 30, 2021, only \$75,000 had been drawn down for construction.

The College Center Note requires the College to maintain a current ratio at or above 2:1. At June 30, 2021, the College was in compliance with this requirement.

The College 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 College.

General obligation bonds outstanding as of June 30, 2021 and 2020, were as follows:

Bond	Date Issued	Interest Rate	Term	Maturity	Principal	2021 Balance	2020 Balance
Series 2015A	1/30/2015	2.15%	10 Years	7/1/2026	\$ 4,997,500	\$ 2,825,000	\$ 3,307,500
Series 2015B	1/30/2015	2.15%	10 Years	7/1/2026	4,997,500	2,825,000	3,307,500
					<u>\$ 9,995,000</u>	<u>\$ 5,650,000</u>	<u>\$ 6,615,000</u>

In January 2015, the College issued \$9,995,000 of General Obligation Bonds and Refunding Bonds to provide funds which were used to pay off the existing General Obligation Bonds, Series 2005 and 2006. This refunding reduced the College's total debt service payments over 10 years by \$684,334. As a result, the refunded Bonds have been paid off and the liability for those Bonds has been removed from the College's basic financial statements. The re-acquisition price exceeded the net carrying amount of the old debt by \$236,462.

Approximate future annual minimum principal and interest payments as of June 30, 2021, are as follows:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 995,000	\$ 110,779	\$ 1,105,779
2023	1,015,000	89,171	1,104,171
2024	1,040,000	67,080	1,107,080
2025	1,075,000	44,344	1,119,344
2026	1,095,000	21,016	1,116,016
2027	430,000	4,623	434,623
	<u>\$ 5,650,000</u>	<u>\$ 337,013</u>	<u>\$ 5,987,013</u>

Inter-cap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Flathead Valley Community College

Notes to Financial Statements

June 30, 2021 and 2020

Intercap loans outstanding as of June 30, 2021 and 2020 were as follows:

Loan	Date Issued	Interest Rate	Term	Maturity	Principal	2021 Balance	2020 Balance
2489-01	4/12/2013	0.00-3.37%	10 Years	2/15/2023	\$ 2,400,000	\$ 495,332	\$ 741,336

Approximate future annual minimum principal and interest payments as of June 30, 2021, are as follows:

Years Ended June 30,	Principal	Interest	Total
2022	\$ 248,470	\$ 7,150	\$ 255,620
2023	246,862	3,041	249,903
	<u>\$ 495,332</u>	<u>\$ 10,191</u>	<u>\$ 505,523</u>

Note payable outstanding as of June 30, 2021 and 2020, was as follows:

Loan	Date Issued	Interest Rate	Term	Maturity	Principal	2021 Balance	2020 Balance
Note Payable	9/21/2016	4%	30 Years	5/1/2047	\$ 9,090,000	\$ 8,400,000	\$ 8,570,000

In September of 2016, the College acquired new debt to fund the construction of new student housing.

The College is required to generate fee income equal to at least 1.25 times the annual debt service requirement. In fiscal year 2021, the College was in compliance with this requirement. There was \$1,453,307 in pledged revenue generated from the operations of the student housing to cover the debt service costs. The total upcoming debt service for the year ended June 30, 2022 is \$519,100.

Approximate future annual minimum principal and interest payments as of June 30, 2021, are as follows:

Years Ended June 30,	Principal	Interest	Total
2022	\$ 185,000	\$ 334,100	\$ 519,100
2023	190,000	326,700	516,700
2024	200,000	319,000	519,000
2025	200,000	311,000	511,000
2026	220,000	302,800	522,800
2027-2031	1,205,000	1,376,200	2,581,200
2032-2036	1,470,000	1,112,400	2,582,400
2037-2041	1,795,000	789,900	2,584,900
2042-2046	2,195,000	397,100	2,592,100
2047-2048	740,000	29,800	769,800
	<u>\$ 8,400,000</u>	<u>\$ 5,299,000</u>	<u>\$ 13,699,000</u>

Note 6 - TRS Retirement PlanPlan Description

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

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

Summary of Benefits

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

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

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

Overview of Contributions

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

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

School District and Other Local Governments

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

Net Pension Liability

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2021 and 2020 (reporting dates).

