

SHERIDAN SCHOOL DISTRICT NO. 5

**MADISON COUNTY
SHERIDAN, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

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

Rhonda Boyd	Chair
Russ Hamilton	Vice Chair
Charlie Gilman	Trustee
Will Fabel	Trustee
Therese Sutton	Trustee
Karen Talley	Trustee
Bill Wood	Trustee

OFFICIALS

Michael Wetherbee	Superintendent
Rebecca Larsen	District Clerk
Pam Birkland	County Superintendent
Debra Silk	District Attorney

**SHERIDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

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 85 percent of all fiscal year 2015 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$.4 million or 15 percent of total fiscal year 2014 revenues.
- The District had approximately \$2.86 million in expenses related to governmental activities: of which \$.4 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 \$1.8 million in fiscal year 2015 revenues, which primarily consisted of state aid and property taxes, and \$1.8 million in expenditures. The General Fund's fund balance excess of expenditures over revenues was \$2,229.
- The District's total debt decreased by \$170,000 during the current fiscal year. The key factor in this decrease was the principal payment against general obligation bonds.

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 10-11 of this report.

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.

**SHERIDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

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 12 and 14, respectively.

The basic governmental fund financial statements can be found on pages 12-13 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 15 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 16-26 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 27-32 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 \$2,974,577 as of June 30, 2014.

By far the largest portion of the District's net position (66.2 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 Districts 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 were as follows:

	<u>2013</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Current assets	\$ 1,180,875	\$ 1,167,949	\$ (12,926)	-1.09%
Capital assets, net	<u>2,702,330</u>	<u>2,749,624</u>	<u>\$ 47,294</u>	1.75%
Total assets	<u>3,883,205</u>	<u>3,917,573</u>	<u>\$ 34,368</u>	0.89%
Current liabilities	216,867	41,021	\$ (175,846)	-81.08%
Long-term liabilities	<u>892,447</u>	<u>901,975</u>	<u>\$ 9,528</u>	1.07%
Total liabilities	1,109,314	942,996	\$ (166,318)	-14.99%
Net position:				
Net Investment in Capital Assets	1,752,330	1,969,624	\$ 217,294	12.40%
Restricted	918,951	947,884	\$ 28,933	3.15%
Unrestricted	<u>102,610</u>	<u>57,069</u>	<u>\$ (45,541)</u>	-44.38%
Total net position	<u>\$ 2,773,891</u>	<u>\$ 2,974,577</u>	<u>\$ 200,686</u>	7.23%

**SHERIDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

The following is a significant current year transactions that has had an impact on the Statement of Net Position.

- The principal retirement of \$170,000 of debt. Capital assets increased by \$181,888, which include \$5,000 disposal of asset. Capital assets decreased by \$134,594 because of addition to accumulated depreciation for current year depreciation and disposal of capital asset.

Changes in net position. The District's total revenues for the fiscal year ended June 30, 2014, were \$2.9 million. The total cost of all programs and services was \$2.9 million. The following table presents a summary of the changes in net position (in thousands of dollars).

Revenues:	<u>2,013</u>	<u>2,014</u>	<u>Change</u>	<u>% Change</u>
Program revenues:				
Charges for services	\$ 29,029	\$ 30,395	1,366	4.71%
Operating grants and contributions	352,676	381,986	29,310	8.31%
General revenues:				
District Levies	1,026,427	1,057,794	31,367	3.06%
State Equalization		696,431	696,431	
Other State Revenues	1,114,977	435,975	(679,002)	-60.90%
County	180,345	293,240	112,895	62.60%
Federal	-	3,239	3,239	
Interest	2,962	1,530	(1,432)	-48.35%
Gain/loss on sale of asset	-	1,128	1,128	
Other	<u>7,638</u>	<u>29,985</u>	<u>22,347</u>	<u>292.58%</u>
Total revenues	<u>2,714,054</u>	<u>2,931,703</u>	<u>217,649</u>	8.02%
Expenses:				
Instruction	1,568,428	1,642,103	73,675	4.70%
Support services	67,860	79,618	11,758	17.33%
Educational Media Services	15,690	35,983	20,293	129.34%
General Administrative Svices	270,681	355,471	84,790	31.32%
Operation & Maintenance Services	358,265	336,346	(21,919)	-6.12%
Transportation Services	155,099	161,352	6,253	4.03%
School Food Services	83,845	85,978	2,133	2.54%
Extracurricular	117,907	118,441	534	0.45%
Debt Service	-	-	-	
Interest & Other Charges	53,480	45,725	(7,755)	-14.50%
Total expenses	<u>2,691,255</u>	<u>2,861,017</u>	<u>169,762</u>	6.31%
Increase (decrease) in net position	<u>22,799</u>	<u>70,686</u>	<u>47,887</u>	

General revenues increased by \$217,649 primarily due to increase in revenue from state aid. Expenses were up mostly because of increases in salaries and benefits.

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)
YEAR ENDED JUNE 30, 2014**

	Total Cost of Services			Percent Change	Net Cost of Services		
	2013	2014			2013	2014	Percent Change
Instructional Services	\$ 1,568.4	\$ 1,642.1	4.7%	\$ 1,325.1	\$ 1,479.2	11.6%	
Support services	67.9	79.6	17.2%	67.9	(13.5)	-119.9%	
Educational Media Services	15.7	36.0	129.3%	15.7	26.7	70.1%	
General Administrative Services	270.7	355.5	31.3%	270.7	355.5	31.3%	
Operations & Maintenance Services	358.2	336.3	-6.1%	358.2	336.3	-6.1%	
Transprotation services	155.1	161.4	4.1%	82.2	85.7	4.3%	
School Food Services	83.8	86.0	2.6%	18.3	14.6	-20.2%	
Extracurricular Activity	117.9	118.4	0.4%	117.9	118.4	0.4%	
Interest on long-term debt	53.5	45.7	-14.6%	53.5	45.7	-14.6%	
Total expenses	\$ 2,691.2	\$ 2,861.0	6.3%	\$ 2,309.5	\$ 2,448.6	6.0%	

