

**SHERIDAN SCHOOL DISTRICT NO. 5**

**MADISON COUNTY  
SHERIDAN, MONTANA**

**FINANCIAL AND COMPLIANCE REPORT**

**Fiscal Year Ended June 30, 2021**

**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

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BOARD OF TRUSTEES

Kendra Horn ..... Chair  
Therese Sutton ..... Vice Chair  
Bill Wood ..... Trustee  
Cory Rowberry ..... Trustee  
Ridgley Elser ..... Trustee  
Bronwen Pfau ..... Trustee  
Kaylie Theis ..... Trustee

OFFICIALS

Mike Wetherbee ..... Superintendent  
Rebecca Larsen ..... School District Clerk  
Pam Birkeland ..... County Superintendent  
Montana School Boards Association (MTSBA) ..... School District Attorney

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 \$2.6 million in revenue, or 72 percent of all fiscal year 2021 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$.98 million or 28 percent of total fiscal year 2021 revenues.
- The District had approximately \$3.8 million in expenses related to governmental activities: of which \$.98 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$2.6 million were adequate to provide the remaining costs of these programs.
- Among major funds, the General Fund had \$2.07 million in fiscal year 2021 revenues, which primarily consisted of state aid and property taxes, and \$2.1 million in expenditures. The General Fund's fund balance excess of revenues over expenditures was \$4,337.
- The District currently has no debt.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 12-16 of this report.

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 18-39 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 39-45 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,817,510 as of June 30, 2021.

SHERIDAN SCHOOL DISTRICT NO. 5

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
For the year ended June 30, 2021

By far the largest portion of the District's net position 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 (in thousands of dollars) were as follows:

NET POSITION	Governmental Activities			
	6/30/2020	6/30/2021	CHANGE	% CHANGE
Current Assets	\$ 1,529,712	\$ 1,645,458	\$ 115,746	7.57%
Capital Assets, net	<u>2,657,232</u>	<u>2,761,885</u>	<u>104,653</u>	<u>3.94%</u>
Total Assets	4,186,944	4,407,343	220,399	5.26%
Deferred outflows of resources	<u>295,290</u>	<u>482,279</u>	<u>186,989</u>	<u>63.32%</u>
Current Liabilities	15,394	47,897	32,503	211.14%
Long Term Liabilities	<u>2,627,854</u>	<u>2,977,274</u>	<u>349,420</u>	<u>13.30%</u>
Total Liabilities	2,643,248	3,025,171	381,923	14.45%
Deferred Inflows of Resources	<u>62,452</u>	<u>46,941</u>	<u>(15,511)</u>	<u>-24.84%</u>
Net Position:				
Net Investment in Capital Assets	2,657,232	2,761,885	104,653	3.94%
Restricted	1,020,320	1,144,770	124,450	12.20%
Unrestricted	<u>(1,901,018)</u>	<u>(2,089,145)</u>	<u>(188,127)</u>	<u>9.90%</u>
Total Net Position	1,776,534	1,817,510	40,976	2.31%

SHERIDAN SCHOOL DISTRICT NO. 5

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
For the year ended June 30, 2021

**Changes in net position.** The District's total revenues for the fiscal year ended June 30, 2021, were \$3.58 million. The total cost of all programs and services was \$3.71 million. The following table presents a summary of the changes in net position (in thousands of dollars).

CHANGES IN NET POSITION	Governmental Activities			
	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>CHANGE</u>	<u>% CHANGE</u>
Revenues				
Program Revenues:				
Charges for Services	191,714	133,431	(58,283)	-30.40%
Operating Grants	721,963	855,447	133,484	18.49%
General Revenues:				
District Levies	1,151,692	1,079,186	(72,506)	-6.30%
State Equalization	751,285	798,142	46,857	6.24%
Other State Revenues	390,344	467,435	77,091	19.75%
County	268,272	258,050	(10,222)	-3.81%
Interest	19,749	2,946	(16,803)	-85.08%
Other	22,937	7,026	(15,911)	-69.37%
Gain (loss) on Sale of Assets	<u>(15,427)</u>	<u>(13,268)</u>	<u>2,159</u>	<u>-13.99%</u>
Total Revenues	3,502,529	3,588,395	85,866	2.45%
Program Expenses				
Instructional Services	2,183,566	2,066,934	(116,632)	-5.34%
Support Services - Students	112,408	105,108	(7,300)	-6.49%
Support Services - Instructional	17,930	70,038	52,108	290.62%
General Administrative Services	481,732	494,272	12,540	2.60%
Operation and Maintenance Services	535,870	435,296	(100,574)	-18.77%
Transportation Services	131,823	167,759	35,936	27.26%
School Food Services	73,536	83,441	9,905	13.47%
Extracurricular	251,651	229,199	(22,452)	-8.92%
Community Services	4,946	77	(4,869)	-98.44%
Intergovernmental	84,838	61,899	(22,939)	-27.04%
Unallocated Depreciation Expense *	<u>3,551</u>	<u>4,468</u>	<u>917</u>	<u>25.82%</u>
Total Expenses	<u>3,881,851</u>	<u>3,718,491</u>	<u>(163,360)</u>	<u>-4.21%</u>
Change in Net Position	(379,322)	(130,096)	249,226	

General revenues increased by \$85,866, which is due to increasing elementary enrollment and state aid. Expenses decreased by \$163,360, due largely to prior year projects that temporarily increased expenditures.

**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 SCHOOL DISTRICT NO. 5

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
For the year ended June 30, 2021

	Total costs of service		Percentage	Net costs of Service		Change
	6/30/2020	6/30/2021	Change	6/30/2020	6/30/2021	
Instructional Services	2,183.6	2,066.9	-5.34%	1,764.9	1,555.9	-11.84%
Support Services - Students	112.4	105.1	-6.49%	0.1	0.6	500.00%
Support Services - Instructional	17.9	70.0	290.62%	14.0	67.2	380.00%
General Administrative Services	481.7	494.3	2.60%	467.6	471.4	0.81%
Operation and Maintenance Serv	535.9	435.3	-18.77%	470.3	367.6	-21.84%
Transportation Services	131.8	167.8	27.26%	56.1	99.4	77.18%
School Food Services	73.5	83.4	13.47%	3.5	(15.0)	-528.57%
Extracurricular	251.7	229.2	-8.92%	98.4	115.9	17.78%
Community Services	4.9	0.1	-98.44%	5.0	0.1	-98.00%
Intergovernmental	84.8	61.9	-27.04%	84.8	61.9	-27.00%
Unallocated Depreciation Expen	<u>3.6</u>	<u>4.5</u>	<u>25.82%</u>	<u>3.6</u>	<u>4.5</u>	25.00%
Total Expenses	3,881.9	3,718.5	-4.21%	2,968.2	2,729.6	-8.04%

- The cost of all governmental activities this year was \$3.7 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$ .98 million.
- Net cost of governmental activities (\$2.7 million) was financed by general revenues, which are made up of property taxes (\$1.1 million), federal and state and county aide (\$1.5 million), and fund balance re-appropriated. Investment earnings accounted for \$2,946 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 \$1,522,137. Approximately \$1,017,802 of the fund balance is Restricted, while \$39,999 is Assigned. The remaining fund balance of \$464,336 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 15, the total governmental fund balances increased \$112,129, and government wide net position decreased by \$130,096 shown on page 13.



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2021, the District had invested \$2,761,885 in capital assets, including school building, athletic facilities, buses and other vehicles, computers, and other equipment. Total depreciation expense for the year was \$164,000.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2021.

Land	\$ 23,500
Construction in Progress	78,349
Buildings	1,809,905
Machinery and equipment	<u>850,131</u>
Total Governmental Assets	\$ 2,761,885

Additional information on the District’s capital assets can be found in on page 26 of this report.

**Debt Administration.** At year-end, the District had no debt.

State statutes currently limit the amount of general obligation debt a District may issue up to 45% percent of its total taxable valuation. The current debt limitation for the District is \$5,228,822 which is more than the District’s outstanding general obligation debt.

Additional information on the District’s long-term debt can be found on page 27 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 2020-2021 budget. Primary factors included anticipating costs associated with operating school during and responding to the Coronavirus epidemic. Budget limits increased, mostly due to enrollment and increases in state funding. The District also considered the local economy. The administration managed expenditures in fiscal year 2020-2021 to ensure that the District would have full reserves in the general fund for the ensuing budget year, and adequate resources to fulfill the goals of the District.

These indicators were considered when adopting the budget for fiscal year 2021-2022. Budgeted expenditures in the General Fund were increased by \$21,500 to \$2,083,720 in fiscal year 2022 due to increases in enrollment. The Board and Administration resolved to operate within the highest budget without a vote to avoid a mill levy that would increase local property taxes, and because additional ESSER money allocated to the District may ease some burden from the general funds. The District also projected an unanticipated enrollment increase due to implementation of a full-day early kindergarten program. In a further attempt to reduce local taxes, the District opted not to impose a permissive levy in the Bus Depreciation Fund for a second year. The District anticipates increases in state income and education funding, based on funding formulas established by the Montana State Legislature and Montana’s Office of Public Instruction. Sheridan Schools was able to maintain their current budgets.