Flathead Valley Community College

Notes to Financial Statements

June 30, 2021 and 2020

As of reporting date	Net Pension Liability		Percent of Collective NPL		Change in Percent Collective NPL
	2021	2020	2021	2020	
College's Proportionate Share	\$ 12,475,623	\$ 10,506,410	0.5546%	0.5449%	0.0097%
State of Montana Proportionate Share associated with College	7,376,604	6,361,610	0.3279%	0.3299%	-0.0020%
Total	<u>\$ 19,852,227</u>	<u>\$ 16,868,020</u>	<u>0.8825%</u>	<u>0.8748%</u>	<u>0.0077%</u>

At June 30, 2021, the College recorded a liability of \$12,475,623 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The College's proportion of the net pension liability was based on the College's contributions received by TRS during the measurement period July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of TRS' participating employers.

Pension Expense

	2021	2020
College's Proportionate Share	\$ 1,893,170	\$ 1,752,972
State of Montana Proportionate Share associated with the College	977,371	775,976
	<u>\$ 2,870,541</u>	<u>\$ 2,528,948</u>

At June 30, 2021 and 2020, the College recognized a Pension Expense of \$2,870,541 and \$2,528,948, respectively, for its proportionate share of the TRS' pension expense. The College also recognized grant revenue of \$977,371 and \$775,976, respectively, for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the College.

Deferred Inflows and Outflows of Resources

At June 30, 2021 and 2020, the College reports its proportionate share of TRS deferred outflows and inflows of resources from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual vs expected experience	\$ 120,938	\$ -	\$ 69,545	\$ -
Changes in assumptions	653,405	14,348	524,610	23,555
Actual vs. expected investment earnings	873,972	-	101,845	-
Changes in proportion and difference between actual and expected contributions	131,493	53,018	324,045	88,601
*College's contributions subsequent to the measurement date	737,370	-	728,510	-
	<u>\$ 2,517,178</u>	<u>\$ 67,366</u>	<u>\$ 1,748,555</u>	<u>\$ 112,156</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2022 and 2021, respectively.

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

<u>Years Ended June 30</u>	<u>Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense</u>
2022	\$ 604,871
2023	470,358
2024	417,871
2025	219,342

Actuarial Assumptions

The Total Pension Liability as of June 30, 2020, is based on the results of an actuarial valuation date of July 1, 2020. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total Wage Increases* 3.25%-7.76% for Non-University Members and 4.25% for University Members
- Investment Return 7.34%
- Price Inflation 2.40%

Changes in Actuarial Assumption and Other Inputs

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

Changes in Benefit Terms

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

Changes in Proportionate Share

There were no changes between the measurement date of the collective net pension liability and the reporting date.

Discount Rate

The discount rate used to measure the TPL was 7.34% for 2020 and 7.50% for 2019. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

Asset Class	Target Asset Allocation (a)	Real Rate of Return Arithmetic Basis (b)	Long-Term Expected Portfolio Real Rate of Return* (a) x (b)
Domestic Equity	30.00%	6.19%	1.86%
International Equity	16.00%	6.92%	1.11%
Private Equity	14.00%	10.37%	1.45%
Natural Resources	4.00%	3.43%	0.14%
Real-Estate	9.00%	5.74%	0.52%
Core Fixed Income	20.00%	1.57%	0.31%
Non-Core Fixed Income	5.00%	3.97%	0.20%
Cash	2.00%	0.11%	0.00%
	100.00%		5.59%
		Inflation	2.50%
		Expected arithmetic nominal return	8.09%

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

The long term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2020 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.34%.

Sensitivity Analysis

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 7.34% and 7.50% for 2021 and 2020, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate as of June 30, 2021 and 2020.

	2021		
	1% Decrease 6.34%	Discount Rate 7.34%	1% increase 8.34%
Net pension liability	\$16,610,918	\$12,475,623	\$ 9,015,769
	2020		
	1% Decrease 6.50%	Discount Rate 7.50%	1% increase 8.50%
Net pension liability	\$14,370,115	\$10,506,410	\$ 7,269,256

TRS Stand-Alone Statements

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

Note 7 - PERS Retirement Plan

Plan Description

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

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

Summary of Benefits

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

Service retirement:

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

- 1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018);
 - b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

- 1) Members hired prior to July 1, 2011:
 - a. Less than 25 years of membership service: 1.785% of HAC per year of service credit;
 - b. 25 years of membership service or more: 2% of HAC per year of service credit.
- 2) Member hired on or after July 1, 2011:
 - a. Less than 10 years of membership service: 1.5% of HAC per year of service credit;
 - b. 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
 - c. 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% 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
 - a. 1.5% for each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c. 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

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

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

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

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

Fiscal Year	Member		State & Universities Employer	Local Government		School Districts	
	Hired <07/01/11	Hired >07/01/11		Employer	State	Employer	State
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

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

Pension Liability

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2020, was determined by taking the results of the June 30, 2019 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the College's and the state of Montana's NPL for June 30, 2021 and 2020, are displayed below. The College's proportionate share equals the ratio of the College's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The College recorded a liability of \$7,050,025 and \$5,701,922, and the College's proportionate share was 0.2672 percent and 0.2728 percent as of June 30, 2021 and 2020, respectively.

