

**SHERIDAN SCHOOL DISTRICT NO. 5**

**MADISON COUNTY  
SHERIDAN, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal Year Ended June 30, 2019**

**Strom & Associates, P. C.**

**PO BOX 1980  
Billings, Montana 59103**

SHERIDAN SCHOOL DISTRICT NO. 5  
MADISON COUNTY  
SHERIDAN, MONTANA 59749

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SHERIDAN SCHOOL DISTRICT NO. 5  
MADISON COUNTY  
SHERIDAN, MONTANA 59749

ORGANIZATION

BOARD OF TRUSTEES

William T.C. Wood ..... Chair  
John Russ Hamilton ..... Vice Chair  
William Fabel ..... Trustee  
Charles Gilman ..... Trustee  
Kendra Horn ..... Trustee  
Therese Sutton ..... Trustee  
Klint Todd ..... Trustee

OFFICIALS

Micheal S. Wetherbee ..... Superintendent  
Rebecca E. Larsen..... District Clerk  
Pam Birkeland..... County Superintendent  
MTSBA ..... District Attorney

**SHERIDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

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The Superintendent and Business Manager/Clerk of Sheridan Public Schools (the District) have provided this MD&A to give the reader of these statements an overview of the financial position and activities of the school district for the year covered by this audit report.

**FINANCIAL HIGHLIGHTS**

- General revenues accounted for \$2.5 million in revenue, or 80 percent of all fiscal year 2019 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$.62 million or 20 percent of total fiscal year 2019 revenues.
- The District had approximately \$3.18 million in expenses related to governmental activities: of which \$.62 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$2.5 million were adequate to provide the remaining costs of these programs.
- Among major funds, the General Fund had \$1.95 million in fiscal year 2019 revenues, which primarily consisted of state aid and property taxes, and \$1.96 million in expenditures. The General Fund's fund balance excess of expenditures over revenues was \$9,862.
- The District currently has no debt.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

The government-wide financial statements can be found on pages 12-13 of this report.

**SHERIDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)  
YEAR ENDED JUNE 30, 2019**

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**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations are on pages 14 and 16, respectively.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

The basic fiduciary fund financial statements can be found on page 17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 14-40 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for certain governmental funds as required by State law. A budgetary comparison statement has been provided for the General Fund and Bus Depreciation Fund—High School as required supplementary information. The District also presents the Schedule of Funding Progress for the Retiree Health Plan. The required supplementary information can be found on pages 41-52 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,712,598 as of June 30, 2019.

**SHERIDAN PUBLIC SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)**  
**YEAR ENDED JUNE 30, 2019**

By far the largest portion of the District's net position (68 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Changes in the District's net position (in thousands of dollars) were as follows:

NET POSITION	Governmental Activities			
	6/30/2018	6/30/2019	CHANGE	% CHANGE
Current Assets	\$ 1,515,967	\$ 1,258,449	\$ (257,518)	-16.99%
Capital Assets, net	<u>2,499,826</u>	<u>2,730,083</u>	<u>230,257</u>	<u>9.21%</u>
Total Assets	4,015,793	3,988,532	(27,261)	-0.68%
Deferred outflows of resources	<u>259,360</u>	<u>381,603</u>	<u>122,243</u>	<u>47.13%</u>
Current Liabilities	9,470	35,000	25,530	269.59%
Long Term Liabilities	<u>2,163,697</u>	<u>2,240,934</u>	<u>77,237</u>	<u>3.57%</u>
Total Liabilities	2,173,167	2,275,934	102,767	4.73%
Deferred Inflows of Resources	<u>22,646</u>	<u>66,181</u>	<u>43,535</u>	<u>192.24%</u>
Net Position:				
Net Investment in Capital Assets	2,499,826	2,730,083	230,257	9.21%
Restricted	1,010,115	794,827	(215,288)	-21.31%
Unrestricted	<u>(1,430,601)</u>	<u>(1,496,890)</u>	<u>(66,289)</u>	<u>4.63%</u>
Total Net Position	2,079,340	2,028,020	(51,320)	-2.47%

**Changes in net position.** The District's total revenues for the fiscal year ended June 30, 2019, were \$3.22 million. The total cost of all programs and services was \$2.98 million. The following table presents a summary of the changes in net position (in thousands of dollars).

**SHERIDAN PUBLIC SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)**  
**YEAR ENDED JUNE 30, 2019**

Revenues	6/30/2018	6/30/2019	CHANGE	% CHANGE
<b>Program Revenues:</b>				
Charges for Services	29,404	47,774	18,370	62.47%
Operating Grants	228,678	560,029	331,351	144.90%
Capital Grants	246,236	10,000	(236,236)	-95.94%
<b>General Revenues:</b>				
District Levies	1,307,096	1,113,429	(193,667)	-14.82%
State Equalization	730,164	737,457	7,293	1.00%
Other State Revenues	409,051	401,500	(7,551)	-1.85%
County	227,533	221,033	(6,500)	-2.86%
Interest	21,049	30,396	9,347	44.41%
Other	15,866	14,931	(935)	-5.89%
Gain (Loss) on Asset	2,113	-	(2,113)	-100.00%
<b>Total Revenues</b>	<b>3,217,190</b>	<b>3,136,549</b>	<b>(80,641)</b>	<b>-2.51%</b>
<b>Program Expenses</b>				
Instructional Services	1,711,366	1,780,668	69,302	4.05%
Support Services	92,870	134,075	41,205	44.37%
Educational Media Services	35,907	72,373	36,466	101.56%
General Administrative Services	374,012	351,328	(22,684)	-6.07%
Operation and Maintenance Services	417,528	406,298	(11,230)	-2.69%
Transportation Services	128,239	199,291	71,052	55.41%
School Food Services	75,960	79,256	3,296	4.34%
Extracurricular	129,212	150,024	20,812	16.11%
Community Services	7,497	4,862	(2,635)	-35.15%
<b>Debt service:</b>				
Interest & other charges	10,080	-	(10,080)	-100.00%
Unallocated Depreciation Expense	-	4,468	4,468	100.00%
<b>Total Expenses</b>	<b>2,982,671</b>	<b>3,182,643</b>	<b>199,972</b>	<b>6.70%</b>
<b>Change in Net Position</b>	<b>234,519</b>	<b>(46,094)</b>	<b>(280,613)</b>	

General revenues decreased by \$80,641, which was primarily due to paying off the 20-year bonds for building the elementary school in FY 2018, eliminating local tax levies for the debt service fund in FY 2019. Expenses increased by \$199,972. This was primarily due to the purchase of two new route busses.

**Government activities.** The following table presents the cost of the seven major District functional activities: instruction, support services - students and staff, support services - administration, operation and maintenance of plant services, student transportation services, non-educational services, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions (in thousands of dollars).

**SHERIDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)  
YEAR ENDED JUNE 30, 2019**

	Total costs of service			Net costs of Service		
	6/30/2018	6/30/2019	Percentage Change	6/30/2018	6/30/2019	Percentage Change
Instructional Services	1,711.4	1,780.7	4.05%	1,253.8	1,470.0	17.24%
Support Services	92.9	134.1	44.37%	0.2	0.4	100.00%
Educational Media Services	35.9	72.4	101.56%	34.1	30.6	-10.26%
General Administrative Services	374.0	351.3	-6.07%	366.0	367.9	0.52%
Operation and Maintenance Services	417.5	406.3	-2.69%	450.0	395.4	-12.13%
Transportation Services	128.2	199.3	55.41%	147.5	54.7	-62.92%
School Food Services	76.0	79.3	4.34%	19.5	12.5	-35.90%
Extracurricular	129.2	150.0	16.11%	139.6	129.2	-7.45%
Community Services	7.5	4.9	-35.15%	-	7.5	100.00%
Debt service:						
Interest & other charges	10.1	-	-100.00%	20.0	10.1	-49.50%
Unallocated Depreciation Expense *	-	4.5	100.00%	21.0	2,478.4	11701.90%
Total Expenses	2,982.7	3,182.6	6.70%	22.0	0.0	-100.00%

- The cost of all governmental activities this year was \$3.18 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$ .62 million.
- Net cost of governmental activities (\$2.56 million), was financed by general revenues, which are made up of primarily property taxes (\$1.11 million) federal and state and county aide (\$1.40 million). Investment earnings accounted for \$30,396 of funding.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,245,105. Approximately \$790,322 of the fund balance is Restricted, while \$63,709 is Assigned. The remaining fund balance of \$391,074 is Unassigned.

The major funds are defined as the general fund and other funds where the assets, liabilities, revenues, or expenditures exceed 10% of total governmental amounts.

As shown on page 13, the total governmental fund balances decreased \$262,171 as compared to a decrease of \$51,320 in government-wide net position. The difference is explained on page 16.



**SHERIDAN PUBLIC SCHOOLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)**  
**YEAR ENDED JUNE 30, 2019**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2019, the District had invested \$2,730,083 in capital assets, including school building, athletic facilities, buses and other vehicles, computers, and other equipment. Total depreciation expense for the year was \$170,290.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2019.

Land	\$ 23,500
Construction in Progress	65,288
Buildings	1,933,061
Machinery and equipment	708,234
Total	<u>\$ 2,730,083</u>

Additional information on the District's capital assets can be found in the notes.

**Debt Administration.** At year-end, the District had no debt. A 20-year general obligation bond was paid in full on June 30, 2018.

State statutes currently limit the amount of general obligation debt a District may issue to 45% percent of its total taxable valuation. The current debt limitation for the District is \$3,629,349 which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in the notes.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Many factors were considered by the District's administration during the process of developing the fiscal year 2019-2020 budget. The primary factors were increases in state funding for education, increasing enrollment, increasing employee salary costs, which includes a retirement incentive agreement for certified personnel. The local economy was also considered. The administration also managed expenditures in fiscal year 2018-19 to ensure that the District would have full reserves in the general fund for the ensuing budget year.

These indicators were considered when adopting the budget for fiscal year 2019-2020. Budgeted expenditures in the General Fund were increased by \$22,419 to \$1,995,570 in the fiscal year 2019-2020 due to increases in state funding and enrollment. The Board and Administration resolved to operate within the highest budget without a vote to avoid increasing local property taxes. The District anticipates increases in state income and education funding, based on funding formulas established by the Montana State Legislature and Montana's Office of Public Instruction. Sheridan Schools was able to maintain their current budgets.

**SHERIDAN PUBLIC SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (continued)  
YEAR ENDED JUNE 30, 2019**

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business Office, Sheridan School District No. 5, PO Box 586, Sheridan, MT 59749.