**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.



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District No. 5 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Sheridan School District No. 5's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District No. 5 as of June 30, 2021, 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 3-9), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page 40), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages 41-46), and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages 47-51) 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.

### **Supplementary and 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 52), and Schedule of Reported Enrollment (page 53) 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 December 9, 2021 on our consideration of Sheridan School District No. 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC  
Billings, Montana  
December 9, 2021

STATEMENT OF NET POSITION  
 June 30, 2021

	<u>Governmental</u> <u>Activities</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,635,976
Taxes Receivable	4,427
Due from Other Governments	<u>5,055</u>
Total Current Assets	<u>1,645,458</u>
Noncurrent Assets:	
Capital Assets:	
Land	23,500
Construction in Progress	78,349
Net Depreciable Assets	<u>2,660,036</u>
Total Noncurrent Assets	<u>2,761,885</u>
Total Assets	<u>4,407,343</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Employer Pension Plan Related	<u>482,279</u>
Total Deferred Outflows of Resources	<u>482,279</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,889,622</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Current Portion of Compensated Absences	<u>\$ 47,897</u>
Total Current Liabilities	<u>47,897</u>
Noncurrent Liabilities:	
Compensated Absences	58,158
Net Pension Accrual	2,428,179
Other Postemployment Benefits	<u>490,937</u>
Total Noncurrent Liabilities	<u>2,977,274</u>
Total Liabilities	<u>3,025,171</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Employer Pension Plan Related	<u>46,941</u>
Total Deferred Inflows of Resources	<u>46,941</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	2,761,885
Restricted	1,144,770
Unrestricted (Deficit)	<u>(2,089,145)</u>
Total Net Position	<u>1,817,510</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,889,622</u>

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

STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2021

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
<b>GOVERNMENT OPERATIONS:</b>				
Instructional Services	\$ 2,066,934	\$ 1,453	\$ 509,563	\$ (1,555,918)
Support Services - Students	105,108	-	104,553	(555)
Support Services - Instructional	70,038	-	2,819	(67,219)
General Administrative Services	494,272	-	22,839	(471,433)
Operation and Maintenance Services	435,296	-	67,652	(367,644)
Transportation Services	167,759	-	68,324	(99,435)
School Food Services	83,441	18,717	79,697	14,973
Extracurricular	229,199	113,261	-	(115,938)
Community Services	77	-	-	(77)
Intergovernmental	61,899	-	-	(61,899)
Unallocated Depreciation Expense *	4,468	-	-	(4,468)
<b>Total Governmental Operations</b>	<u>3,718,491</u>	<u>133,431</u>	<u>855,447</u>	<u>(2,729,613)</u>
<b>GENERAL REVENUES:</b>				
District Levies				1,079,186
State Equalization				798,142
Other State Revenues				467,435
County				258,050
Interest				2,946
Other				7,026
Gain (loss) on Sale of Assets				(13,268)
<b>Total General Revenues</b>				<u>2,599,517</u>
<b>Change in Net Position</b>				(130,096)
<b>NET POSITION:</b>				
Beginning of the Year				1,776,534
Prior Period Adjustments				171,072
End of the Year				<u>\$ 1,817,510</u>

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

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2021

	MAJOR				Total Governmental Funds
	General	Miscellaneous Programs (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 497,469	\$ 35,202	\$ 247,672	\$ 855,633	\$ 1,635,976
Taxes Receivable	3,219	-	16	1,192	4,427
Due from Other Governments	-	4,633	-	422	5,055
<b>Total Assets</b>	<b>500,688</b>	<b>39,835</b>	<b>247,688</b>	<b>857,247</b>	<b>1,645,458</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Total Deferred Outflows of Resources	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 500,688</b>	<b>\$ 39,835</b>	<b>\$ 247,688</b>	<b>\$ 857,247</b>	<b>\$ 1,645,458</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Total Liabilities	-	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable Property Taxes Receivable	3,219	-	16	1,192	4,427
<b>Total Deferred Inflows of Resources</b>	<b>3,219</b>	<b>-</b>	<b>16</b>	<b>1,192</b>	<b>4,427</b>
<b>FUND BALANCE (DEFICITS):</b>					
Restricted	-	39,835	247,672	856,055	1,143,562
Unassigned	497,469	-	-	-	497,469
<b>Total Fund Balance</b>	<b>497,469</b>	<b>39,835</b>	<b>247,672</b>	<b>856,055</b>	<b>1,641,031</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 500,688</b>	<b>\$ 39,835</b>	<b>\$ 247,688</b>	<b>\$ 857,247</b>	<b>\$ 1,645,458</b>

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balance Reported Above	\$ 1,641,031
Unavailable Property Taxes Receivable	4,427
Governmental Capital Assets	2,761,885
Employer Pension Plan Related	482,279
Long-term Liabilities	
Compensated Absences	(106,055)
Net Pension Accrual	(2,428,179)
Other Postemployment Benefits	(490,937)
Employer Pension Plan Related	(46,941)
<b>Net Position of Governmental Activities</b>	<b>\$ 1,817,510</b>

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, 2021

	MAJOR				Total Governmental Funds
	General	Miscellaneous Programs (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	
<b>REVENUES:</b>					
District Levies	\$ 802,289	\$ -	\$ 293	\$ 279,752	\$ 1,082,334
Interest	1,048	37	563	1,298	2,946
Charges for Services	-	-	-	131,978	131,978
Other	3,076	3,950	-	400	7,426
County	-	-	-	293,484	293,484
State	1,262,995	69,328	-	67,785	1,400,108
Federal	-	389,114	-	115,876	504,990
<b>Total Revenues</b>	<b>2,069,408</b>	<b>462,429</b>	<b>856</b>	<b>890,573</b>	<b>3,423,266</b>
<b>EXPENDITURES:</b>					
Current:					
Instructional Services	1,215,590	254,093	-	251,204	1,720,887
Support Services - Students	554	104,554	-	-	105,108
Support Services - Instructional	28,205	1,718	-	4,098	34,021
General Administrative Services	320,057	4,131	-	112,064	436,252
Operation and Maintenance Services	321,707	13,468	-	75,618	410,793
Transportation Services	9,280	54	-	102,667	112,001
School Food Services	-	8,502	-	74,782	83,284
Extracurricular	112,581	-	-	116,618	229,199
Community Services	-	-	-	77	77
Capital Outlay	68,294	-	-	49,322	117,616
Intergovernmental	-	61,899	-	-	61,899
<b>Total Expenditures</b>	<b>2,076,268</b>	<b>448,419</b>	<b>-</b>	<b>786,450</b>	<b>3,311,137</b>
Excess (Deficiency) of Revenues Over Expenditures	(6,860)	14,010	856	104,123	112,129
<b>OTHER FINANCING SOURCES (USES):</b>					
Fund Transfers In	435	-	-	24,843	25,278
Fund Transfers (Out)	(441)	-	-	(24,837)	(25,278)
<b>Total Other Financial Sources (Uses)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(6,866)</b>	<b>14,010</b>	<b>856</b>	<b>104,129</b>	<b>112,129</b>
<b>FUND BALANCE:</b>					
Beginning of the Year	504,335	21,915	246,816	749,071	1,522,137
Prior Period Adjustments	-	3,910	-	2,855	6,765
<b>End of the Year</b>	<b>\$ 497,469</b>	<b>\$ 39,835</b>	<b>\$ 247,672</b>	<b>\$ 856,055</b>	<b>\$ 1,641,031</b>

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



Sheridan SD  
 Madison County  
 Sheridan, Montana 59749

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2021

Net Changes in Fund Balance	\$	112,129
Revenues on the Statement of Activities not Included in Governmental Funds Statement:		
Increase (Decrease) in Taxes Receivable	(3,148)	
State Pension Aid	181,545	178,397
Expenses on the Statement of Activities not Included in the Governmental Funds Statement:		
Depreciation Expense	(164,002)	
Actuarial Pension Expense	(360,169)	
(Increase) Decrease in Compensated Absence Liability	(799)	(524,970)
Expenditures Reported in the Governmental Funds Statement not Included in the Statement of Activities		
Capital Outlays	117,616	
Gain (Loss) on Sale of Assets	(13,268)	104,348
Change in net Position Reported on the Statement of Activities	\$	(130,096)

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

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2021

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 22,736
Restricted Cash and Cash Equivalents	<u>91,046</u>
Total Assets	<u>\$ 113,782</u>
LIABILITIES:	
Current Liabilities:	
Total Liabilities	<u>-</u>
NET POSITION:	
Restricted For:	
Individuals and Organizations	<u>113,782</u>
Total Net Position	<u>\$ 113,782</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2021

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Contributions from Individuals and Organizations	\$ 5,645
Investment and Royalty Earnings	<u>6,331</u>
Total Additions	<u>11,976</u>
DEDUCTIONS:	
Distributions to Individuals and Organizations	<u>5,808</u>
Total Deductions	<u>5,808</u>
Change in Net Position	6,168
NET POSITION:	
Beginning of the Year	<u>107,614</u>
End of the Year	<u>\$ 113,782</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 (continued)  
For the year ended June 30, 2021

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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 (Montana), which conforms to Generally Accepted Accounting Principles (GAAP), as applied to governmental units. The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

- GASB Statement No. 87 – *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The School District plans to implement this Statement once it has identified all leases and has reviewed the Q&A on this Statement.
- GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement establishes standards of accounting and financial reporting for subscription based information technology arrangements by a government end user (a government). At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.
- GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Suppression of GASB Statement No. 32*. This Statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). This Statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021 and some elements are effective for reporting periods beginning after June 15, 2021. The School District plans to implement this Statement once it has identified how it affects the School District and has reviewed the Q&A on this Statement.