- The cost of all governmental activities this year was \$2.9 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$ 0.4 million.
- Net cost of governmental activities (\$2.4 million), was financed by general revenues, which are made up of primarily property taxes (\$1.0 million) federal and state and county aide (\$1.4 million). Investment earnings accounted for \$0.1 million 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 \$1,157,160. Approximately \$939,959 of the fund balance is Restricted, while \$43,751 is Committed. The remaining fund balance of \$173,450 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 increased \$2,080 as compared to an increase of \$70,686 in government-wide net position. The difference is explained on page 14.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District had invested \$4,905,035 in capital assets, including school building, athletic facilities, buses and other vehicles, computers, and other equipment. Total depreciation expense for the year was \$138,692.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014.

	Amount
Land	\$ 23,500
Buildings and improvements	2,258,851
Vehicles, furniture and equipment	467,273
Total	\$ 2,749,624

**SHERIDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

Additional information on the District's capital assets can be found in notes to the financial statements of this report.

Debt Administration. At year-end, the District had \$780,000 in general obligation bonds debt outstanding, of which \$180,000 is due within one year.

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 notes to the financial statements of this report.

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 2014-2015 budget. The primary factor was the District's student population and employee salary costs which include a retirement incentive agreement. Also, considered in the development of the budget was the local economy.

These indicators were considered when adopting the budget for fiscal year 2014-2015. Budgeted expenditures in the General Fund were increased by \$53,850 to \$1,799,243 in the fiscal year 2014-2015 due to a legislative increase in state funding and an increase in Elementary enrollment. Future budget funding reports by both Montana School Board Association and Montana's Office of Public Instruction indicate reduced state income and slight to marginal increases in education funding. Sheridan Schools was able to maintain their current budgets.

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.

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 Sheridan School District No. 5 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District No. 5 as of June 30, 2014, 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 require that the management's discussion and analysis (pages 3-7) and the schedule of funding for other post-employment benefits other than pensions (page 27) and budgetary comparison information (pages 28-32) 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 Sheridan School District No. 5's basic financial statements. The accompanying schedule of revenues, expenses and balances student activity funds (page 33-34) and schedule of reported enrollment (page 35) 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 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 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 4, 2015 on our consideration of 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 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 Sheridan School District No. 5 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
June 4, 2015

STATEMENT OF NET POSITION
 June 30, 2014

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,127,514
Taxes Receivable	10,789
Due From Other Governments	<u>29,646</u>
Total Current Assets	<u>1,167,949</u>
Noncurrent Assets:	
Capital Assets:	
Land	23,500
Net Depreciable Assets	<u>2,726,124</u>
Total Noncurrent Assets	<u>2,749,624</u>
Total Assets	<u>\$ 3,917,573</u>
LIABILITIES:	
Current Liabilities	
Current Portions Compensated Absences	\$ 41,021
Total Current Liabilities	<u>41,021</u>
Noncurrent Liabilities:	
Long-Term Obligations	91,415
Compensated Absences	30,560
Long-Term Capital Obligations	<u>780,000</u>
Total Noncurrent Liabilities	<u>901,975</u>
Total Liabilities	<u>942,996</u>
NET POSITION:	
Net Investment in Capital Assets	1,969,624
Restricted	860,000
Unrestricted (Deficit)	<u>144,953</u>
Total Net Position	<u>2,974,577</u>
Total Liabilities and Net Position	<u>\$ 3,917,573</u>

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

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government Governmental Activities
GOVERNMENT OPERATIONS				
Instructional Services	\$ 1,642,103	\$ 2,600	\$ 160,363	\$ (1,479,140)
Support Services	79,618	-	93,060	13,442
Educational Media Services	35,983	-	9,249	(26,734)
General Administrative Services	355,471	-	-	(355,471)
Operation & Maintenance Services	336,346	-	-	(336,346)
Transportation Services	161,352	-	75,717	(85,635)
Retirement & Insurance Services	-	-	-	-
School Food Services	85,978	27,795	43,597	(14,586)
Extracurricular	118,441	-	-	(118,441)
Debt Service				
Interest and other charges	45,725	-	-	(45,725)
Total Governmental Activities	<u>2,861,017</u>	<u>30,395</u>	<u>381,986</u>	<u>(2,448,636)</u>
GENERAL REVENUES				
District Levies				1,057,794
State Equalization				696,431
Other State Revenues				435,975
County				293,240
Federal				3,239
Interest				1,530
Other				29,985
Gain loss on Sale of Assets				<u>1,128</u>
Total General Revenues				<u>2,519,322</u>
Change in Net Position				70,686
Net Position				
Beginning of the Year				2,773,891
Prior Period Adjustments				<u>130,000</u>
End of the Year				<u>\$ 2,974,577</u>

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2014

	MAJOR					Total Governmental Funds
	General	Bus Depreciation (Elem.)	Building Reserve (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 305,085	\$ 172,814	\$ 125,082	\$ 156,395	\$ 368,777	\$ 1,128,153
Taxes Receivable	6,253	310	186	538	3,502	10,789
Due From Other Governments	-	-	-	-	29,646	29,646
Total Assets	\$ 311,338	\$ 173,124	\$ 125,268	\$ 156,933	\$ 401,925	\$ 1,168,588
LIABILITIES:						
Current Liabilities						
Cash Overdraft	-	-	-	-	639	639
Total Liabilities	-	-	-	-	639	639
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Taxes Receivable	6,253	310	186	538	3,502	10,789
Total Deferred Inflows of resources	6,253	310	186	538	3,502	10,789
FUND BALANCE:						
Fund Balances:						
Restricted	-	172,814	125,082	156,395	397,784	852,075
Assigned	43,751	-	-	-	-	43,751
Unassigned:	261,334	-	-	-	-	261,334
Total Fund Balance	305,085	172,814	125,082	156,395	397,784	1,157,160
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 311,338	\$ 173,124	\$ 125,268	\$ 156,933	\$ 401,925	\$ 1,168,588