As of reporting date	Net Pension Liability		Percent of Collective NPL		Change in Percent Collective NPL
	2021	2020	2021	2020	
College's Proportionate Share	\$ 7,050,025	\$ 5,701,922	0.2672%	0.2728%	-0.0056%
State of Montana Proportionate Share associated with College	2,216,910	1,853,100	0.0840%	0.0887%	-0.0046%
Total	<u>\$ 9,266,935</u>	<u>\$ 7,555,022</u>	<u>0.3513%</u>	<u>0.3614%</u>	<u>-0.0102%</u>

Pension Expense (Benefit)

At June 30, 2021 and 2020, the College recognized \$377,510 and (\$999), respectively, for its proportionate share of the Plan's pension expense and recognized grant revenue of \$0 and \$4,487, respectively for the state of Montana proportionate share of the pension expense associated with the College. Additionally, the College recognized grant revenue of \$362,558 and \$121,318, in 2021 and 2020, respectively, from the State Statutory Appropriation from the General Fund.

	2021	2020
College's Proportionate Share	\$ 377,510	\$ (999)
State of Montana Proportionate Share associated with the College	-	4,487
State of Montana appropriation for employer	362,558	121,318
	<u>\$ 740,068</u>	<u>\$ 124,806</u>

Deferred Outflow of Resources and Deferred Inflow of Resources

At June 30, 2021 and 2020, the College reports its proportionate share of PERS deferred outflows and inflows of resources from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Actual vs. expected experience	\$ 113,802	\$ 201,571	\$ 270,372	\$ 268,299
Changes in assumptions	610,469	-	242,064	-
Actual vs. expected investment earnings	488,187	-	69,134	-
Changes in proportion and difference between actual and expected contributions	-	585,622	-	1,251,425
College's contributions subsequent to the measurement date	433,698	-	418,715	-
	<u>\$ 1,646,156</u>	<u>\$ 787,193</u>	<u>\$ 1,000,285</u>	<u>\$ 1,519,724</u>

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

<u>Years Ended June 30</u>	<u>Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense</u>
2022	\$ (290,732)
2023	350,176
2024	213,303
2025	152,518

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

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

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

- 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 6.30%

- 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.
 - 3.0% 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%;
 - 0% whenever the amortization period for PERS is 40 years or more.

- Mortality:
 - Contributing members, services retired members and beneficiaries - RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
 - Disabled members – RP-2000 Combined Mortality Tables, with no projections

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption 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 (78c & 78f) are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
	100.00%	

Changes in Actuarial Assumption and Methods

There were no changes in assumptions or other inputs that affected the measurement of the TPL.

Changes in Benefit Terms

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

Changes in Proportionate Share

There were no changes between the measurement date of the collective NPL and the College's reporting date that are expected to have a significant effect on the College's proportionate share of the collective NPL.

Discount Rate

The discount rate used to measure the June 30, 2021 and 2020 TPL was 7.34% and 7.65%, respectively. 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 the Montana Code Annotated. The State contributes 0.10% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity Analysis

The following presents the College's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The June 30, 2021 and 2020 NPL was calculated using the discount rate of 7.34% and 7.65%, respectively, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	2021		
	Current		
	1% Decrease 6.34%	Discount Rate 7.34%	1% increase 8.34%
Net pension liability	\$ 9,703,941	\$ 7,050,025	\$ 4,820,753

	2020		
	Current		
	1% Decrease 6.65%	Discount Rate 7.65%	1% increase 8.65%
Net pension liability	\$ 8,192,038	\$ 5,701,922	\$ 3,609,295

Pension Plan Fiduciary Net Position

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

Defined Contribution Retirement Plan

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

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

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

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

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

During the years ended June 30, 2021 and 2020, the College contributed \$24,317 and \$26,781, to the plan, with the employees contributing \$21,905 and \$24,403, respectively.

Note 8 - Postemployment Benefits Other Than Pensions (OPEB)

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. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post-Employment Benefits (OPEB) liability, and is considered a single employer plan. Actuaries Northwest has prepared for the Montana University System the Total OPEB Liability (TOL) under Governmental Accounting Standards Boards. The above described OPEB plan does not provide a stand-alone financial report.