Services Provided: 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 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.

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

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1. b. BASIS OF PRESENTATION AND ACCOUNTING

1. b. 1. GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

1. b. 2. FUND ACCOUNTING

The fund financial statements provide information about the government's funds, including its fiduciary funds. 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 School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Custodial funds and funds held in trusts are used to account for resources held for the benefit of parties outside of the School District and are reported as fiduciary funds. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the School District own programs.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets. Revenues are recorded when they are both measurable and available. Available means collectible within the current period – collections that occur after June 30 are generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for 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 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 the related expenditures were made under the provisions of the grant. When such funds are received before the expenditure was incurred, they are recorded as unearned grant revenues. All other revenue items are considered to be measurable and available only when cash is received by the School District.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

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Fiduciary fund financial statements use the economic resources measurement focus and are reported using the accrual basis of accounting. For fiduciary activities, a liability to the beneficiaries of a fiduciary activity should be recognized when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. For example, a liability is recognized when tax collections for other governments occurs, even though it may not be required to distribute the taxes to those governments until a specified time in the future.

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

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

The School District reports the following major governmental funds:

- General Fund – The General fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. In the governmental fund financial statements, the General fund also includes the activities of the high school Interlocal Agreement funds, and the elementary and high school Flexibility funds since the restrictions on those funds are similar to the General fund.
- Elementary Miscellaneous Fund – This fund is used to account for local, state, and federal grants and reimbursements. Also, donations that allow the expenditure of both principal and interest for support of School District programs are deposited in this fund.
- High School Bus Depreciation Fund – This fund is used to account for financing the replacement of school buses and two-way radio equipment owned by a school. Deposits made to the fund are limited by depreciation percentages of current buses and two-way radio equipment owned by the School District.

1. b. 3. OTHER FUND TYPES

Fiduciary Funds

- Private-Purpose Trust Funds – These funds are used to report all fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and are held in a trust, in which the School District is not a beneficiary, assets are for the benefit of recipients, and the assets are legally protected from the creditors of the School District.

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

1. c. 1 CASH AND INVESTMENTS

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

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

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.

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

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

Restricted Cash – Restricted cash accounts of the fiduciary fund are restricted for specific use as required by trust indenture agreement.

1. c. 2. TAXES

Property Tax Levies – Property tax levies are set in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the School District. Taxable values are established by the Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

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

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

1. c. 3. INVENTORIES

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

1. c. 4. CAPITAL ASSETS

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

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

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

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

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

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

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

1. c. 6. VACATION AND SICK LEAVE

Vacation 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. Excess vacation time is not forfeited if taken within 90 calendar days from the last day of the calendar year in which the excess was accrued, unless management ensures the employee will use the excess vacation leave before the end of the calendar year in which the leave would have been forfeited. At termination, employees are paid for any accumulated vacation leave at the current rate of pay.

Sick Leave - Classified School District employees earn sick leave at the rate of one day per month. There is no limit on the accumulation of unused sick leave. At termination, 25% of accumulated sick leave is paid at the employee's current rate of pay.

Certified Employee Staff – Certified School District employees shall be granted thirteen days of discretionary leave per school year. The thirteen (13) days shall be available for use at the commencement of the school year. If the teacher fails to complete the entire school year, the School District shall be reimbursed at the teacher's daily rate of pay for each leave day taken over those earned on the basis of 1.3 days per full month of service. Certified employees with 15 years or more in the School District shall receive an additional day, bringing their total to fourteen (14) days. Any leave days remaining at the end of the year may be carried over to the next school year as sick days. A maximum of 105 sick days may be carried over to the next school year. At the end of the school year, any days in excess of 105 days will be paid out to the employee at the current daily rate for certified substitute teachers. At the time the employee properly separates with the School District, the certified employees 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.

Reporting – 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. Expenses are accrued when earned on the Statement of Activities. At June 30, 2021, the amount expected to be paid within one year related to governmental activities amounted to \$47,897 and is generally paid out of the General fund.

1. c. 7. NET POSITION AND FUND BALANCE

The Statement of Net Position includes the following:

- Net Investment in Capital Assets – This component of net position is comprised of the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

- **Restricted** – This component of net position is restricted externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net position is difference between the assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

- **Restricted** – This balance includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- **Unassigned** – This balance includes amounts that are available for any purpose. These amounts are reported only in the general fund.

At June 30, 2021, fund balance components other than unassigned fund balance were as follows:

<b>Purpose (School District types)</b>	<b>Restricted</b>
Instructional and Support Services	\$ 25,673
Student Transportation	149,801
Extracurricular	162,318
School Food	20,754
Third Party Grantor Restrictions	82,307
Employer Retirement Benefits	118,212
Future Technology	13,070
Future Capital Costs	<u>571,427</u>
Total	<u>\$ 1,143,562</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the School District considers restricted funds to have been spent first.

1. d. OTHER

1. d. 1. USE OF ESTIMATES

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

1. d. 2. COUNTY PROVIDED SERVICES

The School District is provided various financial services by the 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 a fiduciary fund in the School District’s name and are periodically remitted to the School District by the Madison County Treasurer. No service charges have been recorded by the School District or the County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2021, cash and cash equivalents for governmental activities and fiduciary funds were as follows:

<b>Account Type</b>	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 1,635,976	\$ 22,736	\$ 1,658,712
Restricted Cash and Investments	<u>0</u>	<u>91,046</u>	<u>91,046</u>
Total	<u>\$ 1,635,976</u>	<u>\$ 113,782</u>	<u>\$ 1,749,758</u>



SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

The carrying amounts of cash on hand, deposits, and investments at June 30, 2021 were as follows:

	<u>Amount</u>
Cash on Hand	\$ 1,000
Demand Accounts	177,707
Time Deposits	79,314
County Investment Pool	1,465,660
U.S. Government Bonds	24,017
Mutual Funds	2,060
Total	<u>\$ 1,749,758</u>

County Investment Pool – Cash resources of the School District are held and managed by the County Treasurer pursuant to Montana law. They are combined with cash resources of other governmental entities within the County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of 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 the state law, but appears to be the liability of the County government. Because of the custodial involvement of the County government, and the commingling of cash in County deposits in the name of the County Treasurer, full risk classifications are available in the County’s annual report. There is no known maturity and credit rating of the County investment pool.

Custodial Credit Risk – Deposits – The cash of the extracurricular funds is held separately by the School District and, consequently, the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At June 30, 2021, the deposits in the extracurricular fund were covered by FDIC insurance.

Fair Value of Investments – The School District measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2: Investments whose values are based on observable inputs other than quoted market prices that a government can access at the measurement date.
- Level 3: Unobservable inputs for an asset and may require a degree of professional judgment that a government can access at the measurement date.

At June 30, 2021, the School District had the following recurring fair value measurements.

<u>Investments</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
Franklin Income A	\$ 24,017	\$ 24,017	\$ 0	\$ 0

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Custodial Credit Risk – Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2021, the School District’s investments were exposed to custodial credit risk as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities - Book Value</u>				<u>Credit Quality Rating</u>
		<u>Less than 1 Year</u>	<u>1-5 years</u>	<u>6-10 Years</u>	<u>10 or more years</u>	
Franklin Income A	\$ 24,017	\$ 24,017	\$ 0	\$ 0	\$ 0	**

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

Morning Star has assigned a 5-star rating system based on a fund’s past risk and load adjusted returns versus category peers, for stocks trading at a discount or premium to the estimate of their fair values. They have assigned a rating of 4 or 5 stars for stocks trading at large discounts compared to the fair value estimates and 1 or 2 stars for stocks trading at large premiums to the fair value estimates. Stocks trading very close to the fair value estimates receive a 3-star rating. Also, Morning Star assigned a summary expression forward looking analysis of a fund using a five-tier scale with three positive ratings of Gold, Silver, and Bronze, a Neutral rating, and a Negative rating.