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 1,157,160
Governmental Capital Assets	2,749,624
Long-term Liabilities	
Long-Term Obligations	(91,415)
Compensated Absences	(71,581)
Long-Term Capital Obligations	(780,000)
Unavailable Property Taxes Receivable	10,789
Net Position of Governmental Activities	\$ 2,974,577

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, 2014

	MAJOR					Total Governmental Funds
	General	Bus Depreciation (Elem.)	Building Reserve (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	
REVENUES:						
District Levies	\$ 622,433	\$ 33,550	\$ 19,984	\$ 49,480	\$ 347,353	\$ 1,072,800
Interest	406	222	168	184	550	1,530
Charges for Services	-	-	-	-	30,395	30,395
Other	4,687	-	-	-	25,298	29,985
County	-	-	-	-	329,584	329,584
State	1,147,163	-	-	-	154,043	1,301,206
Federal	-	-	-	-	180,081	180,081
Total Revenues	1,774,689	33,772	20,152	49,664	1,067,304	2,945,581
EXPENDITURES:						
Current						
Instructional Services	1,086,544	-	-	-	452,923	1,539,467
Support Services	148	-	-	-	79,470	79,618
Educational Media Services	9,339	-	-	-	26,644	35,983
General Administrative Services	234,666	-	-	-	152,947	387,613
Operation & Maintenance Services	288,859	-	10,226	-	20,671	319,756
Transportation Services	-	-	-	-	105,862	105,862
School Food Services	-	-	-	-	86,178	86,178
Extracurricular	108,725	-	-	-	9,716	118,441
Debt Service						
Principal	-	-	-	-	170,000	170,000
Interest and other charges	-	-	-	-	45,725	45,725
Capital Outlay	48,637	-	-	-	8,251	56,888
Total Expenditures	1,776,918	-	10,226	-	1,158,387	2,945,531
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,229)	33,772	9,926	49,664	(91,083)	50
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets	-	-	-	-	2,030	2,030
Fund Transfers In	-	-	4,000	-	6,600	10,600
Fund Transfers (Out)	(10,600)	-	-	-	-	(10,600)
Total Other financial Sources/Uses	(10,600)	-	4,000	-	8,630	2,030
NET CHANGES IN FUND BALANCES	(12,829)	33,772	13,926	49,664	(82,453)	2,080
FUND BALANCE:						
Beginning of the Year	247,127	139,042	111,156	106,731	551,024	1,155,080
Prior Period Adjustments	70,787	-	-	-	(70,787)	-
End of the Year	\$ 305,085	\$ 172,814	\$ 125,082	\$ 156,395	\$ 397,784	\$ 1,157,160

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

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, 2014

Net Changes in Fund Balance		\$	2,080
Revenues on the Statement of Activities not included in governmental funds statement:			
Increase (decrease) in taxes receivable			(15,006)
Revenues reported in the governmental funds statement not included in the Statement of Activities			
Sale of Fixed Assets	<u>2,030</u>		(2,030)
Expenses on the Statement of Activities not included in the governmental funds statement:			
Depreciation Expense	(138,692)		
(Increase) decrease in Other Post Employment Benefits	(25,834)		
(Increase) decrease in compensated absence liability	<u>22,152</u>		(142,374)
Expenditures reported in the governmental funds statement not included in the Statement of Activities			
Capital outlays	56,888		
Gain loss on sale of assets	1,128		
Principal payments on bonds	<u>170,000</u>		<u>228,016</u>
Change in net position reported on the Statement of Activities		\$	<u>70,686</u>

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 194,956	\$ 83,585
Total Assets	<u>194,956</u>	<u>83,585</u>
LIABILITIES:		
Current Liabilities:		
Warrants Payable	-	83,585
Total Liabilities	<u>-</u>	<u>83,585</u>
NET POSITION:		
Restricted for Endowment	64,481	
Restricted for Student Activities	<u>130,475</u>	
Total Net Position	<u>\$ 194,956</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2014

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 205,249
Interlocal Agreement	222,588
Contributions to Endowment	<u>4,650</u>
Total Additions	<u>432,487</u>
DEDUCTIONS:	
Expenses of Student Activities	189,864
Interlocal Agreement	222,588
Student Scholarships	<u>4,100</u>
Total Deductions	<u>416,552</u>
CHANGE IN NET POSITION	15,935
NET POSITION:	
Beginning of the Year	169,021
Prior Period Adjustments	<u>10,000</u>
End of the Year	<u>\$ 194,956</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
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of 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, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the School District adopted the following:

- GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The amendment revised existing guidance for financial report of pension systems for state and local government. The statement is applicable for fiscal year 2014. This statement affects the applicable retirement plan administration at the State level and did not have any effect on the School District.
- GASB Statement No. 70 – Accounting and Financial Reporting for Non-exchange Financial Guarantees. The statement is applicable for fiscal year 2014. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The School District has not extend any financial guarantees to other parties. This statement has no effect on the financial statements.

The following are a listing of GASB statements which have been issued and the School District assessment of effects to the financial statements.

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the School District to expand its pension foot note disclosures. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2015. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The School District is not merging with another School District or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

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 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 Sheridan School District No. 5 was incorporated under the laws of the State of Montana and as required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Sheridan School District No. 5 (the primary government) and any component units. The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (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.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

The government-wide financial statements report using the economic resource measurement focus and the accrual basis of accounting generally including 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 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 expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

- Charges for services such as school lunch fees and drivers education fees.
- Operating grants that are restricted to a particular functional program.