# STROM & ASSOCIATES, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Sheridan School District No. 5  
Madison County  
Sheridan, Montana 59749

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheridan School District No. 5 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Sheridan School District No. 5's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheridan School District No. 5 as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America requires that the Management's Discussion and Analysis (pages 3-9), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 41), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 42-47), and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 48-52) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheridan School District No. 5's basic financial statements. The accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Expendable Trust Funds (pages 53-54), Schedule of Reported Enrollment (pages 55) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Expendable Trust Funds and Schedule of Reported Enrollment 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 accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Expendable Trust Funds and Schedule of Reported Enrollment are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020 on our consideration of the Sheridan School District No. 5 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 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 Sheridan School District No. 5 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
June 26, 2020

STATEMENT OF NET POSITION  
 June 30, 2019

	<u>Governmental</u> <u>Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,226,822
Taxes Receivable	13,344
Due from Other Governments	<u>18,283</u>
Total Current Assets	<u>1,258,449</u>
Noncurrent Assets:	
Capital Assets:	
Land	23,500
Construction in Progress	65,288
Net Depreciable Assets	<u>2,641,295</u>
Total Noncurrent Assets	<u>2,730,083</u>
Total Assets	<u>3,988,532</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Employer Pension Plan Activities	<u>381,603</u>
Total Deferred Outflows of Resources	<u>381,603</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,370,135</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Current Portion of Compensated Absences	<u>35,000</u>
Total Current Liabilities	<u>35,000</u>
Noncurrent Liabilities:	
Compensated Absences	70,485
Net Pension Accrual	1,992,292
Other Postemployment Benefits	<u>178,157</u>
Total Noncurrent Liabilities	<u>2,240,934</u>
Total Liabilities	<u>2,275,934</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Employer Pension Plan Activities	<u>66,181</u>
Total Deferred Inflows of Resources	<u>66,181</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	2,730,083
Restricted	794,827
Unrestricted (Deficit)	<u>(1,496,890)</u>
Total Net Position	<u>2,028,020</u>
Total liabilities, deferred inflows and net position	<u>\$ 4,370,135</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF ACTIVITIES  
 For the year ended June 30, 2019

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
<b>GOVERNMENT OPERATIONS:</b>					
Instructional Services	\$ 1,780,668	\$ 4,384	\$ 446,805	\$ 10,000	\$ (1,319,479)
Support Services	134,075	-	-	-	(134,075)
Educational Media Services	72,373	-	-	-	(72,373)
General Administrative Services	351,328	-	8,007	-	(343,321)
Operation and Maintenance Services	406,298	-	6,875	-	(399,423)
Transportation Services	199,291	-	68,743	-	(130,548)
School Food Services	79,256	43,390	29,599	-	(6,267)
Extracurricular	150,024	-	-	-	(150,024)
Community Services	4,862	-	-	-	(4,862)
Unallocated Depreciation Expense *	4,468	-	-	-	(4,468)
<b>Total Governmental Activities</b>	<u>3,182,643</u>	<u>47,774</u>	<u>560,029</u>	<u>10,000</u>	<u>(2,564,840)</u>
<b>GENERAL REVENUES:</b>					
District Levies					1,113,429
State Equalization					737,457
Other State Revenues					401,500
County					221,033
Interest					30,396
Other					14,931
<b>Total General Revenues</b>					<u>2,518,746</u>
<b>Change in Net Position</b>					(46,094)
<b>NET POSITION:</b>					
Beginning of the Year					2,079,340
Prior Period Adjustments					(5,226)
<b>End of the Year</b>					<u>\$ 2,028,020</u>

\* Excludes depreciation included in direct expenses of the various functions

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2019

	MAJOR				Total Governmental Funds
	General	Bus Depreciation (HS)	Building Reserve (HS)	Other Governmental Funds	
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 454,783	\$ 189,752	\$ 137,204	\$ 445,083	\$ 1,226,822
Taxes Receivable	8,839	481	399	3,625	13,344
Due from Other Governments	-	-	-	18,283	18,283
<b>Total Assets</b>	<u>463,622</u>	<u>190,233</u>	<u>137,603</u>	<u>466,991</u>	<u>1,258,449</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Total Deferred Outflows of Resources	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 463,622</u>	<u>\$ 190,233</u>	<u>\$ 137,603</u>	<u>\$ 466,991</u>	<u>\$ 1,258,449</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
<b>Total Liabilities</b>	-	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable Property Taxes Receivable	8,839	481	399	3,625	13,344
<b>Total Deferred Inflows of Resources</b>	<u>8,839</u>	<u>481</u>	<u>399</u>	<u>3,625</u>	<u>13,344</u>
<b>FUND BALANCE (DEFICITS):</b>					
Restricted	-	189,752	137,204	463,366	790,322
Assigned	63,709	-	-	-	63,709
Unassigned	391,074	-	-	-	391,074
<b>Total Fund Balance</b>	<u>454,783</u>	<u>189,752</u>	<u>137,204</u>	<u>463,366</u>	<u>1,245,105</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 463,622</u>	<u>\$ 190,233</u>	<u>\$ 137,603</u>	<u>\$ 466,991</u>	<u>\$ 1,258,449</u>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,245,105
Unavailable Property Taxes Receivable	13,344
Governmental capital assets	2,730,083
Employer Pension Plan Activities	381,603
Long-term Liabilities	
Compensated absences	(105,485)
Net Pension Accrual	(1,992,292)
Other Postemployment Benefits	(178,157)
Employer Pension Plan Activities	<u>(66,181)</u>
Net Position of Governmental Activities	<u>\$ 2,028,020</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the year ended June 30, 2019

	MAJOR				Total Governmental Funds
	General	Bus Depreciation (HS)	Building Reserve (HS)	Other Governmental Funds	
<b>REVENUES:</b>					
District Levies	\$ 752,606	\$ 53,310	\$ 40,807	\$ 267,817	\$ 1,114,540
Interest	11,069	4,054	3,237	12,036	30,396
Charges for Services	-	-	-	44,484	44,484
Other	7,516	-	-	10,705	18,221
County	-	-	-	259,446	259,446
State	1,185,878	-	-	173,376	1,359,254
Federal	-	-	-	221,251	221,251
<b>Total Revenues</b>	<b>1,957,069</b>	<b>57,364</b>	<b>44,044</b>	<b>989,115</b>	<b>3,047,592</b>
<b>EXPENDITURES:</b>					
Current:					
Instructional Services	1,206,939	-	-	420,920	1,627,859
Support Services	4,728	-	-	129,347	134,075
Educational Media Services	29,847	-	-	8,909	38,756
General Administrative Services	259,033	-	-	107,925	366,958
Operation and Maintenance Services	299,899	-	5,260	55,782	360,941
Transportation Services	17,051	-	-	128,234	145,285
School Food Services	4,539	-	-	74,927	79,466
Extracurricular	139,695	-	-	10,329	150,024
Community Services	-	-	-	4,862	4,862
Capital Outlay	44,577	136,622	25,288	195,050	401,537
<b>Total Expenditures</b>	<b>2,006,308</b>	<b>136,622</b>	<b>30,548</b>	<b>1,136,285</b>	<b>3,309,763</b>
Excess (Deficiency) of Revenues Over Expenditures	(49,239)	(79,258)	13,496	(147,170)	(262,171)
<b>OTHER FINANCING SOURCES (USES):</b>					
Total Other Financial Sources (Uses)	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>(49,239)</b>	<b>(79,258)</b>	<b>13,496</b>	<b>(147,170)</b>	<b>(262,171)</b>
<b>FUND BALANCE:</b>					
Beginning of the Year	498,241	269,010	123,708	610,553	1,501,512
Prior Period Adjustments	5,781	-	-	(17)	5,764
<b>End of the Year</b>	<b>\$ 454,783</b>	<b>\$ 189,752</b>	<b>\$ 137,204</b>	<b>\$ 463,366</b>	<b>\$ 1,245,105</b>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.



Sheridan School District No. 5  
Madison County  
Sheridan, Montana 59749

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the year ended June 30, 2019

Net Changes in Fund Balance		\$	(262,171)
Revenues on the Statement of Activities not included in governmental funds statement:			
Capital contributions	10,000		
Increase (decrease) in taxes receivable	(1,111)		
State Pension Aid	<u>80,068</u>		88,957
Expenses on the Statement of Activities not included in the governmental funds statement:			
Depreciation Expense	(170,290)		
Actuarial Pension Expense	(101,424)		
(Increase) decrease in compensated absence liability	<u>(2,703)</u>		(274,417)
Expenditures reported in the governmental funds statement not included in the Statement of Activities			
Capital outlays			<u>401,537</u>
Change in net position reported on the Statement of Activities		\$	<u>(46,094)</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2019

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 157,458
Restricted Cash	<u>\$ 90,000</u>
Total Assets	<u>\$ 247,458</u>
LIABILITIES:	
Current liabilities:	
Total Liabilities	<u>-</u>
NET POSITION:	
Held in trust for endowment	110,100
Held in trust for student activities	<u>137,358</u>
Total Net Position	<u>\$ 247,458</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 For the year ended June 30, 2019

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Revenues from student activities	\$ 239,463
Contributions to Endowment	<u>5,576</u>
Total Additions	<u>245,039</u>
DEDUCTIONS:	
Expenses of student activities	222,487
Expenses of student scholarships	<u>6,300</u>
Total Deductions	<u>228,787</u>
Change in net position	16,252
NET POSITION:	
Beginning of the year	<u>231,206</u>
End of the year	<u>\$ 247,458</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2019

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of the Sheridan School District No. 5 School District have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana (Montana), which conforms to Generally Accepted Accounting Principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

At the end of fiscal year 2019 the School District adopted the following GASB Statements:

- GASB Statement No. 83 – *Certain Asset Retirement Obligation*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The School District believes that this Statement is not applicable to its financial statements at effective date. However, if an ARO occurs in subsequent years, it will follow applicable guidance.
- GASB Statement No. 90 – *Majority Equity Interests*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The School District determined that this Statement does not significantly affect its reporting. The School District holds no ownership of shares of an organization's stock or measurable rights to net resources of other organizations.
- GASB Statement No. 91 – *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The School District determined that this Statement does not significantly affect its reporting. The School District does not have any conduit debt, but will comply with this statement if it enters into any such debt arrangements in the future.

The following is a listing of GASB Statements which have been issued and the School District's assessment of effects to the financial statements when implemented.

- GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The School District plans to implement this Statement once Montana updates the standard chart of accounts.
- GASB Statement No. 87 – *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The School District plans to implement this Statement once it has identified all leases and has reviewed the Q&A on this Statement.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two school districts are combined because they are controlled by the same central Board of Trustees and managed

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

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by the same administration. The Board of Trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity, so the elementary and high school general funds are combined in the accompanying financial statements.

The School District was incorporated under the laws of Montana and, as required by GAAP, the financial statements of the reporting entity include those of the School District (the primary government) and any component units. The criteria for including organizations as component units within the School District's reporting entity are set forth in Section 2100 of the GASB "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria the School District has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING  
1. b. 1. GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The governmental activities column incorporates data from governmental funds (primary government). Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting and generally include the elimination of internal activity between or within funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column.

The Statement of Activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are specifically associated with a function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and
- Operating and Capital grants that are restricted to a particular function.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-supporting or drawing from general revenues.

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity funds and endowment funds are displayed as fiduciary funds. Since the resources in the fiduciary funds cannot be used for School District operations, they are not included in the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period – anything collected after June 30 is generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absence payments which are recognized when due. Capital assets are functional expenditures in governmental funds, and proceeds from long-term debt or capital leases are reported as other financing sources.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

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measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent the related expenditures were made under the provisions of the grant. When such funds are received before the expenditure was incurred, they are recorded as unearned grant revenues. All other revenue items are considered to be measurable and available only when cash is received by the School District.

Trust, and agency fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Major fund determination – GASB Statement No. 34 requires the General fund be reported as a major fund and that only one general fund be reported. As such, the elementary and high school General funds have been combined and are reported as one major fund. Other individual governmental funds should be reported in separate columns as major funds based on these criteria:

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total (assets, liabilities, etc.) for all funds of that category or type (e.g., total governmental).

In addition to funds that meet the major fund criteria, any other governmental fund that government officials believe is particularly important to financial statement users may be reported as a major fund.

The School District reports the following major governmental funds:

- General Fund – The General fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements, the General fund also includes the activities of the elementary and high school Flexibility funds since the restrictions on those funds are similar to the General fund.
- High School Bus Depreciation Fund – This fund is used to account for financing the replacement of school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current buses and two-way radio equipment owned by the School District.
- High School Building Reserve Fund – This fund is used to account for financing voter approved building or construction projects funded with School District mill levies. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the School District.

1. b. 3. OTHER FUND TYPES

Private-Purpose Trust Funds – These funds account for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds. These organizations exist with the explicit approval of and are subject to revocation by the School District’s Board of Trustees. This accounting reflects the School District’s trust relationship with the student activity organizations and any scholarship commitments.

Agency Funds – This fund primarily consists of revenues collected by the School District on behalf of other governments.

In addition, in the accounting system warrants written but not redeemed are reported in the School District’s payroll and claims clearing funds, however, for financial reporting purposes these are treated as a cash reconciling item and not presented in these financial statements. Cash in the accounting system is held for warrants which were written but have not been paid by the Madison County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) directs the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Allowable Depositories – Cash includes amounts in demand deposits, as well as short-term investments as authorized by Montana statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in:

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

- United States government treasury bills, notes, or bonds
- Certain United States treasury obligations
- United States government security money market fund, if investments consist of those listed above
- Time or savings deposits with a bank or credit union which is Federal Deposit Insurance Corporation (FDIC) or National Credit Union Association insured
- Repurchase agreements as authorized by MCA
- State of Montana Short-Term Investment Pool (STIP)

Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

County Investment Pool Collateral – Information regarding the collateral and security for cash held by Madison County is not available to the School District. However, Montana statutes require United States government securities be held as collateral to secure deposits of public funds in excess of FDIC insurance. The external investment pool is audited as part of Madison County’s financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

Cash Overdrafts – Cash overdrafts reported in the fund statements are classified as current liabilities in the governmental fund statements. The cash overdrafts are eliminated in the governmental activities’ column of the Statement of Net Position. The cash overdraft appears on the fund statements when cash in the fund is overdrawn and the fund is borrowing money from another fund without displaying an interfund receivable and payable on the financial statements. Generally, the borrowing fund is the general fund.

1. c. 2. TAXES

Property tax levies – Property tax levies are set in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the School District. Taxable values are established by the Montana Department of Revenue based on market values. 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.

Collections – Property taxes are collected by the Madison County Treasurer, who credits to the School District funds its respective share of the collections. Tax levies are collectible in two installments, which become delinquent after November 30 and May 31. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction.

Delinquency – Unpaid property taxes are liens on the property being taxed. Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the Madison County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent. The School District receives its share of the sale proceeds of any such auction.

1. c. 3. INVENTORIES

Materials, food inventory, and supplies inventory are expenditures when acquired in governmental funds (using the purchases method) since the focus of governmental funds is on the use of current financial resources. At year-end, inventories were not material

1. c. 4. CAPITAL ASSETS

The School District’s property, plant, and equipment are stated at historical cost and comprehensively reported in the government-wide financial statements. Historical cost was established when the capital assets were initially recorded by determining the actual cost or estimating the cost using standard costing procedures. The School District considers capital assets to be items with a historical cost in excess of \$5,000 and with a useful life in excess of one year. The costs of normal maintenance and repair are not capitalized. Depreciation on capital assets is provided over their estimated useful lives on the straight-line method. Land and construction in progress are not depreciated. The useful life of depreciable assets has been estimated as follows:

<u>Capital Asset Classes</u>	<u>Useful Life</u>
Buildings	50 years
Machinery and Equipment	5 – 30 years

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

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1. c. 5. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the Statement of Financial Position reports a separate section for Deferred Outflows of Resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (e.g., expense/expenditure) until that time.

In addition to liabilities, the Statement of Financial Position reports a separate section for Deferred Inflows of Resources. This separate financial statement element represents an increase to net position that applies to a future period(s) and, as such, will not be recognized as an inflow of resources (e.g., revenue) until that time.

Pension Liability– Deferred Outflows and Inflows – The School District recognizes a net pension liability for each qualified pension plan in which it participates. Changes in the net pension liability during the fiscal year are recorded as pension expense, deferred inflows of resources, or deferred outflows of resources depending on the nature of the change and the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense.

Property Taxes – Deferred Inflows – The School District reports deferred inflows under the modified accrual basis of accounting in the governmental funds for property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. In the governmental fund Balance Sheet, they are reported as unavailable from property taxes receivable.

1. c. 6. VACATION AND SICK LEAVE

Classified School District employees accumulate vacation and sick leave for later use or for payment upon termination, death, or retirement. Classified School District employees earn vacation leave at the rate of 15 days per year during the first 10 years of employment and at increasing rates thereafter to a maximum of 24 days per year after 20 years of employment. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is the amount earned in the most recent two-year period. At termination, employees are paid for any accumulated vacation leave at the current rate of pay. Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. At termination, 25% of accumulated sick leave is paid at the employee's current rate of pay.

Certified School District employees shall accrue 10 days of sick leave at the beginning of each year for personal and family illness. Unused sick leave will be accruable up to 105 days. At the time the employee properly separates with the District the teacher will receive pay which equals 25% of the employee's regular pay at the time of severance, for each day of unused sick leave, up to a maximum of 60 days. Certified School District employees shall accrue 3 days of personal leave. Teachers with 15 years or more shall receive an additional day, bringing their total to four days. At the end of the year, teachers may carryover days sufficient to bring their cumulative total to maximum of 5 days. At the end of the year, or upon termination the District will cash out a rate of \$100 per day for any unused Personal Leave days (\$50 for each half day).

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the Statement of Activities. At June 30, 2019, the amount expected to be paid within one year amounted to \$ 35,000 and is generally paid out of the General fund.

1. c. 7. NET POSITION AND FUND BALANCE

The Statement of Net Position includes the following:

- Net Investment in Capital Assets – This component of net position is comprised of the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – This component of net position is restricted externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

- **Unrestricted** – This component of net position is difference between the assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

- **Restricted** – This balance includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- **Assigned** – This balance includes amounts management has set aside for a specific purpose. This includes the executing of a purchase order for a specific purpose such as an encumbrance.
- **Unassigned** – This balance includes amounts that are available for any purpose. These amounts are reported only in the general fund or funds that have negative fund balances.

At June 30, 2019, fund balance components other than unassigned fund balance consist of the following:

<b>Purpose</b>	<b>Restricted</b>	<b>Assigned</b>
Instructional and Support Services	\$ 23,513	\$ 63,709
Student Transportation	100,043	0
School Food	600	0
Third Party Grantor Restrictions	46,685	0
Employer Retirement Benefits	68,601	0
Future Technology	33,309	0
Future Capital Costs	501,826	0
Debt Service	15,745	0
<b>Total</b>	<b>\$ 790,322</b>	<b>\$ 63,709</b>

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

1. d. OTHER

1. d. 1. USE OF ESTIMATES

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

1. d. 2. COUNTY PROVIDED SERVICES

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

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

At June 30, 2019, the summary of cash and cash equivalents for governmental activities, and fiduciary funds, was as follows:

<b>Account Type</b>	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 1,226,822	\$ 157,458	\$ 1,384,280
Restricted Assets	0	90,000	90,000
<b>Total</b>	<b>\$ 1,226,822</b>	<b>\$ 247,458</b>	<b>\$ 1,474,280</b>



SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

The carrying amount of cash on hand, deposits, and investments at June 30, 2019 is as follows:

	<b>Amount</b>
Demand Accounts	\$ 146,853
Time Deposits	77,597
County Investment Pool	1,226,822
Mutual Funds	23,008
Total	<u>\$ 1,474,280</u>

County Investment Pool – Cash resources of the School District are held and managed by the Madison County Treasurer pursuant to Montana law. They are combined with cash resources of other governmental entities within Madison County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of STIP, money market accounts, and certificates of deposit and are carried at fair value. The School District’s exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in the state law but appears to be the liability of the Madison County government. Because of the custodial involvement of the Madison County government, and the commingling of cash in County deposits in the name of the Madison County Treasurer, full risk classifications are available in the Madison County’s annual report. There is no known maturity and credit rating of the Madison County investment pool.

Custodial Credit Risk – Deposits – The cash of the extracurricular funds is held separately by the School District and, consequently, the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At June 30, 2019, the deposits in the extracurricular fund were covered by FDIC insurance.