Funding Policy

The College pays OPEB liability costs on a pay-as-you-go basis. No assets are accumulated in a trust that meet the criteria in Paragraph 4 of GASB 75.

Total OPEB Liability

The total OPEB liability at June 30, 2021 and 2020 was determined by an actuarial valuation as of December 31, 2020 and 2019, respectively, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date of March 31, 2021 and 2020, respectively. There have been no significant changes between the valuation date and the fiscal year end.

The following actuarial methods and assumptions were used:

June 30, 2021

Valuation date	December 31, 2020
Measurement date	March 31, 2021
Interest/Discount rate (average anticipated rate)	2.23%
Average salary increase (consumer price index)	2.50%
Participant percentage:	
Future retirees assumed to elect coverage at retirement	40.00%
Future eligible spouses of future retirees assumed to elect coverage	70.00%

June 30, 2020

Valuation date	December 31, 2019
Measurement date	March 31, 2020
Interest/Discount rate (average anticipated rate)	2.75%
Average salary increase (consumer price index)	2.50%
Participant percentage:	
Future retirees assumed to elect coverage at retirement	40.00%
Future eligible spouses of future retirees assumed to elect coverage	70.00%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Such events include assumptions about future employment, mortality rates, and healthcare cost trends. Amounts are subject to continual review and revision as actual results are compared with past expectations and new estimates are made.

Changes in Total OPEB Liability

Balance at March 31, 2019 (Measurement Date)	\$ 1,001,270
Service cost	58,408
Interest on total OPEB liability	29,141
Differences between expected and actual experience	(165,439)
Effect of changes in assumptions or inputs	(49,691)
Expected benefit payments	39,963
Balance at March 31, 2020 (Measurement Date)	913,652
Service cost	55,041
Interest on total OPEB liability	26,634
Differences between expected and actual experience	(434,605)
Effect of changes in assumptions or inputs	1,267,191
Expected benefit payments	(373)
Balance at March 31, 2021 (Measurement Date)	<u>\$ 1,827,540</u>

For the years ended June 30, 2021 and 2020, the College recognized OPEB expense of \$129,918 and \$120,792, respectively.

Deferred Outflows and Inflows of Resources

At June 30, 2021 and 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 564,008	\$ -	\$ 179,883
Changes of assumptions or other inputs	1,431,606	283,645	290,129	310,263
	<u>\$ 1,431,606</u>	<u>\$ 847,653</u>	<u>\$ 290,129</u>	<u>\$ 490,146</u>

Deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense (revenue) as follows:

Years Ended June 30

2022	\$ 48,617
2023	48,617
2024	48,617
2025	48,617
2026	48,617
Thereafter	340,868

Sensitivity Analysis Required by GASB 75

The first sensitivity analysis is required to show how the liability will change based on the assumed discount rate. As more assets are set aside to fund OPEB liabilities, your expected investment return may increase, offsetting more of your liability cost. A second sensitivity analysis is required to show how your liability will change based on a change in the healthcare trend rates used in the valuation.

Sensitivity 1: Change in Discount Rate Assumption

Discount rate baseline for the years ended June 30, 2021 and 2020, are 2.23% and 2.75%, respectively.

The OPEB liability calculated using a discount rate 1% greater than and 1% less than the baseline discount rate are shown in the table below.

	2021		
	1% Decrease 1.23%	Current Discount Rate 2.23%	1% increase 3.23%
Total OPEB liability	\$ 2,403,218	\$ 1,827,540	\$ 1,405,771

	2020		
	1% Decrease 1.75%	Current Discount Rate 2.75%	1% increase 3.75%
Total OPEB liability	\$ 1,245,097	\$ 913,652	\$ 672,232

Sensitivity 2: Change in Healthcare Trend Rate

The OPEB liability calculated using healthcare trend vectors 1% greater than and 1% less than the baseline trends are shown in the table below.

	2021		
	Baseline Trend -1%	Baseline	Baseline Trend +1%
Total OPEB liability	\$ 1,396,297	\$ 1,827,540	\$ 2,432,426

	2020		
	Baseline Trend -1%	Baseline	Baseline Trend +1%
Total OPEB liability	\$ 667,164	\$ 913,652	\$ 1,260,744

Note 9 - Risk Management

The College is exposed to risks of loss due to liability claims arising from various circumstances including employment actions, automobile accidents, employee theft or forgery, breaches of information security and privacy theft, and damage or destruction of property. The College purchases commercial insurance to mitigate any losses. Coverage limits and deductibles vary by policy. The College has not had significant settlements exceeding insurance coverage in any of the past three fiscal years.