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as 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, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The student activity fund, Interlocal agreement fund and endowment fund 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 entity-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 statement 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 are generally not material. Unavailable income are 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.

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 measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

Trust and agency fund financial statements report using 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.

GASB Statement No. 34 requires the general fund be reported as a major fund and that only one general fund be reported so the elementary and high school general funds have been combined 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 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds).

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:

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

- 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.
- Elementary and High School Bus Depreciation Funds – These funds are used to account for financing the replacement of yellow school buses and two-way radio equipment owned by a school. Deposits made to the funds are limited by depreciation percentages of current buses and two-way radio equipment owned by the School District.
- Elementary 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 – Accounts for the receipt and disbursement of monies from student activity organizations, as well as any donated scholarship funds and Interlocal fund activity. 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 – Account for assets that the School District holds on behalf of others as their agent and for warrants written but not redeemed that are reported in the School District's the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands 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

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, 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, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments 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.

Information regarding the collateral and security for cash is not available to the School District. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Madison County County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

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 assets.

1. c. 2 TAXES

Property tax levies are set 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 State statute as a fixed percentage of market value.

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

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 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.

1. c. 3 INVENTORIES

Materials, supplies and food inventory at year end was not material. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1. c. 4 CAPITAL ASSETS

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

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

1.c. 5 DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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. However, upon termination, only 25% of accumulated sick leave is paid at the current rate of pay.

Certified School District employees are granted ten days per school year for personal and family illness. The ten days is granted at the start of the school year and a maximum of 105 sick days may be carried over to the next school year. At the time the teacher 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 receive between three and four days of personal leave and may carryover days sufficient to bring their cumulative total to a maximum of five days when the school starts. At the end of the year or when the teacher properly separates from the District the cash out rate of \$100 per day for any unused personal leave days not used will be used.

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. The amount expected to be paid within one year is \$41,021 and it is generally paid out of the general fund.

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

- Net Investment in Capital Assets – The component of net position that reports 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 – The component of net position that is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – The difference between the assets and liabilities that is not reported in the other element of net position.

Governmental fund financial statements include the following fund balances:

- Restricted – Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned – Amounts that are available for any purpose; these amounts are reported only in the general fund.

As of June 30, 2014, fund balance components other than unassigned fund balance consist of the following:

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional - Regular	\$ 13,674	\$ 34,507
Operations and Maintenance	0	9,244
Student Transportation	225,022	0
School Food	5,663	0
Third Party Grantor Restrictions	43,459	0
Employer Retirement Benefits	156,771	0
Future Technology	3,012	0
Future Capital Costs	392,253	0
Debt Service	12,221	0
Total	<u>\$ 852,075</u>	<u>\$ 43,751</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is 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 accounting principles generally accepted in the United States of America 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. The County also serves as cashier and treasurer for the School District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the 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 the Madison County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2014, the summary of cash, cash equivalents for governmental and fiduciary funds is as follows:

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 1,127,514</u>	<u>\$ 278,541</u>	<u>\$ 1,406,055</u>

The carrying amount of cash on hand, deposits and investments at June 30, 2014, is as follows:

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

	<u>Amount</u>
Demand Accounts	\$ 194,440
County Investment Pool	<u>1,211,615</u>
Total	<u>\$ 1,406,055</u>

Cash resources of the School District are held and managed by the Madison County Treasurer pursuant to State 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 money market accounts, certificates of deposit and STIP 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 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 according to GASB 40 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 and endowment funds are held separately by the School District, not at Madison County and 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 to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the deposits in the extracurricular funds and endowment funds were covered by FDIC insurance.

2. a FUND CASH OVERDRAFT
The following funds report overdrawn cash accounts.

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
Traffic Education	<u>\$ 639</u>	State grants were not received by year-end

NOTE 3. TAXES RECEIVABLE

The School District is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$3,159,912 for the Elementary School District and \$4,663,757 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high schools follows:

<u>Elementary Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
General*	97.21	\$ 2,864
Transportation	15.30	451
Bus Depreciation*	10.53	310
Technology	4.02	118
Debt Service	30.73	905
Building Reserve*	6.33	186
<u>High School Fund</u>		
General*	66.09	3,389
Transportation	8.19	420
Bus Depreciation*	10.49	538
Adult Education	1.66	85
Technology	4.09	210
Debt Service	21.32	1,093
Building Reserve	4.29	220
Total	<u>280.25</u>	<u>\$ 10,789</u>

* Denotes Major Funds

NOTE 4. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
Miscellaneous	\$ 10,371	State of MT – OPI	21st Century Community Learning Centers
Miscellaneous	15,767	State of MT – OPI	Title I School wide Program
<u>High School Fund</u>			
Miscellaneous	2,244	State of MT – OPI	Carl Perkins
Traffic Education	1,264	State of MT – OPI	Drivers Ed Reimbursement
Total	<u>\$ 29,646</u>		

* Denotes Major Funds

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 5. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

5. a. At June 30, 2014, the schedule of changes in general capital assets follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Non-depreciable:</u>					
Land	\$ 23,500	\$ 0	\$ 0	\$ 0	\$ 23,500
<u>Depreciable:</u>					
Buildings	\$ 3,832,927	\$ 0	\$ 0	\$ 0	\$ 3,832,927
Machinery and equipment	866,720	56,888	(5,000)	130,000	1,048,608
Total Depreciable	\$ 4,699,647	\$ 56,888	\$ (5,000)	\$ 130,000	\$ 4,881,535
<u>Accumulated Depreciation:</u>					
Buildings	\$ (1,505,118)	\$ (68,958)	\$ 0	\$ 0	\$ (1,574,076)
Machinery and equipment	(515,699)	(69,734)	4,098	0	(581,335)
Total Depreciation	\$ (2,020,817)	\$ (138,692)	\$ 4,098	\$ 0	\$ (2,155,411)
Net Depreciable Assets	2,678,830	(81,804)	(902)	130,000	2,726,124
Net General Capital Assets	\$ 2,702,330	\$ (81,804)	\$ (902)	\$ 130,000	\$ 2,749,624