2. a. RESTRICTED ASSETS

The following restricted cash was held by the School District Treasurer at June 30, 2019:

<u>Fund Name</u>	<u>Scholarships</u>
Scholarship fund fixed principal	<u>\$ 90,000</u>
Total	<u>\$ 90,000</u>

NOTE 3. TAXES RECEIVABLE

The School District is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2018, upon which the levy for the 2019 fiscal year was based, amounted to \$3,614,080 for the Elementary School District and \$6,012,076 for the High School District. The tax rates assessed for the year ended June 30, 2019 to finance School District operations and applicable taxes receivable for the elementary and high schools follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Elementary</u>		
General *	94.47	\$ 4,663
Transportation	19.31	932
Bus Depreciation	9.79	438
Technology	6.92	310
Debt Service	0.00	256
Building Reserve	13.36	621
<u>High School</u>		
General *	67.99	4,176
Transportation	10.25	632
Bus Depreciation*	8.91	481
Adult Education	1.08	69
Technology	3.17	195
Debt Service	0.00	172
Building Reserve*	<u>6.76</u>	<u>399</u>
Total	<u>242.01</u>	<u>\$ 13,344</u>

\* Denotes Major Fund

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

Property taxes fees assessed may be paid under protest and held by the Madison County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax. Money paid under protest is accounted for by Madison County in a protested tax agency fund until the final determination.

**NOTE 4. OTHER ASSETS**

4. a. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the School District for costs incurred but not reimbursed by third party grantors. The amounts reported and the organization due from are noted below:

<b>Fund</b>	<b>Amount</b>	<b>Due From</b>	<b>Reason</b>
<u>Elementary</u>			
Miscellaneous	\$ 9,882	Federal Govt.	Title VI REAP
Miscellaneous	1,443	State of MT	Schoolwide
Miscellaneous	3,441	State of MT	21 <sup>st</sup> Century
Miscellaneous	162	State of MT	Idea B
Miscellaneous	36	State of MT	Idea B Preschool
<u>High School</u>			
Miscellaneous	218	Federal Govt.	Title VI REAP
Miscellaneous	709	State of MT	Carl Perkins
Traffic Education	<u>2,392</u>	State of MT	Driver's Education
Total	<u>\$ 18,283</u>		

\* Denotes Major Fund

**NOTE 5. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS**

5. a. GENERAL CAPITAL ASSETS

The schedule of changes in general capital assets at June 30, 2019 follows:

<b>Governmental Activities:</b>	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
<u>Non-depreciable Assets:</u>				
Land	\$ 23,500	\$ 0	\$ 0	\$ 23,500
Construction in Progress	<u>0</u>	<u>65,288</u>	<u>0</u>	<u>65,288</u>
Total Non-depreciable Assets	23,500	65,288	0	88,788
<u>Depreciable Assets:</u>				
Buildings	3,852,927	0	0	3,852,927
Machinery and Equipment	<u>1,191,834</u>	<u>346,249</u>	<u>(105,951)</u>	<u>1,432,132</u>
Total Depreciable Assets	5,044,761	346,249	(105,951)	5,285,059
<u>Accumulated Depreciation:</u>				
Buildings	(1,850,408)	(69,458)	0	(1,919,866)
Machinery and Equipment	<u>(718,027)</u>	<u>(100,832)</u>	<u>94,961</u>	<u>(723,898)</u>
Total Accumulated Depreciation	<u>(2,568,435)</u>	<u>(170,290)</u>	<u>94,961</u>	<u>(2,643,764)</u>
Net Depreciable Assets	<u>2,476,326</u>	<u>175,959</u>	<u>(10,990)</u>	<u>2,641,295</u>
Net General Capital Assets	<u>\$ 2,499,826</u>	<u>\$ 241,247</u>	<u>\$ (10,990)</u>	<u>\$ 2,730,083</u>

General capital asset depreciation expense was charged to governmental functions as follows:

<b>Function</b>	<b>Amount</b>
Instructional Services	\$ 73,769
General Administrative Services	3,719
Operation & Maintenance Services	36,205
Transportation Services	52,129
Unallocated	<u>4,468</u>
Total Depreciation Expense	<u>\$ 170,290</u>

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

**NOTE 6. CHANGES IN LONG-TERM DEBT**

6. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt at June 30, 2019 follows:

<b>Governmental Activities:</b>	<b>Balance July 1, 2018</b>	<b>New Debt and Other Additions</b>	<b>Principal Payments and Other Reductions</b>	<b>Balance June 30, 2019</b>	<b>Due within One Year</b>
<u>Other Liabilities:</u>					
Compensated Absences	102,782	2,703	0	105,485	35,000
Accrued Pension	1,892,228	180,743	(80,679)	1,992,292	0
Other Postemployment Benefits	<u>178,157</u>	<u>0</u>	<u>0</u>	<u>178,157</u>	<u>0</u>
Total Other Liabilities	<u>2,173,167</u>	<u>183,446</u>	<u>(80,679)</u>	<u>2,275,934</u>	<u>35,000</u>
Total Governmental Activities - Long-Term Debt	<u>\$ 2,173,167</u>	<u>\$ 183,446</u>	<u>\$ (80,679)</u>	<u>\$ 2,275,934</u>	<u>\$ 35,000</u>

**NOTE 7. DEFERRED INFLOWS OF RESOURCES**

7. a. PROPERTY TAXES

<b>Fund</b>	<b>Amount</b>	<b>Reason</b>
<u>Elementary</u>		
General *	\$ 4,663	Taxes Receivable
Transportation	932	Taxes Receivable
Bus Depreciation	438	Taxes Receivable
Technology	310	Taxes Receivable
Debt Service	256	Taxes Receivable
Building Reserve	621	Taxes Receivable
<u>High School</u>		
General *	4,176	Taxes Receivable
Transportation	632	Taxes Receivable
Bus Depreciation*	481	Taxes Receivable
Adult Education	69	Taxes Receivable
Technology	195	Taxes Receivable
Debt Service	172	Taxes Receivable
Building Reserve*	<u>399</u>	Taxes Receivable
Total	<u>\$ 13,344</u>	

\* Denotes Major Fund

**NOTE 8. INTERFUND OPERATING TRANSFERS IN AND OUT**

<b>Operating Fund - In</b>	<b>Amount</b>	<b>Operating Fund - Out</b>	<b>Purpose of Transfer</b>
<u>Elementary</u>			
General *	\$ 27,000	Interlocal HS*	Fund interlocal agreement
<u>High School</u>			
General *	<u>8,600</u>	Interlocal HS*	Fund interlocal agreement
Total	<u>\$ 35,600</u>		
Less internal transactions#	<u>(35,600)</u>		
Total	<u>\$ 0</u>		

\* Denotes Major Fund

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

High school Interlocal Agreement funds is combined with the General Fund as fund balance restrictions are similar. Therefore, these transfers are consolidated and net to zero.

**NOTE 9. PRIOR PERIOD ADJUSTMENTS**

The School District recorded prior period adjustments at June 30, 2019 as follows:

Fund	Governmental Funds	Reason
<u>Elementary</u>		
General *	\$ 894	Correction of prior year activity
Technology	(54)	Correction of prior year activity
<u>High School</u>		
General *	4,887	Correction of prior year activity
Miscellaneous	<u>37</u>	Correction of prior year activity
Total	<u>\$ 5,764</u>	
* Denotes Major Fund		
Governmental Activities	<u>(10,990)</u>	Capital asset correction
Total	<u>\$ (5,226)</u>	

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS**

10. a. PLAN DESCRIPTION

The School District provides its retiring employees with at least five years of service and who are at least 50 years of age, along with their eligible spouses and dependents, the option to continue participating in the School District group health insurance plan until the retiree becomes eligible for Medicare coverage. This option creates a defined benefit other postemployment benefits (OPEB) plan.

10. b. FUNDING POLICY

The School District pays OPEB liabilities on a pay as you go basis. A trust fund for future liabilities has not been established.

10. c. BENEFITS PROVIDED

The School District provides healthcare benefits for retirees and their dependents. The School District provides the same health care plan to all of its members. Retirees are required to pay 100% of the health insurance premium to retain the healthcare benefits. The School District covers 100% of the premiums for active employees.

10. d. EMPLOYEES COVERED BY BENEFIT TERMS

At as of June 30, 2019, the measurement date, the following employees were covered by the benefit terms:

Active employees	23
------------------	----

10. e. TOTAL OPEB LIABILITY

The School District's total OPEB liability amounted to \$178,157 at June 30, 2019. The liability was measured as of June 30, 2018 and was determined by an Alternative Measurement valuation as of that date.

10. f. ASSUMPTIONS AND OTHER INPUTS

If Alternative Measurement Method: The School District had fewer than 100 plan participants and thus qualified to use an Alternative Measurement Method instead of an actuarial valuation to determine the OPEB liability.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

Valuations involve estimates of the reported amounts and assumptions about the probability of events far into the future and estimated amounts are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for the plan are based on types of benefits provided under the current plan. The valuation assumed that 5% of plan participants would elect to continue coverage after retirement.

The total OPEB liability at June 30, 2019 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average salary increases	2.00%
Discount rate	2.70%
Retiree's share of benefit related costs	100%
Health care cost rate trend:	

<u>Year</u>	<u>% Increase</u>
2020 and after	6%

10. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance at June 30, 2018	\$ 178,157
Changes for the Year*	<u>0</u>
Balance at June 30, 2019	<u>\$ 178,157</u>

\* GASB No. 75 requires an actuarial valuation or calculation using the specified alternative measurement method of the total OPEB liability to be performed at least once every two years. Accordingly, the School District did not perform a valuation of their total OPEB liability as of June 30, 2019 and, consequently, no change is reported in the OPEB liability for the fiscal year.

10. h. SENSITIVITY ANALYSIS

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	<b>1% Decrease (1.70%)</b>	<b>Discount Rate (2.70%)</b>	<b>1% Increase (3.70%)</b>
Total OPEB Liability	\$ 220,600	\$ 178,157	\$ 145,282

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (% decreasing to %) or 1% higher (% increasing to %) than the current healthcare cost trend rates:

	<b>1% Decrease (6.00 % decreasing to 5.00 %)</b>	<b>Healthcare Cost Trend Rate 6.00 %</b>	<b>1% Increase (6.00 % increasing to 7.00 %)</b>
Total OPEB Liability	\$ 141,996	\$ 178,157	\$ 225,203

10. i. OPEB EXPENSE AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2019, the School District reported \$0 in revenue and \$0 in OPEB expense. At June 30, 2019, the School District did not report deferred outflows or inflows of resources associated with the OPEB liability as there were no differences between expected and actual experience or changes in assumptions performed under the alternative measurement method.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

NOTE 11. OTHER COMMITMENTS

11. a. ENCUMBRANCES

An encumbrance is a portion of a budget set aside for spending the current year budget authority. Like the budget itself, an encumbrance is a projection and not yet an accounts payable/liability of the School District. When it comes time to pay necessary encumbered funds, the "encumbrance" disappears in that amount and becomes an actual expenditure of School District.