Note 10 - Related Party Transactions

During the years ended June 30, 2021 and 2020, the College received \$4,864,065 and \$7,967,165 in revenues for scholarships and programs, respectively, as well as services from Flathead Valley Community College Foundation. Accounts receivable as of June 30, 2021 and 2020, was \$872,206 and \$7,095,504, respectively.

Note 11 - Component Unit Flathead Valley Community College Foundation**Nature of Activities and Summary of Significant Accounting Policies**

The Flathead Valley Community College Foundation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Flathead Valley Community College Foundation assists the Flathead Valley Community College in achieving its mission to provide affordable and accessible comprehensive, quality, student-centered academic preparation and innovative vocational training programs. The mission of the Foundation is to assist the College with fundraising and to promote community awareness of campus needs to increase the flow of resources to support excellence in education. The primary sources of revenue for the Foundation are from contributions and investment income.

The Foundation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; whereby revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Investments

The Foundation invests primarily in certificates of deposit, government bonds and agencies, corporate bonds and bond funds, and equity securities and mutual funds. At December 31, 2020 and 2019, investments are comprised of the following:

	2020		2019	
	Amortized Cost	FMV	Amortized Cost	FMV
Cash and cash equivalents	\$ 4,283,484	\$ 4,283,484	\$ 4,623,910	\$ 4,623,910
Certificates of deposit	-	-	3,000,000	3,000,000
Government bonds and agencies	1,419,843	1,514,035	1,658,589	1,693,312
Corporate bonds and bond funds	3,290,299	3,397,766	3,424,122	3,531,326
Equity securities and mutual funds	8,112,659	10,696,623	6,779,396	8,461,266
	<u>\$ 17,106,285</u>	<u>\$ 19,891,908</u>	<u>\$ 19,486,017</u>	<u>\$ 21,309,814</u>

Fair Value Measurements

Assets and liabilities itemized below were measured at fair value during the years ended using the market and income approaches. The market approach was used for Level 1 and Level 2. The income approach was used for Level 3.

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments	\$ 19,891,908	\$ 19,891,908	\$ -	\$ -
Pledges receivable	2,824,676	-	-	2,824,676
Deferred gift liability	39,472	-	39,472	-
	<u>\$ 22,756,056</u>	<u>\$ 19,891,908</u>	<u>\$ 39,472</u>	<u>\$ 2,824,676</u>

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Investments	\$ 21,309,814	\$ 21,309,814	\$ -	\$ -
Pledges receivable	4,647,437	-	-	4,647,437
Deferred gift liability	39,659	-	39,659	-
	<u>\$ 25,996,910</u>	<u>\$ 21,309,814</u>	<u>\$ 39,659</u>	<u>\$ 4,647,437</u>

The table below presents a reconciliation of assets measured at fair value on a recurring basis using Level 3 inputs:

	2020	2019
Balance, January 1	\$ 4,647,437	\$ 8,596,968
Pledge payments received	(2,359,751)	(5,575,718)
New pledges made by donors	469,472	1,489,444
Pledges written off	(7,041)	(2,855)
Discount on pledges receivable recorded	74,559	139,598
	<u>\$ 2,824,676</u>	<u>\$ 4,647,437</u>

Promises to Give

Pledges receivable represent promises to give, which have been made by donors but have not yet been received by the Foundation. Pledges which will not be received in subsequent years have been discounted \$0 and \$74,559 using an average discount rate of 0% and 1.7% for the years ended December 2020 and 2019, respectively. The Foundation estimates the allowance for uncollectible pledges at December 31, 2020 and 2019, was zero. Total unconditional promises to give were as follows:

	2020	2019
In one year or less	\$ 1,520,536	\$ 1,141,603
Between one year and five years	1,237,465	3,491,199
Between five years and ten years	66,675	89,194
	<u>\$ 2,824,676</u>	<u>\$ 4,721,996</u>

During 2017, the Foundation Board pledged \$1,000,000 for the new FVCC ONE Campaign, which will be payable over five years at \$200,000 a year from unrestricted cash and endowed earnings. Since this pledge is not an unconditional promise to give from an outside party, it is not included in the balance of pledges receivable.