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates. The School District’s investment policy is to hold investments to maturity with the contractual understanding that these investments are minimal risk and locked into a guaranteed rate of return, and are therefore not impacted significantly by changes in short term interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District’s investment portfolio is made up of securities whose maturities are less than 5 years.

2. a. RESTRICTED ASSETS

Restricted cash was held by the School District Treasurer at June 30, 2021 as follows:

<u>Fund</u>	<u>Private Purpose Trust</u>
Scholarships principal	\$ 91,046

The written declaration of the donor’s intent subjects the principal balance to be intact. The written declaration meets the criteria of GASBS-84 para. 11C1: The district is not the beneficiary, the assets are dedicated to providing benefits to recipients in accordance with benefit terms, and the assets are protected from the creditors of the district.

NOTE 3. TAXES RECEIVABLE

The School District is permitted by Montana statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2020, upon which the levy for the 2021 fiscal year was based, amounted to \$4,469,058 for the Elementary School District and \$7,544,920 for the High School District. The tax rates assessed for the year ended June 30, 2021 to finance School District operations and applicable taxes receivable for the elementary and high schools were as follows:

<u>Fund</u>	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Governmental Funds</u>		
<u>Elementary</u>		
General *	84.06	\$ 1,904
Transportation	16.71	373
Bus Depreciation	0.00	28
Tuition	4.21	101
Technology	5.59	129
Building Reserve	7.31	164
<u>High School</u>		
General *	55.36	1,315
Transportation	10.16	239
Bus Depreciation	0.00	16
Adult Education	0.00	2
Technology	2.53	60
Building Reserve	3.92	96
Total	<u>189.85</u>	<u>\$ 4,427</u>

\* Denotes Major Fund

Property taxes assessed may be paid under protest and held by the County Treasurer until the action is finally determined to be in favor of or against the governmental entity levying the tax. Money paid under protest is accounted for by the County in a protested tax fiduciary fund until the final determination. The amount reported above includes no amounts for taxes paid under protest.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

NOTE 4. OTHER ASSETS

4. a. DUE FROM OTHER GOVERNMENTS

Due from other governments represent amounts due to the School District for costs incurred but not reimbursed by third party governments. The amounts due from other governments as of June 30, 2021 were as follows:

<b>Fund</b>	<b>Amount</b>	<b>Due From</b>	<b>Reason</b>
<u>Elementary</u>			
Miscellaneous *	\$ 179	State of Montana	IDEA grant funding reimbursement
Miscellaneous *	4,431	State of Montana	21 <sup>st</sup> Century grant funding reimbursement
Miscellaneous *	23	State of Montana	Title I grant funding reimbursement
<u>High School</u>			
Miscellaneous	422	State of Montana	Carl Perkins grant funding reimbursement
Total	<u>\$ 5,055</u>		

\* Denotes Major Fund

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

5. a. GENERAL CAPITAL ASSETS

The schedule of changes in general capital assets for the year ended June 30, 2021 follows:

<b>Governmental Activities:</b>	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments/ Transfers</b>	<b>Balance June 30, 2021</b>
<u>Non-depreciable Assets:</u>					
Land	\$ 23,500	\$ 0	\$ 0	\$ 0	\$ 23,500
Construction in Progress	<u>44,276</u>	<u>34,073</u>	<u>0</u>	<u>0</u>	<u>78,349</u>
Total Non-depreciable Assets	67,776	34,073	0	0	101,849
<u>Depreciable Assets:</u>					
Buildings	3,852,927	0	0	0	3,852,927
Machinery and Equipment	<u>1,385,739</u>	<u>83,543</u>	<u>(17,008)</u>	<u>0</u>	<u>1,452,274</u>
Total Depreciable Assets	5,238,666	83,543	(17,008)	0	5,305,201
<u>Accumulated Depreciation:</u>					
Buildings	(1,977,504)	(64,632)	0	(886)	(2,043,022)
Machinery and Equipment	<u>(671,706)</u>	<u>(99,370)</u>	<u>3,740</u>	<u>165,193</u>	<u>(602,143)</u>
Total Accumulated Depreciation	<u>(2,649,210)</u>	<u>(164,002)</u>	<u>3,740</u>	<u>164,307</u>	<u>(2,645,165)</u>
Net Depreciable Assets	<u>2,589,456</u>	<u>(80,459)</u>	<u>(13,268)</u>	<u>164,307</u>	<u>2,660,036</u>
Net General Capital Assets	<u>\$ 2,657,232</u>	<u>\$ (46,386)</u>	<u>\$ (13,268)</u>	<u>\$ 164,307</u>	<u>\$ 2,761,885</u>

Depreciation expense charged to governmental functions was as follows:

<b>Function</b>	<b>Amount</b>
Instructional Services	\$ 64,778
General Administrative Services	13,088
Operation and Maintenance Services	25,558
Transportation Services	56,110
Unallocated	<u>4,468</u>
Total Depreciation Expense	<u>\$ 164,002</u>

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

NOTE 6. LONG-TERM DEBT

6. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2021 follows:

<b>Governmental Activities:</b>	<b>Balance July 1, 2020</b>	<b>New Debt and Other Additions</b>	<b>Principal Payments and Other Reductions</b>	<b>Balance June 30, 2021</b>	<b>Due within One Year</b>
Compensated Absences	105,256	799	0	106,055	47,897
Accrued Pension	2,047,055	381,124	0	2,428,179	0
Other Postemployment Benefits	<u>490,937</u>	<u>0</u>	<u>0</u>	<u>490,937</u>	<u>0</u>
Total Governmental Activities - Long-term Debt	<u>\$ 2,643,248</u>	<u>\$ 381,923</u>	<u>\$ 0</u>	<u>\$ 3,025,171</u>	<u>\$ 47,897</u>

NOTE 7. DEFERRED INFLOWS OF RESOURCES

The School District reported deferred inflows of resources at June 30, 2021 as follows:

7. a. PROPERTY TAXES

<b>Fund</b>	<b>Amount</b>	<b>Reason</b>
<u>Elementary</u>		
General *	\$ 1,904	Taxes Receivable
Transportation	373	Taxes Receivable
Bus Depreciation	28	Taxes Receivable
Tuition	101	Taxes Receivable
Technology	129	Taxes Receivable
Building Reserve	164	Taxes Receivable
<u>High School</u>		
General *	1,315	Taxes Receivable
Transportation	239	Taxes Receivable
Bus Depreciation	16	
Adult Education	2	Taxes Receivable
Technology	60	Taxes Receivable
Building Reserve	96	Taxes Receivable
Total	<u>\$ 4,427</u>	Taxes Receivable

\* Denotes Major Fund

NOTE 8. PRIOR PERIOD ADJUSTMENTS

The School District recorded prior period adjustments at June 30, 2021 as follows:

<b>Fund</b>	<b>Governmental Funds</b>	<b>Reason</b>
<u>Elementary</u>		
School Food Service	\$ 165	Prior year accrual not reported
Miscellaneous *	3,964	Student activity money reclassified to Miscellaneous fund
Miscellaneous *	(54)	Prior year accrual not reported
<u>High School</u>		
Student Activity	<u>2,690</u>	Agree to detail schedule
Total	<u>\$ 6,765</u>	
* Denotes Major Fund		
Governmental Activities	<u>164,307</u>	Updated capital asset schedule relating to erroneous posting to accumulated depreciation in prior years
Total	<u>\$ 171,072</u>	

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

NOTE 9. INTERFUND OPERATING TRANSFERS IN AND OUT

The School District recorded interfund transfers during the year ended June 30, 2021 as follows:

<u>Operating Fund - In</u>	<u>Amount</u>	<u>Operating Fund - Out</u>	<u>Purpose</u>
<u>Elementary</u>		<u>Elementary</u>	
General *	\$ 435	Compensated Absences	Maintain balance per MCA
Building Reserve	5,870	Debt Service	Close fund
Building Reserve	88	Building	Close fund
HS Interlocal *	34,125	General *	Interlocal agreement transfer
<u>High School</u>		<u>High School</u>	
Compensated Absences	441	General *	Maintain balance per MCA
Interlocal	6,077	General *	Interlocal agreement transfer
Building Reserve	10,304	Debt Service	Close fund
Building Reserve	8,140	Building	Close fund
Total	<u>\$ 65,480</u>		
Less Internal Transactions **	<u>(40,202)</u>		
Total	<u>\$ 25,278</u>		

\* Denotes Major Fund

\*\* The elementary and high school general funds, and interlocal agreement funds, are consolidated for financial reporting purposes. The internal transactions described above were eliminated for consolidation..