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 66,987
Operation & Maintenance	16,121
Transportation	55,584
Total Depreciation Expense	\$ 138,692

NOTE 6. CHANGES IN LONG-TERM DEBT

6. a. At June 30, 2014, the schedule of changes in general long-term debt follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	\$ 950,000	\$	\$ (170,000)	\$ 780,000	\$ 0
<u>Other Liabilities:</u>					
Compensated Absences	\$ 93,733	\$	\$ (22,152)	\$ 71,581	\$ 41,021
Other Post-Employment Benefits (OPEB)	65,581	25,834	0	91,415	0
Total Other Liabilities	\$ 159,314	\$ 25,834	\$ (22,152)	\$ 162,996	\$ 41,021
Total Governmental Activities - Long-Term Debt:	\$ 1,109,314	\$ 25,834	\$ (192,152)	\$ 942,996	\$ 41,021

6. b. GENERAL OBLIGATION BONDS

The School District issued general obligation bonds in prior years for the acquisition and construction of capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. These bonds were issued for the terms and payment schedules indicated in the following schedule:

<u>Description</u>	<u>Issue Date</u>	<u>Interest</u> <u>Rate</u>	<u>Length</u> <u>of</u> <u>Loan</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30,</u> <u>2014</u>
Series 1988 Elem. GO Bond	1/15/1998	4.45% - 6.50%	20 Years	7/1/2018	\$1,331,000	\$ 390,000
Series 1988 HS GO Bond	1/15/1998	4.45% - 6.50%	20 Years	7/1/2018	1,369,000	\$ 390,000
					<u>\$2,700,000</u>	<u>\$ 780,000</u>

Debt service requirements to maturity for principal and interest for all bonded long term obligations are as follows:

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

For the year ended 6/30:	Elementary		High School	
	Principal	Interest	Principal	Principal
2015	\$ 0	\$ 11,371	\$ 0	\$ 11,371
2016	90,000	18,675	90,000	18,675
2017	95,000	14,400	95,000	14,400
2018	100,000	9,840	100,000	9,840
2019	105,000	5,040	105,000	5,040
Totals	<u>\$ 390,000</u>	<u>\$ 59,326</u>	<u>\$ 390,000</u>	<u>\$ 59,326</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

7. a. PROPERTY TAXES

Elementary Fund	Amount	Reason
General*	\$ 2,864	Taxes Receivable
Transportation	451	Taxes Receivable
Bus Depreciation*	310	Taxes Receivable
Technology	118	Taxes Receivable
Debt Service	905	Taxes Receivable
Building Reserve*	186	Taxes Receivable
<u>High School Fund</u>		
General*	3,389	Taxes Receivable
Transportation	420	Taxes Receivable
Bus Depreciation*	538	Taxes Receivable
Adult Education	85	Taxes Receivable
Technology	210	Taxes Receivable
Debt Service	1,093	Taxes Receivable
Building Reserve	220	Taxes Receivable
Total	<u>\$ 10,789</u>	

* Denotes Major Funds

NOTE 8. PRIOR PERIOD ADJUSTMENTS

Elementary Fund	Amount	REASON
General*	\$ 30,797	
Flexibility*	(30,797)	
<u>High School Fund</u>		
General*	39,990	Prior year did not include Flex fund as part of general fund for reporting purposes under GASBS 54.
Flexibility*	(39,990)	
Total	<u>\$ 0</u>	
* Denotes Major Funds		
Governmental Type Activities	<u>130,000</u>	Prior year construction in progress not reported as a capital asset
Total	<u>\$ 130,000</u>	

NOTE 9. OPERATING TRANSFERS

Elementary Fund - Out	Amount	Elementary Fund - In	Purpose of Transfer
General*	\$ 4,000	Building Reserve	For Security Improvements under SB 348
<u>High School Fund - Out</u>		<u>High School Fund - In</u>	
General*	\$ 6,600	Building Reserve	For Security Improvements under SB 348
Total	<u>\$ 10,600</u>		

* Denotes Major Funds

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description - The School District provides the same health care plan to all of its members. 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. 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 school district assumes 45% of further retirees will elect medical coverage.

Funding Policy - The government pays OPEB liabilities on a pay as you go basis. The trust fund for future liabilities has not been established.

Funding status and progress as of July 1, 2012 was as follows:

Actuarial Accrued Liability (AAL)	\$ 194,791
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>194,791</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 503,976
UAAL as a percentage of covered payroll	38.6%

Annual OPEB Cost and Net OPEB Obligations - The government's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the government's net OPEB obligation for the valuation performed at July 1, 2012.

Annual Required Contribution (ARC)	\$ 25,834
Interest on net OPEB obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	25,834
Contribution made	<u>0</u>
Increase in net OPEB obligation	25,834
Net OPEB obligation - beginning of year	<u>65,581</u>
Net OPEB obligation - end of year	<u>\$ 91,415</u>

Actuarial Methods and Assumptions - The following actuarial methods and assumptions were used:

Actuarial Cost Method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	4.25%
Average Salary Increase	2.50%

The annual healthcare cost trend rate of 9.5% for medical, decreasing approximately 0.5% per year until reaching an ultimate rate of 5.0%.

NOTE 11. OTHER COMMITMENTS

11. a. 1 ENCUMBRANCES

The School District's encumbrance policy is for fiscal year end encumbrances exceeding \$1,000 to be considered significant encumbrances. All encumbrances are classified as assigned or restricted in the funds noted below:

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 15,388
<u>High School Fund</u>	
General*	<u>28,363</u>
Total	<u>\$ 43,751</u>

* Denotes Major Funds

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 12. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. 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.