Endowment

The Board has established an endowment for the purpose of funding scholarships for students attending Flathead Valley Community College. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

Flathead Valley Community College

Notes to Financial Statements

June 30, 2021 and 2020

Changes in Endowment Net Assets for the year ended December 31, 2020:

	Board Restricted	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 435,658	\$ 13,574,513	\$ 14,010,171
Investment return			
Investment income	-	370,642	370,642
Investment management fees	-	(75,205)	(75,205)
Net appreciation (depreciation) (realized and unrealized)	-	1,569,849	1,569,849
Total investment return	-	1,865,286	1,865,286
Contributions	22,672	603,233	625,905
Appropriation of endowment assets for expenditure	-	(658,386)	(658,386)
	<u>\$ 458,330</u>	<u>\$ 15,384,646</u>	<u>\$ 15,842,976</u>

Changes in Endowment Net Assets for the year ended December 31, 2019:

	Board Restricted	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 379,112	\$ 11,603,196	\$ 11,982,308
Investment return			
Investment income	-	381,765	381,765
Investment management fees	-	(73,452)	(73,452)
Net appreciation (depreciation) (realized and unrealized)	-	1,724,192	1,724,192
Total investment return	-	2,032,505	2,032,505
Contributions	56,546	654,097	710,643
Appropriation of endowment assets for expenditure	-	(715,285)	(715,285)
	<u>\$ 435,658</u>	<u>\$ 13,574,513</u>	<u>\$ 14,010,171</u>

The portion of the endowment whereby the donor has stipulated that the funds be maintained in perpetuity at December 31, 2020 and 2019, was \$9,492,487 and \$9,232,953, respectively. There were \$5,892,159 and \$4,341,560, in endowment funds with donor restrictions that are temporary in nature at December 31, 2020 and 2019, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of MUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s).



Required Supplementary Information
June 30, 2021

Flathead Valley Community College

Flathead Valley Community College
Schedule of Changes in College's Total OPEB Liability
Year Ended June 30, 2021

**Schedule of Changes in the College's Total OPEB Liability
Last 10 - Fiscal Years ***

	Reported as of the measurement date of March 31,			
	2021	2020	2019	2018
Service cost	\$ 55,041	\$ 58,408	\$ 67,463	\$ 47,294
Interest on total OPEB liability	26,634	29,141	46,661	33,485
Differences between expected and actual experience	(434,605)	(165,439)	-	-
Effect of changes in assumptions or inputs	1,267,191	(49,691)	42,359	(5,665)
Expected benefit payments	(373)	39,963	(27,694)	(16,135)
Net change in total OPEB liability	913,888	(87,618)	128,789	58,979
Total OPEB liability - beginning of year	913,652	1,001,270	872,481	813,502
Total OPEB liability - end of year	<u>\$ 1,827,540</u>	<u>\$ 913,652</u>	<u>\$ 1,001,270</u>	<u>\$ 872,481</u>
Covered-Employee Payroll	\$ 13,323,188	\$ 13,323,188	\$ 13,486,676	\$ 12,967,958
Total OPEB liability as a percentage of covered-employee payroll	13.7%	6.9%	7.4%	6.7%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, Contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Flathead Valley Community College
Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2021

**Schedule of Employer's Share of Net Pension Liability
Teacher's Retirement System
Last 10 - Fiscal Years ***

	As of the measurement date of June 30,						
	2020	2019	2018	2017	2016	2015	2014
Employer's proportionate share of the net pension liability	0.5546%	0.5449%	0.5496%	0.5251%	0.4785%	0.4215%	0.4124%
Employer's proportion share of the net pension liability	\$ 12,475,623	\$ 10,506,410	\$ 10,201,872	\$ 8,853,215	\$ 8,742,314	\$ 6,924,803	\$ 6,346,285
State of Montana's proportionate share of the net pension liability associated with the Employer	7,376,604	6,361,610	6,340,484	5,619,822	5,698,416	4,642,737	4,348,969
Total	\$ 19,852,227	\$ 16,868,020	\$ 16,542,356	\$ 14,473,037	\$ 14,440,730	\$ 11,567,540	\$ 10,695,254
Employer's covered payroll	\$ 7,633,790	\$ 8,028,673	\$ 11,742,933	\$ 6,925,595	\$ 6,211,704	\$ 5,379,430	\$ 5,200,760
Employer's proportional share of the net pension liability as a percentage of its covered payroll	163.43%	130.86%	86.88%	127.83%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	68.64%	69.09%	70.09%	66.69%	69.30%	70.36%

**Schedule of Employer's Share of Net Pension Liability
Public Employee's Retirement Systems of Montana
Last 10 - Fiscal Years ***