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

10. a. PLAN DESCRIPTION

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

10. b. FUNDING POLICY

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

10. c. BENEFITS PROVIDED

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

10. d. EMPLOYEES COVERED BY BENEFIT TERMS

At as of June 30, 2021, the measurement date, the following employees were covered by the benefit terms:

Active employees	24
Inactive employees (may include spouses)	0

10. e. TOTAL OPEB LIABILITY

The School District's total OPEB liability amounted to \$490,937 at June 30, 2021. The liability was measured as of June 30, 2021 and was determined by an Alternative Measurement Method valuation as of that date.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

10. f. ASSUMPTIONS AND OTHER INPUTS

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 valuation assumed that 5% of plan participants would elect to continue coverage after retirement.

The total OPEB liability at June 30, 2021 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average salary increases	1.00%
Discount rate	1.45%
Retiree's share of benefit related costs	100.00%
Health care inflation rate:	

<u>Year</u>	<u>% Increase</u>
2023 and after	6.00%

10. g. CHANGES IN THE TOTAL OPEB LIABILITY

Balance July 1, 2020	\$ 490,937
Changes for the Year*	<u>0</u>
Balance June 30, 2021	<u>\$ 490,937</u>

\* GASB No. 75 requires an actuarial valuation or calculation using the specified alternative measurement method of the total OPEB liability to be performed at least once every two years and roll forward procedures on the off years. The OPEB liability was measured as of June 30, 2020. No update procedures were used to roll forward the total pension liability to the measurement date. Therefore, normal costs and benefits payments net to zero which results in no change in the OPEB liability.

10. h. SENSITIVITY ANALYSIS

Discount Rate The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (0.45%) or 1% higher (2.45%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 625,110	\$ 490,937	\$ 390,212

Healthcare Cost Trend Rates The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 382,009	\$ 490,937	\$ 635,385

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

For the year ended June 30, 2021, the School District reported \$0 in revenue and \$0 in expense related to OPEB. On June 30, 2021, the School District did not report deferred outflows or inflows of resources associated with the OPEB liability as no differences between expected and actual experience are determined using the Alternative Measurement Method.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

NOTE 11. RISK MANAGEMENT

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

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

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

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

NOTE 12. 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 plans are established under Montana law and are administered by the State. The School District participates in the following Montana administered retirement plans:

- The Teachers' Retirement System (TRS) covers teaching employees, including administrators and aides and
- The Public Employee Retirement System (PERS) covers nonteaching employees.

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

<u>Teachers Retirement System</u>	<u>Montana Public Employee Retirement Administration</u>
P.O. Box 200139	P.O. Box 200131
1500 Sixth Avenue	100 N. Park Avenue Suite 200
Helena, MT 59620-0139	Helena, MT 59620-0131
Phone: 406-444-3134	Phone: 406-444-3154
www.trs.mt.gov	www.mpera.mt.gov

12. a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF RETIREMENT SYSTEMS

The Montana Public Employee Retirement Administration (MPERA) and the TRS prepare their financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, and information about the fiduciary net position and additions to and deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA and TRS. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

12. b. PUBLIC EMPLOYEE RETIREMENT SYSTEM

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

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

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

12. b. 1. SUMMARY OF BENEFITS

Eligibility for benefits

Service Retirement:

- Hired prior to July 1, 2011:
  - Age 60, 5 years of membership service;
  - Age 65, regardless of membership service; or
  - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
  - Age 65, 5 years of membership service; or
  - Age 70, regardless of membership service.

Early Retirement:  
(actuarially reduced)

- Hired prior to July 1, 2011:
  - Age 50, 5 years of membership service; or
  - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
  - Age 55, 5 years of membership service.

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

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

Vesting:

5 years of membership service

Member's Highest Average Compensation (HAC):

- Hired prior to July 1, 2011:
  - HAC during any consecutive 36 months.
- Hired on or after July 1, 2011:
  - HAC during any consecutive 60 months.



SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

- Compensation Cap:
  - Hired on or after July 1, 2013:
    - 110% annual cap on compensation considered as part of a member’s HAC.
- Monthly Benefit Formula:
  - Hired prior to July 1, 2011:
    - Less than 25 years of membership service - 1.785% of HAC per year of service credit; or
    - 25 years of membership service or more - 2% of HAC per year of service credit.
  - Hired on or after July 1, 2011:
    - Less than 10 years of membership service - 1.5% of HAC per year of service credit;
    - 10 years or more, but less than 30 years of membership service - 1.785% of HAC per year of service credit; or
    - 30 years or more of membership service - 2% of HAC per year of service credit.
- Guaranteed Annual Benefit Adjustment:

After the member has completed 12 full months of retirement, the member’s benefit increases by the following percentage each January, inclusive of other adjustments to the member’s benefit:

  - 3% for members hired **prior** to July 1, 2007
  - 1.5% for members hired **between** July 1, 2007 and June 30, 2013
  - Members hired on or **after** July 1, 2013:
    - 1.5% for each year PERS is funded at or above 90%;
    - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
    - 0% whenever the amortization period for PERS is 40 years or more.

12. b. 2. OVERVIEW OF CONTRIBUTIONS

Contributions: – Member and employer contribution rates are specified by state law and are a percentage of the member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers. The State Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

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

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

2. Employer contributions to the system:

- a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions, including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
- b. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

- c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer Contributions:

- a. Special Funding - The State of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers.
- i. The State contributed 0.1% of members' compensation on behalf of local government entities.
  - ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
  - iii. The State contributed a Statutory Appropriation from the General Fund amounting to \$33,951,150.

12. b. 3. ACTUARIAL ASSUMPTIONS

The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) as of June 30, 2020 was determined by taking the results of the June 30, 2019 actuarial valuation and applying standard roll forward procedures. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following:

- Investment Return (net of admin expenses) 7.34%
- Admin Expense as % of Payroll 0.30%
- General Wage Growth (includes inflation at 2.40%) 3.50%
- Merit Increases 0.00% to 4.80%
- Postretirement Benefit Increases:
  - GABA. After the member has completed 12 full months of retirement, the member's benefit increases by the following percentage each January, inclusive of all other adjustments to the member's benefit:
    - 3% for members hired prior to July 1, 2007
    - 1.5% for members hired between July 1, 2007 and June 30, 2013
    - Members hired on or after July 1, 2013:
      - 1.5% for each year PERS is funded at or above 90%;
      - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
      - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members and service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections.

12. b. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under MCA. The State contributed 0.10% of salaries for local governments and 0.37% for school districts. In addition, the State contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

12. b. 5. TARGET ALLOCATIONS

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the table below.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

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

12. b. 6. DEFINED CONTRIBUTION PLAN

The School District contributed to the State of Montana Public Employee Retirement System Defined Contribution Retirement Plan (Defined Contribution plan) for employees that have elected the Defined Contribution plan. The Defined Contribution plan is administered by the Montana Public Employees Retirement Board (PERB) and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the Defined Benefit plan and have a 12-month window during which they may choose to remain in the Defined Benefit plan or join the PERS- Defined Contribution Retirement Plan (Defined Contribution plan) by filing an irrevocable election. Members may not be participants of both the *Defined Benefit* and *Defined Contribution* retirement plans.

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

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

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

12. c. TEACHERS' RETIREMENT SYSTEM

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

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20, MCA, and administrative rules set forth in Title 2, Chapter 44 of the Administrative Rules of Montana.

12. c. 1. SUMMARY OF BENEFITS

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

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

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

12. c. 2. OVERVIEW OF CONTRIBUTIONS

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

The table below shows the legislated contribution rates for TRS members, employers, and the State.

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

12. c. 3. ACTUARIAL ASSUMPTIONS

The TPL as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

<u>Total Wage Increases:</u> (includes 3.25% general wage increase assumption)	<ul style="list-style-type: none"> <li>• 3.25% to 7.76% for Non-University members</li> <li>• 4.25% for University members</li> </ul>
<u>Investment Return:</u>	7.34%
<u>Price Inflation:</u>	2.40%

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

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

- Mortality:  
(among contributing members, service retired members, and beneficiaries)
- RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

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

12. c. 4. DISCOUNT RATE

The discount rate used to measure the TPL was 7.34%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under MCA. In addition to the contributions, the State general fund will contribute \$25 million annually to the System payable July 1st of each year. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. No municipal bond rate was incorporated in the discount rate.