The School District's encumbrance policy is for fiscal year-end encumbrances exceeding \$100 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

<u>Fund</u>	<u>Amount</u>
<u>Elementary</u>	
General *	\$ 23,815
Transportation	563
Miscellaneous	646
<u>High School</u>	
General *	39,894
Transportation	563
Miscellaneous	508
Drivers Education	<u>63</u>
Total	<u>\$ 66,052</u>

\* Denotes Major Fund

11. b. CONSTRUCTION OR SIMILAR COMMITMENTS

The School District has a contract for a solar panel project for \$78,500 and \$38,500 was still open at year end which completed in fiscal year 2020.

NOTE 12. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including:

- Damage to and loss of property and contents
- Employee torts
- Professional liability, e.g., errors and omissions
- Environmental damage
- Workers' compensation, e.g., employee injuries
- Medical insurance costs of employees

Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The School District has joined with other School Districts throughout the state into an interlocal common risk pool to insure workers' compensation for all participating School Districts in a self-insurance pool. The Workers Compensation Risk Retention Program is managed by a board of directors elected annually. Members are responsible for fully funding the Workers Compensation Risk Retention Program through the payment of annual premiums accessed. There is no other liability to the School District other than timely payments of premiums. The School District can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The School District has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

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**NOTE 13. EMPLOYEE RETIREMENT SYSTEM**

The School District participates in two state-wide, cost-sharing multiple employer defined benefit retirement plans which cover all School District employees, except certain substitute teachers and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides. The Public Employee Retirement System (PERS) covers nonteaching employees. The plans are established under Montana law and are administered by the State.

Both plans issue publicly available annual reports, stand-alone financial statements, actuarial valuations, experience studies, and plan audited financial statements. Those reports may be obtained from the following:

Teachers Retirement System  
P.O. Box 200139  
1500 Sixth Avenue  
Helena, MT 59620-0139  
Phone: 406-444-3134  
www.trs.mt.gov

Public Employees Retirement System  
P.O. Box 200131  
100 N. Park Avenue Suite 200  
Helena, MT 59620-0131  
Phone: 406-444-3154  
www.mpera.mt.gov

**13. a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF RETIREMENT SYSTEMS**

The Montana Public Employee Retirement Administration (MPERA) and the TRS prepare their 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, and information about the fiduciary net position and additions to and deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and TRS. For this purpose, 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 when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

Investments are reported at fair value. MPERA and TRS adhere to all applicable GASB statements.

**13. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM**

The PERS-Defined Benefit Retirement Plan (Defined Benefit plan), administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945 and is governed by Title 19, chapters 2 & 3, MCA. This plan covers the state, local governments, certain employees of the Montana University System, and school districts.

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

**13. b. 1. SUMMARY OF BENEFITS**

Eligibility for benefits

Service Retirement:

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

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- Second Retirement: (requires returning to PERS-covered employer or PERS service)
- 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 refund of member's contributions plus return interest (currently .77% effective July 1, 2017);
    - No service credit for second employment;
    - Start the same benefit amount the month following termination; and
    - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
  - Retire before January 1, 2016 and accumulate at least 2 years additional service credit:
    - A recalculated retirement benefit based on provision in effect after the initial retirement; and
    - GABA starts on the recalculation benefit in the January after receiving the new benefit for 12 months.
  - Retire on or after January 1, 2016 and accumulate 5 or more years additional service credit:
    - The same retirement as prior to the return to service;
    - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
    - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.
- Vesting: 5 years of membership service
- Member's Highest Average Compensation (HAC):
- Hired prior to July 1, 2011:
    - HAC during any consecutive 36 months.
  - Hired on or after July 1, 2011:
    - HAC 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 HAC.
- Monthly Benefit Formula:
- Hired prior to July 1, 2011:
    - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
    - 25 years of membership service or more - 2% of HAC per year of service credit.
  - Hired on or after July 1, 2011:
    - Less than 10 years of membership service - 1.5% of HAC per year of service credit;
    - 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit; or
    - 30 years or more of membership service - 2% of HAC per year of service credit.
- Guaranteed Annual Benefit Adjustment:
- After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of other adjustments to the member's benefit:
- 3% for members hired prior to July 1, 2007
  - 1.5% for members hired between July 1, 2007 and June 30, 2013
  - Members hired on or after July 1, 2013:
    - 1.5% for each year PERS is funded at or above 90%;
    - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
    - 0% whenever the amortization period for PERS is 40 years or more.

13. b. 2. OVERVIEW OF CONTRIBUTIONS

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



SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

Fiscal Year	Member		State & Universities	Local Government	School Districts		
	Hired <07/01/11	Hired >07/01/11	Employer	Employer	State	Employer	State
	2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%
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 has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

3. Non-Employer Contributions:

- a. Special Funding
  - i. The State contributed 0.1% of members' compensation on behalf of local government entities.
  - ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
  - iii. The State contributed a Statutory Appropriation from the General Fund amounting to \$33,454,182.
- b. Not Special Funding
  - i. The State contributed a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

13. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2018 was determined by taking the results of the June 30, 2017 actuarial valuation and applying standard roll forward procedures. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following:

- Investment Return (net of admin expenses) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth (includes inflation at 2.75%) 3.50%
- Merit Increases 0.00% to 6.3%
- Postretirement Benefit Increases:
  - GABA. After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of all other adjustments to the member's benefit:
    - 3% for members hired prior to July 1, 2007
    - 1.5% for members hired between July 1, 2007 and June 30, 2013
    - Members hired on or after July 1, 2013:
      - 1.5% for each year PERS is funded at or above 90%;
      - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
      - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members and service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

- Mortality assumptions among disabled members are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

13. b. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board’s funding policy, which established the contractually required rates under MCA. The State contributed 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

13. b. 5. TARGET ALLOCATIONS

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2011 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of June 30, 2018 are summarized below.

Asset Class	Target Asset Allocation	Long-Term	Long-Term
		Expected Real Rate of Return Arithmetic Basis	Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.36%
Inflation			2.75%
Portfolio Return Expectation			7.11%

The long-term expected nominal rate of return of 7.11% is an expected portfolio rate of return provided by Board of Investments, which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a long-term expected real rate of return of 4.36%.

13. b. 6. DEFINED CONTRIBUTION PLAN

The School District contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (Defined Contribution plan) for employees that have elected the Defined Contribution plan. The Defined Contribution plan is administered by the Montana Public Employees Retirement Board (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 Defined Benefit plan and have a 12-month window during which they may choose to remain in the Defined Benefit plan or join the PERS- Defined Contribution Retirement Plan (Defined Contribution plan) by filing an irrevocable election. Members may not be participants of both the *Defined Benefit* and *Defined Contribution* retirement plans.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

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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.

At the plan level for the measurement period ended June 30, 2018, the Defined Contribution plan employer did not recognize any net pension liability or pension expense for the Defined Contribution plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$746,144.

13. c. TEACHERS' RETIREMENT SYSTEM

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

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, MCA, and administrative rules set forth in Title 2, Chapter 44 of the Administrative Rules of Montana.

13. c. 1. 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 (AFC). 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 AFC (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  $1.6667 \times \text{AFC} \times \text{years of creditable service}$  for Tier One).

A 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. The GABA for Tier Two members may vary from 0.5% to 1.5% each year 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.

13. c. 2. OVERVIEW OF CONTRIBUTIONS

TRS (the System) receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. 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 table below shows the legislated contribution rates for TRS members, employers, and the State

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

	Members	Employers	General fund	Total employee and 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, 2019	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%

13. c. 3. ACTUARIAL ASSUMPTIONS

The TPL as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the July 1, 2018 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: (includes 3.25% general wage increase assumption)

- 3.25% to 7.76% for Non-University members
- 4.25% for University members

Investment Return: 7.50%

Price Inflation: 2.50%

Postretirement Benefit Increases:

- Tier One. If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
- Tier Two. The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.

Mortality: (among contributing members, service retired members, and beneficiaries)

- Males. 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2022.
- Females. 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2022.

Mortality: (among disabled members)

- Males. RP 2000 Disabled Mortality Table for males, set forward one year, with mortality improvements projected by Scale BB to 2022.
- Females. RP 2000 Disabled Mortality Table for females, set forward five years, with mortality improvements projected by Scale BB to 2022.

13. c. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.50%. 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 MCA. 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 TPL. No municipal bond rate was incorporated in the discount rate.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

13. c. 5. TARGET ALLOCATIONS

Asset Class	Target Asset	Real Rate of Return	Long-Term
	Allocation	Arithmetic Basis	Expected Real
	(a)	(b)	(a) x (b)
Broad US Equity	35.00%	6.68%	2.34%
Broad International Equity	18.00%	6.98%	1.26%
Private Equity	10.00%	10.15%	1.02%
Natural Resources	3.00%	4.09%	0.12%
Core Real Estate	7.00%	5.38%	0.38%
TIPS	3.00%	1.78%	0.05%
Intermediate Bonds	19.00%	2.15%	0.41%
High Yield Bonds	3.00%	4.36%	0.13%
Cash	2.00%	0.81%	0.02%
<b>Total</b>	<b>100.00%</b>		<b>5.73%</b>
Inflation			<b>2.50%</b>
<b>Portfolio Return Expectation</b>			<b>8.23%</b>

\* The long-term expected nominal rate of return above of 8.23% differs from the total TRS long-term rate of return assumption of 7.50%. 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 expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. Our recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

13. d. 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 below table presents the net pension liability calculated using the discount rate of 7.65% and 7.50% for PERS and TRS, 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.

<b>As of measurement date</b>	<b>1.0% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1.0% Increase (8.65%)</b>
<b><u>PERS</u></b>			
Net Pension Liability	\$ 3,018,490,542	\$ 2,087,141,869	\$ 1,322,356,189
School District's Net Pension Liability	447,907	309,706	196,221
<b><u>TRS</u></b>			
Net Pension Liability	\$ 2,552,207,461	\$ 1,856,109,906	\$ 1,273,072,812
School District's Net Pension Liability	2,313,606	1,682,586	1,154,056

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

13. e. 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 PERS and TRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective NPL, Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, PERS and TRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and TRS that are used to provide pension benefits to the retired members. Due to the existence of this 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.