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 State law and are administered by the State of Montana.

Both plans issue publicly available annual reports that include financial statements and required supplemental in-formation for the plans. 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.doa.state.mt.us

Public Employees Retirement System
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
Phone: 406-444-3154
www.state.mt.us/doa/perb/prb.htm

The PERS defined benefit contribution rates for employees was 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 7.8%. The TRS rates for employees was 8.15% and the State was set at 2.49%. The TRS rate for employers was 8.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the School District's financial statements.

Contribution rates for both plans are required and determined by State law. The amounts contributed to the plans during the years ended June 30, 2012, 2013 and 2014 were equal to the required contribution for each year. The amounts contributed by the State, School District and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 156,330	\$ 169,938	\$ 184,782
PERS	\$ 30,000	\$ 34,924	\$ 25,463
Total	<u>\$ 186,330</u>	<u>\$ 204,862</u>	<u>\$ 210,245</u>

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 14. COOPERATIVE

14. a. SPECIAL EDUCATION

The Sheridan School District No. 5 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 Sheridan School District No. 5, 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.

NOTE 16. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

16.a. INTERLOCAL AGREEMENT FUND

The District provided collection and disbursements accounting for MUST insurance premiums received from member Districts for the fiscal year ended June 30, 2014.

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF FUNDING PROGRESS
 Other Post-Employment Benefits Other Than Pensions (OPEB)
 Fiscal Year-Ended June 30, 2014

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL) -</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a / b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>[(b-a) / c]</u>
<u>7/1/2010</u>	\$ -	\$ 8,096	\$ 8,096	0%	\$ 963,533	0.8%
<u>7/1/2012</u>	\$ -	\$ 194,761	\$ 194,791	0%	\$ 503,976	38.6%

This schedule is based on the actuarial values as of July 1, 2010. Information for prior years is not available.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 (Budget and Actual)
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	General (Elem)			Bus Depreciation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 307,153	\$ 307,153	\$ 308,294	\$ 33,286	\$ 33,286	\$ 33,550
Interest	322	322	113	200	200	222
Other	-	-	-	-	-	-
State	532,146	545,481	545,481	-	-	-
Total Revenues	<u>839,621</u>	<u>852,956</u>	<u>853,888</u>	<u>33,486</u>	<u>33,486</u>	<u>33,772</u>
EXPENDITURES:						
Current						
Instructional Services			616,115			-
Support Services			148			-
Educational Media Services			2,047			-
General Administrative Services			75,878			-
Operation & Maintenance Services			139,718			-
Extracurricular			24,143			-
Capital Outlay			-	172,528	172,528	-
Total Expenditures	<u>844,749</u>	<u>858,084</u>	<u>858,049</u>	<u>172,528</u>	<u>172,528</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,128)	(5,128)	(4,161)	(139,042)	(139,042)	33,772
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			(4,000)	-	-	-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(5,128)	(5,128)	(8,161)	(139,042)	(139,042)	33,772
FUND BALANCE:						
Beginning of the Year			90,219			139,042
End of the Year			<u>\$ 82,058</u>			<u>\$ 172,814</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, 2014

	Bus Depreciation (HS)			General (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 48,934	\$ 48,934	\$ 49,480	\$ 308,226	\$ 308,226	\$ 314,139
Interest	200	200	184	523	523	178
Other	-	-	-	-	-	-
State	-	-	-	589,387	589,387	589,387
Total Revenues	<u>49,134</u>	<u>49,134</u>	<u>49,664</u>	<u>898,136</u>	<u>898,136</u>	<u>903,704</u>
EXPENDITURES:						
Current						
Instructional Services			-			489,336
Support Services			-			-
Educational Media Services			-			7,292
General Administrative Services			-			158,788
Operation & Maintenance Services			-			149,141
Extracurricular			-			84,582
Capital Outlay	155,866	155,866	-			9,800
Total Expenditures	<u>155,866</u>	<u>155,866</u>	<u>-</u>	<u>900,643</u>	<u>900,643</u>	<u>898,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(106,732)	(106,732)	49,664	(2,507)	(2,507)	4,765
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)	-	-	-			(6,600)
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,600)</u>
NET CHANGES IN FUND BALANCES	(106,732)	(106,732)	49,664	(2,507)	(2,507)	(1,835)
FUND BALANCE:						
Beginning of the Year			106,731			93,227
End of the Year			<u>\$ 156,395</u>			<u>\$ 91,392</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, 2014

	Flexibility Fund (Elem.)			Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	50	50	51	80	80	64
Other	-	-	3,634	-	-	1,053
State	<u>4,639</u>	<u>4,639</u>	<u>4,639</u>	<u>7,656</u>	<u>7,656</u>	<u>7,656</u>
Total Revenues	<u>4,689</u>	<u>4,689</u>	<u>8,324</u>	<u>7,736</u>	<u>7,736</u>	<u>8,773</u>
EXPENDITURES:						
Current						
Instructional Services	35,486	35,486	-	47,725	47,725	-
Support Services	-	-	-	-	-	-
Educational Media Services	-	-	-	-	-	-
General Administrative Services	-	-	-	-	-	-
Operation & Maintenance Services	-	-	-	-	-	-
Extracurricular	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>35,486</u>	<u>35,486</u>	<u>-</u>	<u>47,725</u>	<u>47,725</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,797)	(30,797)	8,324	(39,989)	(39,989)	8,773
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)	-	-	-	-	-	-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(30,797)	(30,797)	8,324	(39,989)	(39,989)	8,773
FUND BALANCE:						
Beginning of the Year			<u>30,797</u>			<u>39,990</u>
End of the Year			<u>\$ 39,121</u>			<u>\$ 48,763</u>

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE BUDGET VS ACTUAL SCHEDULE
Fiscal Year-Ended June 30, 2014

NOTE 1. BUDGETS

1. a. BUDGETS

Budgets are adopted on a basis consistent with the State of 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 including (Transportation, Bus Depreciation, Retirement, Adult Education, Technology, Flexibility), debt service fund, and budgeted capital project funds (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. 1 GENERAL BUDGET POLICIES:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. 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 major fund building reserve is not included in the schedule because it is not a special revenue fund.