12. c. 5. TARGET ALLOCATIONS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Domestic Equity	30.00%	6.19%
International Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	5.00%	3.97%
Cash	<u>2.00%</u>	0.11%
Total	100.00%	5.54%

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

12. d. SENSITIVITY ANALYSIS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the below table presents the net pension liability calculated using the discount rate of 7.34% as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

As of measurement date	1.0% Decrease (6.34%)	Current Discount Rate (7.34%)	1.0% Increase (8.34%)
<u>PERS</u>			
Net Pension Liability	\$ 3,631,341,803	\$ 2,638,211,389	\$ 1,803,988,657
School District's Net Pension Liability	538,105	390,939	267,321
<u>TRS</u>			
Net Pension Liability	\$ 2,995,086,772	\$ 2,249,458,672	\$ 1,625,618,226
School District's Net Pension Liability	2,712,524	2,037,240	1,472,254

12. e. NET PENSION LIABILITY

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers are required to recognize, and report certain amounts associated with their participation in the PERS and TRS. Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective NPL, Pension Expense, and Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, PERS and TRS have special funding situations in which the State of Montana is legally responsible for making contributions directly to PERS and TRS that are used to provide pension benefits to the retired members. Due to the existence of this special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2020, and 2019, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

As of measurement date	NPL		Percent of	Percent of	Change in
	as of 6/30/20	as of 6/30/19	Collective NPL as of 6/30/20	Collective NPL as of 6/30/19	Percent of Collective NPL
<u>PERS</u>					
School District Proportionate Share	\$ 390,939	\$ 299,595	0.0148%	0.0143%	0.0004%
State of Montana Proportionate Share associated with Employer	<u>135,258</u>	<u>107,065</u>	<u>0.0051%</u>	<u>0.0051%</u>	<u>0.0000%</u>
Total	<u>\$ 526,197</u>	<u>\$ 406,660</u>	<u>0.0199%</u>	<u>0.0194%</u>	<u>0.0004%</u>
<u>TRS</u>					
School District Proportionate Share	\$ 2,037,240	\$ 1,747,460	0.0906%	0.0906%	0.0%
State of Montana Proportionate Share associated with Employer	<u>1,203,244</u>	<u>1,059,131</u>	<u>0.0535%</u>	<u>0.0549%</u>	<u>(0.0014)%</u>
Total	<u>\$ 3,240,484</u>	<u>\$ 2,806,591</u>	<u>0.1441%</u>	<u>0.1455%</u>	<u>(0.0014)%</u>

At June 30, 2021, the employer recorded a liability for its proportionate share of the NPL of \$390,939 and \$2,037,240 for PERS and TRS, respectively. At June 30, 2021, the employer's proportion was 0.0148 percent and 0.0906 percent for PERS and TRS, respectively.

The NPL was measured as of June 30, 2020, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of:

- PERS – June 30, 2019 and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.



SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

- TRS – July 1, 2020. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The employer’s proportion of the net pension liability was based on the employer’s contributions received by TRS during the measurement period, July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of TRS’ participating employers.

	<u>PERS</u>	<u>TRS</u>
<u>Changes in actuarial assumptions, other inputs, and methods:</u>	<ul style="list-style-type: none"> <li>• The discount rate was lowered from 7.65% to 7.34%</li> <li>• The investment rate of return was lowered from 7.65% to 7.34%</li> <li>• 3. The inflation rate was reduced from 2.75% to 2.40%.</li> </ul>	<ul style="list-style-type: none"> <li>• The discount rate was lowered from 7.50% to 7.34%.</li> <li>• The investment rate of return assumption was lowered from 7.50% to 7.34%.</li> <li>• The inflation rate was reduced from 2.50% to 2.40%.</li> </ul>
<u>Changes in benefit terms:</u>	There have been no changes in benefit terms since the previous measurement date.	There have been no changes in benefit terms since the previous measurement date.
<u>Changes in proportionate share:</u>	There were no changes between the measurement date of the collective NPL and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer’s proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer’s proportionate share of the collective net pension liability, if known.	There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer’s proportionate share of the collective net pension liability. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer’s proportionate share of the collective net pension liability, if known.

12. f. PENSION EXPENSE

	<u>Pension Expense as of 6/30/20</u>	<u>Pension Expense as of 6/30/19</u>
<u>PERS</u> (as of measurement date)		
School District’s Proportionate Share	\$ 48,582	\$ 42,429
Employer Grant Revenue – State of Montana Proportionate Share with the Employer	<u>22,120</u>	<u>7,269</u>
Total	<u>\$ 70,702</u>	<u>\$ 49,698</u>
<u>TRS</u>		
School District’s Proportionate Share	\$ 268,885	\$ 230,165
State of Montana Proportionate Share associated with the Employer	<u>159,425</u>	<u>129,190</u>
Total	<u>\$ 428,310</u>	<u>\$ 359,355</u>

At June 30, 2021, the employer recognized a pension expense of \$70,702 and \$428,310 for its proportionate share of the PERS and TRS Pension Expense, respectively. The employer also recognized grant revenue of \$22,120 and \$159,425 for the support provided by Montana for its proportionate share of the Pension Expense that is associated with the employer for PERS and TRS, respectively.

12. g. DEFERRED INFLOWS AND OUTFLOWS

At June 30, 2021, the employer reported its proportionate share of PERS and TRS deferred outflows of resources and deferred inflows of resources related to PERS and TRS from the following sources:

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended June 30, 2021

	PERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected economic experience	\$ 6,311	\$ 11,178	\$ 19,749	\$ 0
Changes in actuarial assumptions	27,071	0	106,699	2,343
Difference between projected and actual investment earnings	33,852	0	142,718	0
Changes in proportion and differences between actual and expected contributions	0	0	7,263	15,346
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	18,074	0	0
Contributions paid subsequent to the measurement date – FY 2020 Contributions *	22,003	0	116,614	0
Total	<u>\$ 89,236</u>	<u>\$ 29,252</u>	<u>\$ 393,043</u>	<u>\$ 17,689</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2021.

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

Year Ended June 30	PERS	TRS
	Amount of Deferred Outflows (Inflows) to be Recognized as an Increase (Decrease) to Pension Expense	
2021	\$ (6,948)	\$ 88,451
2022	24,644	71,163
2023	11,828	63,309
2024	8,457	35,818
2025	0	0
Thereafter	0	0

12. h. EMPLOYER’S PROPORTION OF PENSION AMOUNTS

	PERS	TRS	Employer’s Total Pension Amounts
	Employer’s Proportionate Share	Employer’s Proportionate Share	
Total Pension Liability	\$ 1,257,040	\$ 5,811,876	\$ 7,068,916
Fiduciary Net Position	866,101	3,774,636	4,640,737
Net Pension Liability	390,939	2,037,240	2,428,179
Deferred Outflows of Resources	89,236	393,043	482,279
Deferred Inflows of Resources	29,252	17,689	46,941
Pension Expense	70,702	428,310	499,012

NOTE 13. SUBSEQUENT REPORTABLE EVENTS

13. a. COVID-19

Due to the COVID-19 pandemic, the School District may realize delayed collections and receipts in future periods. The likelihood and impact of the potential delays are uncertain.

NOTE 14. CONTINGENCIES

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



SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF FUNDING PROGRESS  
 Other Postemployment Benefits Other Than Pensions  
 For the year ended June 30, 2021

**OTHER POSTEMPLOYMENT BENEFITS  
CHANGE IN LIABILITY**

<b>Fiscal Year End</b>	<b>Service Cost (a)</b>	<b>Interest (b)</b>	<b>Changes in Benefit Terms (c)</b>	<b>Changes in Assumptions or Other Inputs (d)</b>	<b>Benefit Payments (e)</b>	<b>Net Change in Total OPEB Liability Sum of (a) to (e)=(f)</b>	<b>Total OPEB Liability Beginning (g)</b>	<b>Total OPEB Liability Ending (f)+(g)=(h)</b>
6/30/18	\$ 12,671	\$ 3,420	\$ 0	\$ 51,500	\$ (16,091)	\$ 51,500	\$ 126,657	\$ 178,157
6/30/19	0	0	0	0	0	0	178,157	178,157
6/30/20	42,024	2,583	300,535	12,245	(44,607)	312,780	178,157	490,937
6/30/21	0	0	0	0	0	0	490,937	490,937

**OTHER POSTEMPLOYMENT BENEFITS  
PAYROLL RATIO**

<b>Fiscal Year End</b>	<b>Covered Employee Payroll (i)</b>	<b>Total OPEB Liability as a Percentage of Covered Employee Payroll (h)/(i)=(j)</b>
6/30/18	\$ 1,565,826	11.38%
6/30/19	1,488,905	11.97%
6/30/20	1,607,104	30.55%
6/30/21	1,559,991	31.47%

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

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
(Determined as of the measurement date)  
For the year ended June 30, 2021

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

<b>Year Ended June 30:</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)</b>	<b>State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)</b>	<b>Total (a)+(b)=(c)</b>	<b>Employer's Covered Payroll (d)</b>	<b>Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)</b>	<b>Plan Fiduciary Net Position as a Per- centage of the Total Pension Liability</b>
2014	0.0193%	\$ 240,427	\$ 11,239	\$ 251,667	\$ 225,993	111.22%	79.87%
2015	0.0150%	210,359	9,885	220,244	181,576	115.85%	78.40%
2016	0.0185%	315,219	14,732	329,951	229,149	137.56%	74.71%
2017	0.0200%	390,385	19,092	409,477	256,941	151.94%	73.75%
2018	0.0148%	309,706	114,457	424,163	252,066	122.87%	73.47%
2019	0.0143%	299,595	107,065	406,659	244,178	122.69%	73.85%
2020	0.0148%	390,939	135,258	526,197	256,618	152.34%	68.90%