As of measurement date	NPL		Percent of	Percent of	Change in
	as of 6/30/19	as of 6/30/18	Collective NPL as of 6/30/19	Collective NPL as of 6/30/18	Percent of Collective NPL
<u>PERS</u>					
School District Proportionate Share	\$ 309,706	\$ 390,385	0.0148%	0.0200%	(0.0052)%
State of Montana Proportionate Share associated with Employer	<u>114,457</u>	<u>19,092</u>	<u>0.0220%</u>	<u>0.0973%</u>	<u>(0.0753)%</u>
Total	<u>\$ 424,163</u>	<u>\$ 409,477</u>	<u>0.0368%</u>	<u>0.1173%</u>	<u>(0.0805)%</u>
<u>TRS</u>					
School District Proportionate Share	\$ 1,682,586	\$ 1,501,843	0.0907%	0.0891%	0.0016%
State of Montana Proportionate Share associated with Employer	<u>1,050,102</u>	<u>953,516</u>	<u>0.0566%</u>	<u>0.0566%</u>	<u>0.0000%</u>
Total	<u>\$ 2,732,688</u>	<u>\$ 2,455,359</u>	<u>0.1473%</u>	<u>0.1457%</u>	<u>0.0016%</u>

At June 30, 2019, the employer recorded a liability for its proportionate share of the NPL of \$309,706 and \$1,682,586 for PERS and TRS, respectively. At June 30, 2019, the employer's proportion was 0.0148 percent and 0.0907 percent for PERS and TRS, respectively.

The NPL was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of:

- June 30, 2017 and applying standard roll forward procedures for PERS. The roll forward procedures 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 update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.
- July 1, 2018 for TRS. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer's proportion of the net pension liability was based on the employer's contributions received by TRS during the measurement period, July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of TRS' participating employers.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

	PERS	TRS
<u>Changes in actuarial assumptions, other inputs, and methods:</u>	<p>Effective July 1, 2017, the following assumption changes were used:</p> <ul style="list-style-type: none"> <li>Lowered the interest rate from 7.75% to 7.65%.</li> <li>Lowered the inflation rate from 3.00% to 2.75%.</li> <li>Updated non-disabled mortality to the RP 2000 Combined Employee and Annuitant projected to 2020 using scale BB, males set back one year.</li> <li>Increased rates of withdrawal.</li> <li>Lowered the merit component of the total salary increase.</li> <li>Lowered the wage base component of the total salary increase from 4.00% to 3.50%.</li> <li>Decreased the administrative expense load from 0.27% to 0.26%.</li> </ul> <p>Effective July 1, 2017, the following method changes were used:</p> <ul style="list-style-type: none"> <li>Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for PERS. This amount will vary from year to year based on the prior year's actual administrative expenses.</li> <li>To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.</li> </ul>	There were no changes in actuarial assumptions and other inputs since the previous measurement date.
<u>Changes in benefit terms:</u>	<p>Effective July 1, 2017, the following were benefit changes:</p> <ul style="list-style-type: none"> <li>Working Retiree Limitation – if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.</li> <li>Refunds: <ol style="list-style-type: none"> <li>Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.</li> <li>Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.</li> <li>Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.</li> </ol> </li> <li>The interest rate credited to member accounts increased from 0.25% to 0.77%.</li> <li>Lump sum payouts are limited to the member's accumulated contributions rather than the present value of the member's benefit.</li> <li>Disabled PERS Defined Contribution (DC) Members – PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.</li> </ul>	There were no changes in benefit terms since the previous measurement date.
<u>Changes in proportionate share:</u>	There were no changes between the measurement date of the collective NPL and the employer's reporting date.	There were no changes between the measurement date of the collective NPL and the reporting date.

13. f. PENSION EXPENSE

	<b>Pension Expense as of 6/30/19</b>	<b>Pension Expense as of 6/30/18</b>
<u>PERS</u> (as of measurement date)		
School District's Proportionate Share	\$ 21,504	\$ 45,015
Employer Grant Revenue – State of Montana Proportionate Share for employer	7,639	1,018
Employer Grant Revenue – State of Montana State Appropriation for employer	<u>0</u>	<u>5,585</u>
Total	<u>\$ 29,143</u>	<u>\$ 51,618</u>

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

<u>TRS</u>	<b>Pension Expense as of 6/30/19</b>	<b>Pension Expense as of 6/30/18</b>
School District's Proportionate Share	\$ 159,636	\$ 142,648
State of Montana Proportionate Share associated with the Employer	<u>72,429</u>	<u>54,715</u>
Total	<u>\$ 232,065</u>	<u>\$ 197,363</u>

At June 30, 2019, the employer recognized a Pension Expense of \$ 29,143 and \$232,065 for its proportionate share of the PERS and TRS Pension Expense, respectively. The employer also recognized grant revenue of \$7,639 and \$74,429 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS and TRS, respectively.

13. g. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2019, the employer reported its proportionate share of PERS and TRS deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

	PERS		TRS	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected economic experience	\$ 23,551	\$ 0	\$ 12,007	\$ 1,050
Changes in actuarial assumptions	26,336	0	137,157	2,491
Difference between projected and actual investment earnings	0	4,810	0	15,188
Changes in proportion and differences between actual and expected contributions	0	0	21,462	3,203
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	39,439	0	0
Contributions paid subsequent to the measurement date – FY 2019 Contributions	<u>20,267</u>	<u>0</u>	<u>140,822</u>	<u>0</u>
Total	<u>\$ 70,154</u>	<u>\$ 44,249</u>	<u>\$ 311,449</u>	<u>\$ 21,932</u>

\* Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2020.

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

<b>Year ended June 30</b>	<b>PERS</b>	<b>TRS</b>		
	<b>Amount of deferred outflows and deferred inflows recog- nized in future years as an increase or (decrease) to Pension Expense</b>	<b>Deferred Outflows of Resources (a)</b>	<b>Deferred Inflows of Resources (b)</b>	<b>Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense (a) – (b)</b>
2019	\$ 24,509			
2020	6,377	\$ 94,292	\$ 5,330	\$ 88,962
2021	(23,272)	61,236	1,413	59,823
2022	(1,976)	42,556	34,811	7,745
2023	0	0	7,834	(7,834)
2024	0	0	0	0
Thereafter	0	0	0	0



SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2019

13. h. PENSION AMOUNTS TOTAL FOR EMPLOYER – EMPLOYER’S PROPORTION OF PERS AND TRS PENSION AMOUNTS

	<b>The employer’s proportionate share associated with PERS</b>	<b>The employer’s proportionate share associated with TRS</b>	<b>The employer’s Total Pension Amounts</b>
Total Pension Liability	\$ 1,179,832	\$ 5,443,090	\$ 6,622,922
Fiduciary Net Position	870,126	3,760,505	4,630,631
Net Pension Liability	309,706	1,682,586	1,992,292
Deferred Outflows of Resources	70,154	311,449	381,603
Deferred Inflows of Resources	44,249	21,932	66,181
Pension Expense	29,143	232,065	261,208

NOTE 14. COOPERATIVE

14. a. SPECIAL EDUCATION

The School District is a member of the Great Divide Education Service Cooperative, a Special Education Cooperative. The financial records of the Cooperative are prepared and maintained by the Cooperative Clerk. The financial records of the Cooperative are separate from those of the School District, and the financial statements of the Cooperative are not included in the School Districts’ financial statements. The Cooperative’s financial statements are audited separately from those of the School District. All revenue received, including federal, state, or other types of grant payments, and the financial support provided by each of the Cooperative’s members are deposited into the Cooperative’s funds, which are maintained in the custody of the Powell County Treasurer. The Superintendent of Public Instruction may directly deposit to the Cooperative the state and federal portion of any participating member School District’s budgeted costs for contracted special education services. All capital assets of the Cooperative are included in the Cooperative’s financial statements.

A Joint Board of Directors governs the Cooperative. The Joint Board has the power to set policies, enter into contracts, review the performance of the Cooperative annually, review the financial management of the Cooperative annually, and set and approve the annual fiscal budget of the Cooperative.

NOTE 15. CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF FUNDING PROGRESS (OPEB)  
 Other Postemployment Benefits Other Than Pensions  
 For the year ended June 30, 2019

**OTHER POSTEMPLOYMENT BENEFITS –  
CHANGE IN LIABILITY**

<b>Fiscal Year End</b>	<b>Service Cost (a)</b>	<b>Interest (b)</b>	<b>Changes in Benefit Terms (c)</b>	<b>Changes in Assumptions or Other Inputs (d)</b>	<b>Benefit Payments (e)</b>	<b>Net Change in Total OPEB Liability Sum of (a) to (e)=(f)</b>	<b>Total OPEB Liability Beginning (g)</b>	<b>Total OPEB Liability Ending (f)+(g)=(h)</b>
6/30/18	\$ 12,671	\$ 3,420	\$ 0	\$ 51,500	\$ (16,091)	\$ 51,500	\$ 126,657	\$ 178,157
6/30/19	0	0	0	0	0	0	178,157	178,157

**OTHER POSTEMPLOYMENT BENEFITS  
PAYROLL RATIO**

<b>Fiscal Year End</b>	<b>Covered Employee Payroll (i)</b>	<b>Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)</b>
6/30/18	\$ 1,565,826	11.38%
6/30/19	1,488,905	11.96%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 (Determined as of the measurement date)  
 For the year ended June 30, 2019

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

<b>Year ended June 30:</b>	<b>Employer's proportion of the net pension liability</b>	<b>Employer's proportionate share of the net pension liability associated with the Employer (a)</b>	<b>State of Montana's proportionate share of the net pension liability associated with the Employer (b)</b>	<b>Total (a)+(b)=(c)</b>	<b>Employer's covered payroll (d)</b>	<b>Employer's proportionate share of the net pension liability as a percentage of its covered payroll (a)/(d)</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
2014	0.0193%	\$ 240,427	\$ 11,239	\$ 251,667	\$ 225,993	111.22%	79.87%
2015	0.0150%	210,359	9,885	220,244	181,576	115.85%	78.40%
2016	0.0185%	315,219	14,732	329,951	229,149	137.56%	74.71%
2017	0.0200%	390,385	19,092	409,477	256,941	151.94%	73.75%
2018	0.0148%	309,706	114,457	424,163	252,066	122.87%	73.47%