1. a. 2 BUDGET OPERATION:

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

- By the second Monday in July, the 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 County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees 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 State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally 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 general funds displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances (GAAP Basis) is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$43,751. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the GAAP basis statement as they do not meet the GAAP definition of expenditures. The 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 District approved a budget amendment due to unanticipated enrollment increases under the provisions of 20-9-161(1), MCA for the elementary school general fund. The budget amendment was for \$13,335 and the State will provided the additional funds.

NOTE 4. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 3,965	Improvements for School Safety and Security - Senate Bill 348 provides the ability for a school to transfer state or local monies from any fund into the Building Reserve fund. Transfers are not considered expenditures to be applied against the budget authority of the fund from which the transfers are made.
<u>High School Fund</u>		
General*	<u>4,896</u>	
Total	<u>\$ 8,861</u>	

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE BUDGET VS ACTUAL SCHEDULE (continued)
Fiscal Year-Ended June 30, 2014

NOTE 5. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL SUB-FUNDS OF THE GENERAL FUND

	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Sub-fund</u>	<u>Total</u>
	<u>General</u>	<u>Flexibility</u>	<u>General</u>	<u>Flexibility</u>	<u>General</u>
	<u>(Elem)</u>	<u>(Elem.)</u>	<u>(HS)</u>	<u>Fund (HS)</u>	<u>Fund</u>
REVENUES:					
District Levies	\$ 308,294	\$ -	\$ 314,139	\$ -	\$ 622,433
Interest	113	51	178	64	406
Other	-	3,634	-	1,053	4,687
State	545,481	4,639	589,387	7,656	1,147,163
Total Revenues	<u>853,888</u>	<u>8,324</u>	<u>903,704</u>	<u>8,773</u>	<u>1,774,689</u>
EXPENDITURES:					
Current					
Instructional Services	613,630	-	472,914	-	1,086,544
Support Services	148	-	-	-	148
Educational Media Services	2,047	-	7,292	-	9,339
General Administrative Services	75,878	-	158,788	-	234,666
Operation & Maintenance Services	139,718	-	149,141	-	288,859
Extracurricular	24,143	-	84,582	-	108,725
Capital Outlay	-	-	48,637	-	48,637
Total Expenditures	<u>855,564</u>	<u>-</u>	<u>921,354</u>	<u>-</u>	<u>1,776,918</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>(1,676)</u>	<u>8,324</u>	<u>(17,650)</u>	<u>8,773</u>	<u>(2,229)</u>
OTHER FINANCING SOURCES/USES					
Fund Transfers (Out)	<u>(4,000)</u>	<u>-</u>	<u>(6,600)</u>	<u>-</u>	<u>(10,600)</u>
Total Other financial Sources/Uses	<u>(4,000)</u>	<u>-</u>	<u>(6,600)</u>	<u>-</u>	<u>(10,600)</u>
NET CHANGES IN FUND BALANCES					
	<u>(5,676)</u>	<u>8,324</u>	<u>(24,250)</u>	<u>8,773</u>	<u>(12,829)</u>
FUND BALANCE:					
Beginning of the Year	103,122	-	144,005	-	247,127
Prior Period Adjustments	-	30,797	-	39,990	70,787
End of the Year	<u>\$ 97,446</u>	<u>\$ 39,121</u>	<u>\$ 119,755</u>	<u>\$ 48,763</u>	<u>\$ 305,085</u>

In the reconciliation the general funds and flexibility funds 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 flexibility funds are maintained as special revenue funds for accounting purposes, however, for external financial reporting they are added to the general fund because they have unassigned fund balance like the general fund.

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds display budgeted information for the general and major special revenue funds. The Statement presents budgetary information for the general fund and flexibility fund because they are reported as major funds and have legally adopted budgets. The following major fund is not reported because the building reserve fund is a budgeted capital projects fund.

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS
Fiscal Year-Ended June 30, 2014

<u>Activity Account Name</u>	<u>Beginning</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending</u>
	<u>Balance</u> <u>7/1/2013</u>				<u>Balance</u> <u>6/30/2014</u>
Student Council	\$ 1,019	\$ 1,048	\$ 1,159	\$ -	\$ 908
FFA	10,747	37,621	29,070	1,012	20,310
FCCLA	11,188	27,346	25,176	917	14,275
Book Fines/Copy Fees	1,452	74	40	-	1,486
Science Club	148	-	-	-	148
Band Trip	4,734	3,668	4,782	9	3,629
Drama	3,790	1,258	1,468	-	3,580
Music	1,415	972	891	278	1,774
Journalism	2,558	-	-	-	2,558
Annual	283	1,838	2,399	-	(278)
Home Ec Projects	122	215	245	-	92
Ag Ed Projects	45	581	387	-	239
Class Of 19 Seventh	543	-	50	179	672
Class Of 18 Eighth	607	-	-	14	621
Class Of 17 Ninth	317	-	94	78	301
Class Of 16 Tenth	497	1,023	533	930	1,917
Class Of 15 Eleventh	1,426	549	235	998	2,738
Class Of 14 Twelfth	3,941	359	3,133	168	1,335
Class Of 21 Fifth	-	3,022	1,804	-	1,218
Class Of 20 Sixth	556	1,542	938	-	1,160
Music/Rental Scholarships	559	1,411	1,044	-	926
Scholarships	5,931	4,650	4,100	-	6,481
Science Fair	168	-	-	-	168
Trap Shooting	3,807	-	-	-	3,807
Business Projects	146	-	-	-	146
Concessions	-	8,000	4,782	(3,218)	-
Honor Society	796	200	183	-	813
Library	508	-	-	-	508
Montana Arts Council	455	500	231	-	724
Interest Earned	164	61	-	-	225
Little Guy Wrestling	2,332	360	959	-	1,733
Archery	2,891	-	-	-	2,891
Pays Program	415	840	381	-	874
Elem Field Trips	932	888	270	-	1,550
Close-Up	4,635	34,811	37,231	-	2,215
Youth Leadership	485	163	264	-	384
Book Fair	472	3,188	3,353	-	307
Travel	2,903	13,580	15,990	-	493
Student Fees	1,047	4,931	4,097	-	1,881
Rental Fees	92	84	84	-	92
High Sch Equipment	681	104	-	-	785
ABC Booster Club	1,723	250	226	-	1,747
Booster Club	3,558	10,630	9,659	(234)	4,295
Elementary Equipment	2,868	413	705	-	2,576
Football	5,859	5,109	5,031	278	6,215
Girls' Basketball	3,315	5,015	5,016	278	3,592
Carnival	582	1,269	386	(853)	612
Activity Tickets	-	2,818	40	(2,778)	-
Track	3,551	2,400	2,355	278	3,874
Volleyball Camp	1,031	720	104	-	1,647
Volleyball	1,637	5,219	5,215	278	1,919
Boys Basketball	4,091	5,236	5,183	278	4,422
Cheerleading	1,544	401	354	278	1,869