	As of the measurement date of June 30,						
	2020	2019	2018	2017	2016	2015	2014
Employer's proportionate share of the net pension liability	0.2672%	0.2728%	0.2821%	0.3930%	0.4518%	0.4969%	0.5001%
Employer's proportion share of the net pension liability	\$ 7,050,025	\$ 5,701,922	\$ 5,888,182	\$ 7,653,242	\$ 7,695,290	\$ 6,946,058	\$ 6,231,238
State of Montana's proportionate share of the net pension liability associated with the Employer	2,216,910	1,853,100	1,967,948	96,291	94,028	85,321	76,093
Total	\$ 9,266,935	\$ 7,555,022	\$ 7,856,130	\$ 7,749,533	\$ 7,789,318	\$ 7,031,379	\$ 6,307,331
Employer's covered payroll	\$ 4,483,637	\$ 4,500,812	\$ 4,662,842	\$ 4,874,643	\$ 5,411,472	\$ 5,798,950	\$ 5,661,067
Employer's proportional share of the net pension liability as a percentage of its covered payroll	157.24%	126.69%	126.28%	157.00%	142.20%	119.78%	110.07%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

Flathead Valley Community College
 Schedule of Employer Contributions - Pensions
 Year Ended June 30, 2021

**Schedule of Employer Contributions
 Teacher's Retirement System
 Last 10 - Fiscal Years ***

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 737,370	\$ 728,510	\$ 734,413	\$ 705,871	\$ 669,868	\$ 633,390	\$ 603,944
Contributions in relation to the contractually required contributions	737,370	728,510	734,413	705,871	669,868	633,390	603,944
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's pensionable payroll	7,823,238	7,633,790	8,028,673	11,742,933	6,925,595	6,211,704	5,379,430
Contributions as a percentage of pensionable payroll	9.43%	9.54%	9.15%	6.01%	9.67%	10.20%	11.23%

**Schedule of Employer Contributions
 Public Employees Retirement Systems of Montana
 Last 10 - Fiscal Years ***

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 433,698	\$ 418,715	\$ 387,100	\$ 392,971	\$ 408,011	\$ 461,943	\$ 500,326
Contributions in relation to the contractually required contributions	433,698	418,715	387,100	392,971	408,011	461,943	500,326
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's pensionable payroll	4,213,132	4,483,637	4,500,812	4,662,842	4,874,643	5,411,472	5,798,950
Contributions as a percentage of pensionable payroll	10.29%	9.34%	8.60%	8.43%	8.37%	8.54%	8.63%

**The amounts presented above for each fiscal year were determined as of June 30th, the College's most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

TRS

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

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

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

Changes in proportionate share: There were no changes between the measurement date of the collective NPL and the College's reporting date that are expected to have a significant effect on the College's proportionate share of the collective NPL.

PERS

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

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

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

Changes in proportionate share: There were no changes between the measurement date of the collective TPL and the College's reporting date that are expected to have a significant effect on the College's proportionate share of the collective TPL.



Supplementary Information
June 30, 2021

Flathead Valley Community College

Flathead Valley Community College
 Schedule of Student Financial Aid – Modified Statement of Cash Receipts and Disbursements
 Year Ended June 30, 2021

	Pell	CWS	SEOG
Assets			
Beginning cash balance	\$ (165,438)	\$ (46,782)	\$ (10,268)
Additions			
Federal advances	1,732,566	22,282	69,258
State matching funds	-	44,187	32,663
Total additions	1,732,566	66,469	101,921
Deductions			
Distribution to students	1,928,452	32,444	104,084
Administrative expenses	2,505	-	-
Total deductions	1,930,957	32,444	104,084
Net Change to Cash	(198,391)	34,025	(2,163)
Ending cash balance	\$ (363,829)	\$ (12,757)	\$ (12,431)

Flathead Valley Community College
Schedule of Federal Expenditures – Student Financial Assistance Programs
Year Ended June 30, 2021

College Work Study	
Wages	<u>\$ 16,668</u>
Supplemental Education Opportunity Grant	
Student grants	<u>\$ 71,421</u>
Pell Grant Program	
Student grants	<u>\$ 1,928,452</u>

Flathead Valley Community College
 Schedule of Full Time Equivalents
 Years Ended June 30, 2021 and 2020

Semester	Resident	WUE	Nonresident	Total
Summer 2020	196	1	13	210
Fall 2020	1,149	13	37	1,199
Spring 2021	1,102	8	32	1,142