**TEACHERS RETIREMENT SYSTEM**

<b>Year ended June 30:</b>	<b>Employer's proportion of the net pension liability</b>	<b>Employer's proportionate share of the net pension liability associated with the Employer (a)</b>	<b>State of Montana's proportionate share of the net pension liability associated with the Employer (b)</b>	<b>Total (a)+(b)=(c)</b>	<b>Employer's covered payroll (d)</b>	<b>Employer's proportionate share of the net pension liability as a percentage of its covered payroll (a)/(d)</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
2014	0.0834%	\$ 1,283,508	\$ 881,692	\$ 2,165,200	\$ 1,051,835	122.03%	70.36%
2015	0.0853%	1,400,951	945,208	2,346,159	1,088,302	128.73%	69.30%
2016	0.0884%	1,615,791	1,055,967	2,671,758	1,148,076	140.74%	66.69%
2017	0.0891%	1,501,843	953,516	2,455,359	1,174,844	127.83%	70.09%
2018	0.0907%	1,682,586	1,050,102	2,732,688	1,210,804	138.96%	69.09%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS  
 (Determined as of the reporting date)  
 For the year ended June 30, 2019

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

<b>Year ended June 30:</b>	<b>Contractually required contributions (a)</b>	<b>Plan Choice Rate Required Contribution (b)</b>	<b>Contributions in relation to contractually required contributions (c)</b>	<b>Contribution deficiency (excess) (a)+(b)- (c)=(d)</b>	<b>Employer's covered payroll (e)</b>	<b>Contributions as a percentage of covered payroll ((a)+(b))/(e)</b>
2015	\$ 14,472	\$ 861	\$ 15,333	\$ 0	\$ 181,576	8.44%
2016	18,528	312	18,840	0	229,149	8.22%
2017	20,812	0	20,812	0	256,941	8.10%
2018	22,963	0	22,963	0	276,944	8.29%
2019	21,634	0	21,634	0	260,654	8.30%

**TEACHERS RETIREMENT SYSTEM**

<b>Year ended June 30:</b>	<b>Contractually required contributions (a)</b>	<b>Contributions in relation to contractually required contributions (b)</b>	<b>Contribution deficiency (excess) (a)-(b)=(c)</b>	<b>Employer's covered payroll (d)</b>	<b>Contributions as a percentage of covered payroll (a)/(d)</b>
2015	\$ 93,268	\$ 93,268	\$ 0	\$ 1,088,302	8.57%
2016	118,613	118,613	0	1,148,076	10.33%
2017	103,844	103,844	0	1,174,844	8.84%
2018	111,431	111,431	0	1,210,804	9.20%
2019	140,822	140,822	0	1,230,174	11.45%

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS  
(As of Measurement Date)  
For the year ended June 30, 2019

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**NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM**

1. a. CHANGES OF BENEFIT TERMS

The following changes to the Public Employee Retirement System (PERS) plan provision were made as identified:

**2017:**

**Working Retiree Limitations** – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

**Refunds**

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

**Interest credited to member accounts**

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

**Lump-sum payouts**

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

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

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

**Changes in Actuarial Assumptions and Methods**

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

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

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
 SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)  
 (As of Measurement Date)  
 For the year ended June 30, 2019

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Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.26%

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

NOTE 2. TEACHERS' RETIREMENT SYSTEM

2. a. CHANGES OF BENEFIT TERMS

The following changes to the Teachers' Retirement System (TRS) plan provisions were made as identified:

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

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

- (1) **Final Average Compensation:** average of earned compensation paid in five consecutive years of full-time service that yields the highest average
- (2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55
- (3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55
- (4) **Professional Retirement Option:** if the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%
- (5) **Annual Contribution:** 8.15% of member's earned compensation
- (6) **Supplemental Contribution Rate:** On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
  - a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
  - b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
  - c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- (7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination
- (8) **Guaranteed Annual Benefit Adjustment (GABA):**
  - a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was \$22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
  - School Districts contributions will increase from 7.47% to 8.47%
  - The Montana University System and State Agencies will increase from 9.85% to 10.85%.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)  
(As of Measurement Date)  
For the year ended June 30, 2019

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- The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

**Changes in actuarial assumptions and other inputs:**

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

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

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

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

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

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

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

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
 SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)  
 (As of Measurement Date)  
 For the year ended June 30, 2019

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

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	22 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 percent, including inflation for Non-University Members and 5.00% for University Members
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the year ended June 30, 2019

	General (Elem.)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 341,447	\$ 341,447	\$ 342,022	\$ 411,382	\$ 411,382	\$ 410,584
Interest	2,243	2,243	3,468	2,447	2,447	3,949
Other	-	-	-	-	-	-
State	689,483	689,483	686,753	500,292	500,292	499,125
<b>Total Revenues</b>	<u>1,033,173</u>	<u>1,033,173</u>	<u>1,032,243</u>	<u>914,121</u>	<u>914,121</u>	<u>913,658</u>
<b>EXPENDITURES:</b>						
Current:						
Instructional Services			669,109			529,462
Support Services			2,557			1,975
Educational Media Services			14,992			14,678
General Administrative Services			131,947			124,501
Operation and Maintenance Services			153,864			130,026
Transportation Services			7,836			9,215
School Food Services			-			4,539
Extracurricular			23,147			98,441
Capital Outlay			7,900			1,755
<b>Total Expenditures</b>	<u>1,043,226</u>	<u>1,043,226</u>	<u>1,011,352</u>	<u>929,927</u>	<u>929,927</u>	<u>914,592</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,053)</u>	<u>(10,053)</u>	<u>20,891</u>	<u>(15,806)</u>	<u>(15,806)</u>	<u>(934)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Fund Transfers (Out)			<u>(27,000)</u>			<u>(8,600)</u>
<b>Total Other Financial Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(27,000)</u>	<u>-</u>	<u>-</u>	<u>(8,600)</u>
<b>Net Change in Fund Balance</b>	<u>(10,053)</u>	<u>(10,053)</u>	<u>(6,109)</u>	<u>(15,806)</u>	<u>(15,806)</u>	<u>(9,534)</u>
<b>FUND BALANCE:</b>						
Beginning of the Year			114,375			111,384
Prior Period Adjustments			894			4,887
<b>End of the Year</b>			<u>\$ 109,160</u>			<u>\$ 106,737</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the year ended June 30, 2019

	Flexibility (Elem.)			Flexibility (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	1,527	-	-	2,125
Other	-	-	5,857	-	-	1,659
State	-	-	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>7,384</u>	<u>-</u>	<u>-</u>	<u>3,784</u>
<b>EXPENDITURES:</b>						
Current:						
Instructional Services			-			-
Support Services			-			-
Educational Media Services			-			-
General Administrative Services			-			-
Operation and Maintenance Services			-			87
Transportation Services			-			-
School Food Services			-			-
Extracurricular			-			-
Capital Outlay			30,000			-
<b>Total Expenditures</b>	<u>71,173</u>	<u>71,173</u>	<u>30,000</u>	<u>87,323</u>	<u>87,323</u>	<u>87</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(71,173)</u>	<u>(71,173)</u>	<u>(22,616)</u>	<u>(87,323)</u>	<u>(87,323)</u>	<u>3,697</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Fund Transfers (Out)			-			-
<b>Total Other Financial Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<b>(71,173)</b>	<b>(71,173)</b>	<b>(22,616)</b>	<b>(87,323)</b>	<b>(87,323)</b>	<b>3,697</b>
<b>FUND BALANCE:</b>						
Beginning of the Year			71,173			87,323
Prior Period Adjustments			-			-
<b>End of the Year</b>			<u>\$ 48,557</u>			<u>\$ 91,020</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 (Budget and Actual)  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the year ended June 30, 2019

	Bus Depreciation (HS)		
	Original	Final	Actual
	Budget	Budget	
<b>REVENUES:</b>			
District Levies	\$ 53,580	\$ 53,580	\$ 53,310
Interest	-	-	4,054
Other	-	-	-
State	-	-	-
Total Revenues	<u>53,580</u>	<u>53,580</u>	<u>57,364</u>
<b>EXPENDITURES:</b>			
Current:			
Instructional Services			-
Support Services			-
Educational Media Services			-
General Administrative Services			-
Operation and Maintenance Services			-
Transportation Services			-
School Food Services			-
Extracurricular			-
Capital Outlay			<u>136,622</u>
Total Expenditures	<u>322,590</u>	<u>322,590</u>	<u>136,622</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(269,010)</u>	<u>(269,010)</u>	<u>(79,258)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Fund Transfers (Out)			<u>-</u>
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(269,010)	(269,010)	(79,258)
<b>FUND BALANCE:</b>			
Beginning of the Year			269,010
Prior Period Adjustments			<u>-</u>
End of the Year			<u>\$ 189,752</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the year ended June 30, 2019

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NOTE 1. BUDGETS

Budgets are adopted in accordance with Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the General fund, budgeted special revenue funds (e.g., Transportation, Bus Depreciation, Tuition, Retirement, Adult Education, Technology, and Flexibility), debt service funds, and budgeted capital project funds (e.g., Building Reserve). All annual appropriations lapse at fiscal year-end, unless the School District elects to encumber supplies and personal property ordered but not received at year end.

1. a. GENERAL BUDGET POLICIES

The School District's funds are either budgeted or non-budgeted in accordance with Montana statutes. Budgeted funds are those for which a legal budget must be adopted to have expenditures as noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to have expenditures. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The high school Building Reserve fund is major but is not included because it is not a special revenue fund.

1. b. BUDGET OPERATIONS

The School District operates within the budget requirements for School Districts as specified by Montana law. The financial report reflects the following budgetary standards:

- By the second Monday in July, the Madison County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the Madison County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees (Board) must meet to legally adopt the final budget. The final budget for the General fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with Montana statutes. Montana statutes prohibit the expenditures of a budgeted fund to exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. FUND BALANCE RECONCILIATION

The fund balances of the elementary and high school General funds reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances (GAAP Basis) is different from that on the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual by \$23,815 and \$39,894, respectively. The difference is due to the reserve for encumbrances.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used control expenditures. Encumbrances are not included as expenditures on the GAAP basis financial statements as they do not meet the GAAP definition of expenditures. The School District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve for fund balances, as applicable.