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF REVENUES, EXPENSES AND BALANCES EXPENDABLE TRUST – STUDENT ACTIVITY FUNDS

(continued)

Fiscal Year-Ended June 30, 2014

<u>Activity Account Name</u>	<u>Beginning</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending</u>
	<u>Balance</u> <u>7/1/2013</u>				<u>Balance</u> <u>6/30/2014</u>
Forensics	1,611	-	-	-	1,611
Athletic Supplies	1,191	-	-	-	1,191
Locks	915	77	-	-	992
Football Camp	773	1,975	1,789	-	959
MS High Football	515	1,670	1,671	166	680
MS High Girls' Bb	714	1,240	1,245	167	876
MS High Boys' Bb	1,276	720	720	166	1,442
MS High Track	2,499	1,020	1,005	167	2,681
MS High Volleyball	474	740	741	166	639
BB Camp	556	880	335	-	1,101
Technology Fees	-	2,560	2,710	-	(150)
Total	<u>\$ 115,090</u>	<u>\$205,249</u>	<u>\$189,863</u>	<u>\$ -</u>	<u>\$ 130,476</u>

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF REPORTED ENROLLMENT
Fiscal Year-Ended June 30, 2014

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	8	8	0
Grade 1 - 6	80	80	0
Grade 7 - 8	<u>27</u>	<u>27</u>	<u>0</u>
Total	<u>115</u>	<u>115</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>58</u>	<u>58</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	8	8	0
Grade 1 - 6	83	83	0
Grade 7 - 8	<u>28</u>	<u>28</u>	<u>0</u>
Total	<u>119</u>	<u>119</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>58</u>	<u>58</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	8	8	0
Grade 1 - 6	84	84	0
Grade 7 - 8	<u>28</u>	<u>28</u>	<u>0</u>
Total	<u>120</u>	<u>120</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	<u>62</u>	<u>62</u>	<u>0</u>
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	0	0	0
Less than 719 hours	<u>0</u>	<u>0</u>	<u>0</u>
Total Part-time	<u>0</u>	<u>0</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

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, 2014, 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 4, 2015.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2014-001 and 2014-002.

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.

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*.

Sheridan School District No. 5's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
June 4, 2015

SHERIDAN SCHOOL DISTRICT NO. 5
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year-Ended June 30, 2014

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2014.

2013-001 Preparation of Draft Financial Statements and Related Footnotes was Performed by Auditor
The finding was not repeated in fiscal year 2014

2014-001 Capital Assets

Criteria: Generally Accepted Accounting Principles (GAAP) require that capital asset amounts reported on the balance sheet accurately reflect the historical value of the assets owned by the Town.

Condition: During our review of claims we noted capital asset were not updated for the high school siding project or the new commercial lawn mower.

Effect: Not maintaining accurate property inventory records may result in the loss or misuse of District property.

Context: The school district purchased a new lawn mower for \$ 9,800 and disposed of the old lawn mower with a net book value of \$902, but did not adjust the capital assets schedule for these events. In addition, the \$177,088 high school siding project was not capitalized. At the request of the school district the audit report has been updated.

Cause: Oversight

Recommendation: We recommend all capital purchases be reviewed annually and verify those costs have been included in the school districts capital assets listing.

Auditee Response: The District takes your recommendation under advisement, and with a new administration and additions to the maintenance staff, are in the process of developing a more regulated schedule for updating capital assets. Additionally, the District is purchasing new accounting software which will increase the efficiency and effectiveness of tracking inventory and capital assets.

2014-002 Unreported Cash

Criteria: Generally Accepted Accounting Principles (GAAP) requires all cash balances to be properly reported.

Condition: During our review of cash accounts we noted a donations given to the school district from the Order of Odd Fellows was not reported on the TFS.

Effect: Cash balances reported by the school district do not include the second scholarship donation from the Order of Odd Fellows.

Context: In October 2012 the Order of Odd Fellows gave the school district another \$10,000 donation for scholarships which was properly deposited. The \$10,000 donation, however, was not reported in the TFS.

Cause: Not reconciling all cash accounts on a regular basis.

Recommendation: We recommend the school district correctly report cash belonging to the school district on its TFS.

Auditee Response: The District takes your recommendation under advisement, and is purchasing new accounting software which will enable the business office to more effectively track all accounts, and will develop more effective office procedures to ensure that reports will be more accurate.