**TEACHERS RETIREMENT SYSTEM**

<b>Year Ended June 30:</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability Associated with the Employer (a)</b>	<b>State of Montana's Proportionate Share of the Net Pension Liability Associated with the Employer (b)</b>	<b>Total (a)+(b)=(c)</b>	<b>Employer's Covered Payroll (d)</b>	<b>Employer's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll (a)/(d)</b>	<b>Plan Fiduciary Net Position as a Per- centage of the Total Pension Liability</b>
2014	0.0834%	\$ 1,283,508	\$ 881,692	\$ 2,165,200	\$ 1,051,835	122.03%	70.36%
2015	0.0853%	1,400,951	945,208	2,346,159	1,088,302	128.73%	69.30%
2016	0.0884%	1,615,791	1,055,967	2,671,758	1,148,076	140.74%	66.69%
2017	0.0891%	1,501,843	953,516	2,455,359	1,174,844	127.83%	70.09%
2018	0.0907%	1,682,586	1,050,102	2,732,688	1,210,804	138.96%	69.09%
2019	0.0906%	1,747,460	1,059,131	2,806,591	1,230,174	142.05%	68.64%
2020	0.0906%	2,037,240	1,203,244	3,240,484	1,246,582	163.43%	64.95%

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

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS  
 (Determined as of the reporting date)  
 For the year ended June 30, 2021

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

<b>Year Ended June 30:</b>	<b>Contractually Required Contributions (a)</b>	<b>Plan Choice Rate Required Contribution (b)</b>	<b>Contributions in Relation to Contractually Required Contributions (c)</b>	<b>Contribution Deficiency (Excess) (a)+(b)- (c)=(d)</b>	<b>Employer's Covered Payroll (e)</b>	<b>Contributions as a Percentage of Covered Payroll ((a)+(b))/(e)</b>
2015	\$ 14,472	\$ 861	\$ 15,333	\$ 0	\$ 181,576	8.44%
2016	18,528	312	18,840	0	229,149	8.22%
2017	20,812	0	20,812	0	256,941	8.10%
2018	20,669	0	20,669	0	252,066	8.20%
2019	20,339	0	20,339	0	244,178	8.33%
2020	21,783	0	21,783	0	256,618	8.49%
2021	22,003	0	22,003	0	269,585	8.16%

**TEACHERS RETIREMENT SYSTEM**

<b>Year Ended June 30:</b>	<b>Contractually Required Contributions (a)</b>	<b>Contributions in Relation to Contractually Required Contributions (b)</b>	<b>Contribution Deficiency (Excess) (a)-(b)=(c)</b>	<b>Employer's Covered Payroll (d)</b>	<b>Contributions as a Percentage of Covered Payroll (a)/(d)</b>
2015	\$ 93,268	\$ 93,268	\$ 0	\$ 1,088,302	8.57%
2016	118,613	118,613	0	1,148,076	10.33%
2017	103,844	103,844	0	1,174,844	8.84%
2018	111,431	111,431	0	1,210,804	9.20%
2019	140,822	140,822	0	1,230,174	11.45%
2020	113,618	113,618	0	1,246,582	9.11%
2021	116,614	116,614	0	1,269,754	9.18%

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS  
(As of Measurement Date)  
For the year ended June 30, 2021

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**NOTE 1. PUBLIC EMPLOYEE RETIREMENT SYSTEM**

1. a. CHANGES OF BENEFIT TERMS

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

**2017:**

**Working Retiree Limitations** – for PERS

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

**Refunds**

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

**Interest credited to member accounts**

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

**Lump-sum payouts**

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

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

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

**Changes in Actuarial Assumptions and Methods**

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

The following Actuarial Assumptions were adopted from the June 2019 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0.00% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
 SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)  
 (As of Measurement Date)  
 For the year ended June 30, 2021

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Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as % of Payroll	0.30%

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

NOTE 2. TEACHERS' RETIREMENT SYSTEM

2. a. CHANGES OF BENEFIT TERMS

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

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

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

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

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

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)  
(As of Measurement Date)  
For the year ended June 30, 2021

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

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

The following changes to the actuarial assumptions were adopted in 2020:

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

The following changes to the actuarial assumptions were adopted in 2019:

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

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

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

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

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

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

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
 SCHEDULE OF CONTRIBUTIONS TO MONTANA RETIREMENT SYSTEMS (continued)  
 (As of Measurement Date)  
 For the year ended June 30, 2021

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

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	29 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members;
Investment rate of return	7.50 percent, net of pension plan investment expense, and including inflation

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 Budget and Actual  
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2021

	General (Elem.)			Flexibility (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 375,634	\$ 375,634	\$ 376,976	\$ -	\$ -	\$ -
Interest	2,212	2,212	331	-	-	179
Other	-	-	-	-	-	3,076
State	715,719	715,719	715,719	-	-	-
Total Revenues	<u>1,093,565</u>	<u>1,093,565</u>	<u>1,093,026</u>	<u>-</u>	<u>-</u>	<u>3,255</u>
<b>EXPENDITURES:</b>						
Current:						
Instructional Services			692,718			-
Support Services - Students			382			-
Support Services - Instructional			14,726			-
General Administrative Services			160,305			-
Operation and Maintenance Services			163,526			-
Transportation Services			2,682			-
Extracurricular			24,804			-
Capital Outlay			-			-
Total Expenditures	<u>1,093,565</u>	<u>1,093,565</u>	<u>1,059,143</u>	<u>84,373</u>	<u>84,373</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>33,883</u>	<u>(84,373)</u>	<u>(84,373)</u>	<u>3,255</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Fund Transfers In			435			-
Fund Transfers (Out)			(34,125)			-
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>(33,690)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	193	(84,373)	(84,373)	3,255
<b>FUND BALANCE:</b>						
Beginning of the Year			109,357			84,373
End of the Year			<u>\$ 109,550</u>			<u>\$ 87,628</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, 2021

	General (HS)			Bus Depreciation (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>REVENUES:</b>						
District Levies	\$ 417,722	\$ 417,722	\$ 425,313	\$ -	\$ -	\$ 293
Interest	2,526	2,526	213	-	-	563
Other	-	-	-	-	-	-
State	547,276	547,276	547,276	-	-	-
Total Revenues	<u>967,524</u>	<u>967,524</u>	<u>972,802</u>	<u>-</u>	<u>-</u>	<u>856</u>
<b>EXPENDITURES:</b>						
Current:						
Instructional Services			522,872			-
Support Services - Students			172			-
Support Services - Instructional			13,479			-
General Administrative Services			159,752			-
Operation and Maintenance Services			157,194			-
Transportation Services			6,598			-
Extracurricular			87,777			-
Capital Outlay			14,295			-
Total Expenditures	<u>968,656</u>	<u>968,656</u>	<u>962,139</u>	<u>246,816</u>	<u>246,816</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,132)</u>	<u>(1,132)</u>	<u>10,663</u>	<u>(246,816)</u>	<u>(246,816)</u>	<u>856</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Fund Transfers In			-			-
Fund Transfers (Out)			(6,518)			-
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>(6,518)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,132)	(1,132)	4,145	(246,816)	(246,816)	856
<b>FUND BALANCE:</b>						
Beginning of the Year			97,998			246,816
End of the Year			<u>\$ 102,143</u>			<u>\$ 247,672</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, 2021

	Flexibility (HS)		
	Original Budget	Final Budget	Actual
<b>REVENUES:</b>			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	218
Other	-	-	-
State	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>218</u>
<b>EXPENDITURES:</b>			
Current:			
Instructional Services			-
Support Services - Students			-
Support Services - Instructional			-
General Administrative Services			-
Operation and Maintenance Services			987
Transportation Services			-
Extracurricular			-
Capital Outlay			-
Total Expenditures	<u>96,579</u>	<u>96,579</u>	<u>987</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(96,579)</u>	<u>(96,579)</u>	<u>(769)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Fund Transfers In			-
Fund Transfers (Out)			-
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(96,579)	(96,579)	(769)
<b>FUND BALANCE:</b>			
Beginning of the Year			<u>96,579</u>
End of the Year			<u>\$ 95,810</u>

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the year ended June 30, 2021

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NOTE 1. BUDGETS

Budgets are adopted in accordance with Montana budget laws which are consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the following:

- General fund,
  
- Budgeted special revenue funds
  - Transportation,
  - Bus Depreciation,
  - Tuition, Retirement,
  - Adult Education,
  - Technology, and
  - Flexibility, and
  
- Debt service funds, 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. GENERAL BUDGET POLICIES

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

1. b. BUDGET OPERATIONS

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

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

NOTE 2. BUDGET AMENDMENT

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

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (continued)  
 For the year ended June 30, 2021