Semester	Resident	WUE	Nonresident	Total
Summer 2019	202	2	13	217
Fall 2019	1,271	10	47	1,328
Spring 2020	1,258	9	45	1,312



Single Audit Section
June 30, 2021

Flathead Valley Community College



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
Flathead Valley Community College
Kalispell, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Flathead Valley Community College (the College) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2022. Our report includes a reference to other auditors who audited the financial statements of the Flathead Valley Community College Foundation as described in our report on the College’s financial statements. The audits of the financial statements of Flathead Valley Community College Foundation were not performed in accordance *with Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Flathead Valley Community College Foundation.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Boise, Idaho
January 31, 2022



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

To the Board of Trustees
Flathead Valley Community College
Kalispell, Montana

Report on Compliance for Each Major Federal Program

We have audited Flathead Valley Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal programs for the year ended June 30, 2021. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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



Boise, Idaho
January 31, 2022

Flathead Valley Community College
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Small Business Administration			
<u>Pass-Through Programs</u>			
Montana Department of Commerce			
Small Business Development Centers	59.037	OSBDC-2020-02-CY 2020	\$ 21,250
Small Business Development Centers	59.037	OSBDC-2021-02-CY 2021	21,160
Total Small Business Administration			<u>42,410</u>
Department of Education			
<u>Direct Programs</u>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		71,421
Federal Work Study Program	84.033		16,668
Federal Pell Grant Program	84.063		1,930,957
Federal Direct Student Loans	84.268		<u>1,548,581</u>
Subtotal Student Financial Aid Cluster			3,567,627
TRIO Cluster - Student Support Services	84.042		<u>356,948</u>
COVID-19 Higher Education Emergency Relief Fund - Student	84.425e COVID-19*		300,205
COVID-19 Higher Education Emergency Relief Fund - Institutional	84.425f COVID-19*		<u>1,905,867</u>
Subtotal Department of Education Direct Programs			<u>6,130,647</u>
<u>Pass-Through Programs</u>			
Montana Office of Public Instruction			
Adult Education - Basic Grants to States	84.002	58-6503-56-19-BG	<u>93,791</u>
Subtotal Adult Education - Basic Grants to States			<u>93,791</u>
Office Of Commissioner of Higher Education			
COVID-19 Governor's Emergency Education Relief	84.425c COVID-19*	Not provided	<u>591,184</u>
Gear Up First Year Services Grant	84.334	P3343170020-20	<u>55,230</u>
Vocational Education - Basic Grants to States	84.048A	PL 109-270	198,660
Vocational Education - Basic Grants to States	84.048A	Big Sky Pathways	47,443
Vocational Education - Basic Grants to States	84.048A	Perkins Women	24,462
Vocational Education - Basic Grants to States	84.048A	Perkins CTE	<u>12,700</u>
Subtotal Vocational Education - Basic Grants to States			<u>283,265</u>
Subtotal Office Of Commissioner of Higher Education			<u>929,679</u>
Subtotal Department of Education Pass-Through Programs			<u>1,023,470</u>
Total Department of Education			<u>7,154,117</u>

*The College had a total of \$2,797,256 expenditures for Federal Assistance Listing Number 84.425.

Flathead Valley Community College
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services			
<u>Direct Programs</u>			
Sexual Violence Prevention and Victim Services (SVPVS)	93.136		15,266
<u>Pass-Through Programs</u>			
Montana State University Biomedical Research and Research Training	93.859	5 P20 GM103474	<u>39,197</u>
Total Department of Health and Human Services			<u>54,463</u>
Department of Treasury			
<u>Pass-Through Programs</u>			
Office Of Commissioner of Higher Education COVID-19 Coronavirus Relief Fund - Governor Education Relief	21.019	Not provided	<u>366,764</u>
Total Department of Treasury			<u>366,764</u>
Department of Agriculture			
<u>Pass-Through Programs</u>			
Montana State University Organic Agriculture Research and Extension Initiative	10.307	20185130028432	<u>12,006</u>
Total Department of Agriculture			<u>12,006</u>
Total federal financial assistance			<u>\$ 7,629,760</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Flathead Valley Community College (the College) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Flathead Valley Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The College has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with A-133 and Uniform Guidance:	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
Education Stabilization Fund	
Higher Education Emergency Relief Fund	84.425e, 84.425f
Governor's Emergency Education Relief	84.425c
Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between type A and type B programs:	\$750,000

Section II – Findings – Financial Statement Audit

There were no findings relating to the financial statement audit.

Section III -Findings and Questioned Costs – Major Federal Award Programs Audit

No findings noted.