NOTE 3. BUDGET AMENDMENT

The original budgets were not amended so the original budget and the final budget are the same.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (continued)  
 For the year ended June 30, 2019

NOTE 4. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL SUB-FUNDS OF THE GENERAL FUND

	Sub-funds					Total General Fund
	General (Elem)	General (HS)	Flexibility (Elem)	Flexibility (HS)	Interlocal (HS)	
Revenues:						
District Levies	\$ 342,022	\$ 410,584	\$ 0	\$ 0	\$ 0	\$ 752,606
Interest Earnings	3,468	3,949	1,527	2,125	0	11,069
Other	0	0	5,857	1,659	0	7,516
State Sources	<u>686,753</u>	<u>499,125</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,185,878</u>
Total Revenues	<u>1,032,243</u>	<u>913,658</u>	<u>7,384</u>	<u>3,784</u>		<u>1,957,069</u>
Expenditures:						
Instructional	668,703	536,792	0	1,444	0	1,206,939
Support	2,753	1,975	0	0	0	4,728
Educational Media	15,169	14,678	0	0	0	29,847
General Administrative	136,042	122,991	0	0	0	259,033
Operation and Maintenance	154,004	137,161	8,647	87	0	299,899
Transportation	7,836	9,215	0	0	0	17,051
School Food	0	4,539	0	0	0	4,539
Extracurricular	26,903	112,792	0	0	0	139,695
Capital Outlay	<u>10,077</u>	<u>4,500</u>	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>44,577</u>
Total Expenditures	<u>1,021,487</u>	<u>944,643</u>	<u>38,647</u>	<u>1,531</u>	<u>0</u>	<u>2,006,308</u>
Excess (Deficiency) of Revenues over Expenditures	10,756	(30,985)	(31,263)	2,258	0	(49,239)
Other Financing Sources and Uses:						
Fund Transfers In	0	0	0	0	35,600	35,600
Fund Transfers (Out)	<u>(27,000)</u>	<u>(8,600)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,600)</u>
Total Other Financing Sources and Uses	<u>(27,000)</u>	<u>(8,600)</u>			<u>35,600</u>	
Net Changes in Fund Balances	(16,244)	(39,585)	(31,263)	2,253	35,600	(49,239)
Fund Balance:						
Beginning of the Year	148,325	181,329	79,820	88,767	0	498,241
Prior Period Adjustment	<u>894</u>	<u>4,887</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,781</u>
End of the Year (GAAP)	<u>\$ 132,975</u>	<u>\$ 146,631</u>	<u>\$ 48,557</u>	<u>\$ 91,020</u>	<u>\$ 35,600</u>	<u>\$ 454,783</u>
Current-year Encumbrances	<u>(23,815)</u>	<u>(39,894)</u>				
End of the Year (Budget)	<u>\$ 109,160</u>	<u>\$ 106,737</u>	<u>\$ 48,557</u>	<u>\$ 91,020</u>	<u>\$ 35,600</u>	

In the General sub-funds combining schedule above, the elementary and high school General fund, elementary and high school Flexibility fund, and elementary Interlocal Agreement fund are added together to get to the aggregate General fund shown as a major fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds. The elementary and high school Flexibility fund, and high school Interlocal Agreement fund are maintained as separate funds for accounting purposes. However, for external financial reporting purposes, they are added to the General fund because they, like the General fund, have unassigned fund balance(s).

On the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, all budgeted major governmental funds display budgeted information for the General and major special revenue funds of the School District. The above General sub-funds display budget and actual information, except for the and high school Interlocal Agreement fund which is a non-budgeted fund.

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF REVENUES, EXPENSES, AND BALANCES  
 STUDENT ACTIVITY EXPENDABLE TRUST FUND  
 For the year ended June 30, 2019

Activity Account Name	Beginning Balance 7/1/2018	Revenues	Expenses	Transfers	Ending Balance 6/30/2019
ABC BOOSTER CLUB	\$ 1,752	\$ 1	\$ -	\$ -	\$ 1,753
ACTIVITY TICKETS	1	4,126	-	(4,127)	-
AG ED PROJECTS	803	664	361	-	1,106
ANNUAL	1,281	379	-	-	1,660
ARCHERY	2,316	1	56	-	2,261
ATHLETICS SUPPLIES	332	1,750	580	-	1,502
BAND TRIP	1,571	1,946	593	110	3,034
BB CAMP	2,379	401	930	-	1,850
BOOK FAIR	185	3,168	3,165	-	188
BOOK FINES/COPY FEES	1,792	74	-	-	1,866
BOYS BASKETBALL	1,183	21,351	17,259	289	5,564
BUSINESS PROJECTS	146	-	-	-	146
CARNIVAL	933	1,765	1,770	-	928
CHEERLEADING	2,305	351	222	289	2,723
CLASS OF 17	237	-	-	-	237
CLASS OF 18	29	-	-	-	29
CLASS OF 19	1,244	514	2,316	647	89
CLASS OF 20	1,442	1,861	235	49	3,117
CLASS OF 21	3,064	1	-	437	3,502
CLASS OF 22	3,190	1,138	19	-	4,309
CLASS OF 23	1,879	99	95	-	1,883
CLASS OF 24	1,809	124	-	204	2,137
CLASS OF 25	530	1,641	968	-	1,203
CLASS OF 26	-	1,479	874	-	605
CLOSE-UP	2,467	43,618	46,105	520	500
CONCESSIONS	-	5,429	2,690	(3,339)	(600)
CROSS COUNTRY	1,004	-	129	288	1,163
DRAMA	2,189	3,279	4,753	289	1,004
ELEM FIELD TRIPS	2,551	1	691	-	1,861
ELEMENTARY EQUIPMENT	4,438	1,799	2,502	-	3,735
FCCLA	14,529	22,937	29,472	-	7,994
FFA	16,618	39,701	37,722	-	18,597
FOOTBALL	2,706	7,609	5,319	288	5,284
FOOTBALL CAMP	846	500	-	-	1,346
FORENSICS	1,194	2,803	2,376	541	2,162
GIRLS' BASKETBALL	(518)	8,303	3,820	289	4,254
HIGH SCH EQUIPMENT	414	-	-	-	414
HOME EC PROJECTS	15	-	-	-	15
HONOR SOCIETY	844	327	227	-	944
JOURNALISM	2,567	1	-	-	2,568
Subtotal	<u>\$ 82,267</u>	<u>\$ 179,141</u>	<u>\$ 165,249</u>	<u>\$ (3,226)</u>	<u>\$ 92,933</u>

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF REVENUES, EXPENSES, AND BALANCES  
 STUDENT ACTIVITY EXPENDABLE TRUST FUND (continued)  
 For the year-ended June 30, 2019

Activity Account Name	Beginning	Revenues	Expenses	Transfers	Ending
	Balance 7/1/2018				Balance 6/30/2019
LIBRARY	223	51	-	-	274
LOCKS	1,106	1,195	-	-	2,301
MONTANA ARTS COUNCIL	292	-	-	-	292
MS HIGH BOYS' BB	988	2,310	1,575	248	1,971
MS HIGH FOOTBALL	459	4,000	4,658	247	48
MS HIGH GIRLS' BB	1,213	2,700	1,975	248	2,186
MS HIGH TRACK	2,922	151	280	248	3,041
MS HIGH VOLLEYBALL	1,238	1,375	1,189	248	1,672
MUSIC	2,011	4,148	4,296	289	2,152
MUSIC/RENTAL	965	1,620	1,368	-	1,217
PAYS PROGRAM	81	850	783	-	148
RENTAL FEES	170	-	-	-	170
SCIENCE CLUB	149	-	-	-	149
SCIENCE FAIR	6	-	-	-	6
SPANISH CLUB	3,212	11,343	15,126	1,169	598
STUDENT COUNCIL	2,205	2,421	2,949	(95)	1,582
STUDENT FEES	9,177	13,354	13,057	46	9,520
TECHNOLOGY FEES	3,413	2,611	550	-	5,474
TRACK	3,874	3,401	3,226	289	4,338
TRAP SHOOTING	3,600	1	-	-	3,601
VOLLEYBALL	(500)	8,151	5,582	289	2,358
VOLLEYBALL CAMP	1,193	-	-	-	1,193
YOUTH LEADERSHIP	117	675	624	-	168
Total	<u>120,381</u>	<u>239,498</u>	<u>222,487</u>	<u>-</u>	<u>137,392</u>

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF REPORTED ENROLLMENT  
For the year ended June 30, 2019

**Fall Enrollment – October 2018**

	<b>Full-time Students</b>			<b>Part-time Students</b>					
	Reported	Audited	Variance	Less Than				Audited	Variance
				181 hours	359 hours	539 hours	719 hours		
<u>Elementary</u>									
Kindergarten Full	14	14	0	0	0	0	0	0	0
Grade 1 - 6	74	74	0	0	0	0	0	0	0
Grade 7 - 8	<u>30</u>	<u>30</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>118</u>	<u>118</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>High School</u>									
Grade 9 - 12	<u>60</u>	<u>60</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
19-year old	0	0	0						
Youth Challenge	0	0	0						
Job Corps	0	0	0						
Early Graduates	0	0	0						

**Spring Enrollment – February 2019**

	<b>Full-time Students</b>			<b>Part-time Students</b>					
	Reported	Audited	Variance	Less Than				Audited	Variance
				181 hours	359 hours	539 hours	719 hours		
<u>Elementary</u>									
Kindergarten Full	15	15	0	0	0	0	0	0	0
Grade 1 - 6	75	75	0	0	0	0	0	0	0
Grade 7 - 8	<u>30</u>	<u>30</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>120</u>	<u>120</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>High School</u>									
Grade 9 - 12	<u>58</u>	<u>58</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
19-year old	0	0	0						
Youth Challenge	0	0	0						
Job Corps	0	0	0						
Early Graduates	0	0	0						





# STROM & ASSOCIATES, P.C.

Certified Public Accountants

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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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Sheridan School District No. 5  
Madison County  
Sheridan, Montana 59749

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District No. 5 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Sheridan School District No. 5's basic financial statements and have issued our report thereon dated June 26, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sheridan School District No. 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheridan School District No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheridan School District No. 5'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 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 Sheridan School District No. 5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.



STROM & ASSOCIATES, PC  
Billings, Montana  
June 26, 2020

SHERIDAN SCHOOL DISTRICT NO. 5  
SCHEDULE OF FINDINGS AND RESPONSES  
For the year ended June 30, 2019

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**Prior year findings/status**

There were no findings or recommendations in the prior audit period.

**Current year findings**

There were no findings or recommendations for the fiscal year ended June 30, 2019.