NOTE 3. COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL SUB-FUNDS OF THE GENERAL FUND

	Sub-funds						Total General Fund
	General (Elem.)	Flexibility (Elem.)	General (HS)	Flexibility (HS)	Interlocal Agreement (HS)	Internal Balances Adjustments	
<b>REVENUES:</b>							
District Levies	\$ 376,976	\$ -	\$ 425,313	\$ -	\$ -	\$ -	\$ 802,289
Interest	331	179	213	218	107	-	1,048
Other	-	3,076	-	-	-	-	3,076
State	715,719	-	547,276	-	-	-	1,262,995
Total Revenues	1,093,026	3,255	972,802	218	107	-	2,069,408
<b>EXPENDITURES:</b>							
<b>Current:</b>							
Instructional Services	692,718	-	522,872	-	-	-	1,215,590
Support Services - Students	382	-	172	-	-	-	554
Support Services - Instructional	14,726	-	13,479	-	-	-	28,205
General Administrative Services	160,305	-	159,752	-	-	-	320,057
Operation and Maintenance Services	163,526	-	157,194	987	-	-	321,707
Transportation Services	2,682	-	6,598	-	-	-	9,280
Extracurricular	24,804	-	87,777	-	-	-	112,581
Capital Outlay	39,999	-	14,295	-	14,000	-	68,294
Total Expenditures	1,099,142	-	962,139	987	14,000	-	2,076,268
Excess (Deficiency) of Revenues Over Expenditures	(6,116)	3,255	10,663	(769)	(13,893)	-	(6,860)
<b>OTHER FINANCING SOURCES (USES):</b>							
Fund Transfers In	435	-	-	-	40,202	(40,202)	435
Fund Transfers (Out)	(34,125)	-	(6,518)	-	-	40,202	(441)
Total Other Financial Sources (Uses)	(33,690)	-	(6,518)	-	40,202	-	(6)
Net Change in Fund Balance	(39,806)	3,255	4,145	(769)	26,309	-	(6,866)
<b>FUND BALANCE:</b>							
Beginning of the Year	149,356	84,373	97,998	96,579	76,029	-	504,335
End of the Year (GAAP)	109,550	87,628	102,143	95,810	102,338	-	\$ 497,469
Less Current Year Encumbrances	-	-	-	-	-	-	-
End of the Year - Budget Basis	\$ 109,550	\$ 87,628	\$ 102,143	\$ 95,810	\$ 102,338	\$ -	

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

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

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF REVENUES, EXPENSES, AND BALANCES  
 STUDENT ACTIVITY FUNDS  
 For the year ended June 30, 2021

Activity	Beginning Balance 7/1/2020	Revenues	Expenses	Transfers	Ending Balance 6/30/2021
ABC BOOSTER CLUB	\$ 1,754	\$ -	\$ -	\$ -	\$ 1,754
ACTIVITY TICKETS	-	4,851	-	(4,850)	1
AG ED PROJECTS	1,012	107	671	-	448
ANNUAL	2,373	4,674	2,958	-	4,089
ARCHERY	2,262	1	-	-	2,263
ATHLETICS SUPPLIES	1,502	270	268	-	1,504
BAND TRIP	1,535	444	1,124	-	855
BB CAMP	1,851	-	-	-	1,851
BOOK FAIR	257	-	232	-	25
BOOK FINES/COPY FEES	1,879	20	-	-	1,899
BOYS BASKETBALL	5,566	2,850	3,301	450	5,565
BUSINESS PROJECTS	146	-	27	-	119
CARNIVAL	1,223	-	-	-	1,223
CHEERLEADING	2,599	1	-	-	2,600
CLASS OF 20	564	-	404	-	160
CLASS OF 21	3,523	3,839	6,462	280	1,180
CLASS OF 22	4,310	617	180	(280)	4,467
CLASS OF 23	1,883	-	-	-	1,883
CLASS OF 24	2,415	65	84	-	2,396
CLASS OF 25	1,321	11	52	-	1,280
CLASS OF 26	1,292	-	-	-	1,292
CLASS OF 27	794	2,657	1,625	-	1,826
CLASS OF 28	-	2,914	1,739	-	1,175
CLOSE-UP	13,084	15,054	13,243	-	14,895
CONCESSIONS	(51)	(2)	-	-	(53)
CROSS COUNTRY	1,476	-	-	-	1,476
DRAMA	1,004	-	165	-	839
ELEM FIELD TRIPS	2,811	1	1,066	-	1,746
ELEMENTARY EQUIPMENT	4,115	1,327	1,302	-	4,140
FCCLA	5,282	9,275	5,170	-	9,387
FFA	26,166	28,518	22,466	-	32,218
FOOTBALL	5,252	7,572	7,115	(459)	5,250
FOOTBALL CAMP	1,347	-	-	-	1,347
FORENSICS	2,163	-	217	450	2,396
GIRLS' BASKETBALL	4,254	3,070	3,520	450	4,254
HIGH SCH EQUIPMENT	414	-	-	-	414
HOME EC PROJECTS	(17)	60	90	-	(47)
HONOR SOCIETY	1,245	-	200	-	1,045
JOURNALISM	2,569	16	-	-	2,585
LIBRARY	275	14	-	-	289
LOCKS	2,695	645	2,131	-	1,209
MONTANA ARTS COUNCIL	293	-	-	-	293
MS HIGH BOYS' BB	1,901	2,463	2,804	340	1,900
MS HIGH FOOTBALL	951	600	1,878	1,249	922
MS HIGH GIRLS' BB	2,174	2,545	2,886	340	2,173
MS HIGH TRACK	3,041	489	828	340	3,042
MS HIGH VOLLEYBALL	1,637	408	748	340	1,637
MUSIC	1,193	221	703	450	1,161
MUSIC/RENTAL	2,416	1,700	4,113	-	3
PAYS PROGRAM	293	320	293	-	320
RENTAL FEES	183	-	-	-	183
SPANISH CLUB	1,877	7,732	8,489	-	1,120
STUDENT COUNCIL	3,495	736	2,230	-	2,001
TECHNOLOGY FEES	7,926	3,842	266	-	11,502
TRACK	4,340	1	385	450	4,406
TRAP SHOOTING	3,603	1	455	-	3,149
VOLLEYBALL	2,356	4,992	5,244	450	2,554
VOLLEYBALL CAMP	1,194	-	-	-	1,194
YOUTH LEADERSHIP	(46)	-	69	-	(115)
Total	\$ 152,972	\$ 114,921	\$ 107,203	\$ -	\$ 160,690

SHERIDAN SCHOOL DISTRICT NO. 5

SCHEDULE OF REPORTED ENROLLMENT

For the year ended June 30, 2021

<b>Fall Enrollment – October 2020</b>									
	<b>Full-time Students</b>			<b>Part-time Students</b>					
	Reported	Audited	Variance	Less Than				Audited	Variance
				181 hours	359 hours	539 hours	719 hours		
<u>Elementary</u>									
Kindergarten Full	7	7	0	0	0	0	0	0	0
Grade 1 - 6	89	89	0	0	0	0	0	0	0
Grade 7 - 8	<u>24</u>	<u>24</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>120</u>	<u>120</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>High School</u>									
Grade 9 - 12	<u>68</u>	<u>68</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
19-year old	0	0	0						
Youth Challenge	1	1	0						
Job Corps	0	0	0						
Early Graduates	0	0	0						

<b>Spring Enrollment – February 2021</b>									
	<b>Full-time Students</b>			<b>Part-time Students</b>					
	Reported	Audited	Variance	Less Than				Audited	Variance
				181 hours	359 hours	539 hours	719 hours		
<u>Elementary</u>									
Kindergarten Full	7	7	0	0	0	0	0	0	0
Grade 1 - 6	85	85	0	0	0	0	0	0	0
Grade 7 - 8	<u>23</u>	<u>23</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>116</u>	<u>116</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>High School</u>									
Grade 9 - 12	<u>64</u>	<u>64</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
19-year old	0	0	0						
Youth Challenge	0	0	0						
Job Corps	0	0	0						
Early Graduates	0	0	0						



# STROM & ASSOCIATES, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheridan School District No. 5 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Sheridan School District No. 5's basic financial statements and have issued our report thereon dated December 9, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sheridan School District No. 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sheridan School District No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of Sheridan School District No. 5's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sheridan School District No. 5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Strom & Associates, P.C." with a stylized flourish at the end.

STROM & ASSOCIATES, PC  
Billings, Montana  
December 9, 2021



SHERIDAN SCHOOL DISTRICT NO. 5  
SCHEDULE OF FINDINGS AND RESPONSES  
For the year ended June 30, 2021

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**Prior year findings/status**

The following is the status of prior year findings and updated for the fiscal year ended June 30, 2021.

2020-001 – Capital Asset Accounting and Reporting	Implemented
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**Current year findings**

There were no findings or recommendations for the fiscal year ended June 30, 2021.