

Draft for Discussion

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

TABLE OF CONTENTS

	Page No
TABLE OF CONTENTS	1
ORGANIZATION - BOARD OF TRUSTEES AND OFFICIALS	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3 - 8
INDEPENDENT AUDITOR’S REPORT	9
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Activities.....	11
Balance Sheet – Governmental Funds and Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12 – 13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14 - 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	16
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	20
Notes to the Financial Statements	21 - 28
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Funding Progress – Postemployment Benefits Other Than Pensions.....	29
Schedule of Proportionate Share of Net Pension Liability.....	29
Schedule of Contributions to Montana Retirement Systems.....	29
Notes to the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems	xx
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – All Budgeted Major Funds.....	30
Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	31
SUPPLEMENTAL SCHEDULES:	
Schedule of Revenues, Expenses, and Balances – Student Activity Funds.....	32
Schedule of Reported Enrollment	33
Schedule of Expenditures of Federal Awards	34
Notes to the Schedule of Expenditures of Federal Awards	34
INDEPENDENT AUDITOR’S REPORTS:	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
SCHEDULE OF FINDINGS AND RESPONSES	37
CORRECTIVE ACTION PLAN.....	38

Draft for Discussion

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

BOARD OF TRUSTEES

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

OFFICIALS

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



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STROM & ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheridan School District No. 5 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Sheridan School District No. 5's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheridan School District No. 5 as of June 30, 2020, 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.

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Change in Accounting Principle

As described in Notes 1 and 13 to the financial statements, during the year ended June 30, 2020, Sheridan School District No. 5 adopted GASB Statement No. 84 – *Fiduciary Activities* which resulted in a restatement of the net position as of July 1, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages x-x), the Schedule of Funding Progress - Postemployment Benefits Other than Pensions (page xx), the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions to Montana Retirement Systems (pages x-x), and the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (pages x-x) 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.

If the supplementary information required by GAAP is not presented, the auditor is not required to present the omitted information, but the omitted information should be described in a paragraph such as the following – this paragraph is added after the standard paragraph AUC-730:

Management has omitted [Describe the required supplementary information such as historical pension information.] the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

If the auditor is unable to complete the prescribed procedures, the last two sentences of the paragraph would be replaced with the following:

We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because [State the reasons.]. We do not express an opinion or provide any assurance on the information.

If the auditor concludes that the RSI has not been measured or presented in accordance with GAAP, the nature of any material departure(s) should be described in the auditor's report. The last sentence of the paragraph would be replaced with the following:

Although our opinion on the basic financial statements is not affected, the following material departures from the prescribed guidelines exist [Identify the RSI and describe the material departures.]. We do not express an opinion or provide any assurance on the information.

If the auditor applies the required procedures but has unresolved doubts about whether the RSI conforms to GAAP, the last sentence of the paragraph would be replaced with the following:

Although our opinion on the basic financial statements is not affected, the results of the limited procedures have raised doubts about whether material modifications should be made to the RSI for it to be presented in accordance with guidelines established by the Governmental Accounting Standards Board. [The auditor may consider including in his or her report the reason(s) he or she was unable to resolve his or her doubts.].

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Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheridan School District No. 5's basic financial statements. The accompanying Schedule of Revenues, Expenses, and Balances - Student Activity Funds (page xx), Schedule of Reported Enrollment (page xx) 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 and [identify accompanying supplementary information such as the combining and individual nonmajor fund financial statements] 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 datereportsubmitted on our consideration of the Sheridan School District No. 5 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheridan School District No. 5 internal control over financial reporting and compliance.

STROM & ASSOCIATES, PC
Billings, Montana
datereportsubmitted

Be careful when deleting sections from this report! – If you delete a SECTION BREAK, it could also delete a header.

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First financial statement and extra pages below as needed

Statement of Net Position

Statement of Activities

Balance Sheet – Governmental Funds and Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities

Statement of Fund Net Position – Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Statement of Cash Flows – Proprietary Funds

Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position

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

STATEMENT OF NET POSITION June 30, 2020

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 1,501,684
Taxes Receivable	7,575
Due from Other Governments	<u>20,453</u>
Total Current Assets	<u>1,529,712</u>
Noncurrent Assets:	
Capital Assets:	
Land	23,500
Construction in Progress	44,276
Net Depreciable Assets	<u>2,589,456</u>
Total Noncurrent Assets	<u>2,657,232</u>
Total Assets	<u>4,186,944</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Employer Pension Plan Related	<u>295,290</u>
Total Deferred Outflows of Resources	<u>295,290</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,482,234</u>
LIABILITIES:	
Current Liabilities:	
Current Portion of Compensated Absences	<u>15,394</u>
Total Current Liabilities	<u>15,394</u>
Noncurrent Liabilities:	
Compensated Absences	89,862
Net Pension Accrual	2,047,055
Other Postemployment Benefits	<u>490,937</u>
Total Noncurrent Liabilities	<u>2,627,854</u>
Total Liabilities	<u>2,643,248</u>
DEFERRED INFLOWS OF RESOURCES:	
Employer Pension Plan Related	<u>62,452</u>
Total Deferred Inflows of Resources	<u>62,452</u>
NET POSITION:	
Net Investment in Capital Assets	2,657,232
Restricted	1,020,320
Unrestricted (Deficit)	<u>(1,901,018)</u>
Total Net Position	<u>1,776,534</u>
Total liabilities, deferred inflows and net position	<u>\$ 4,482,234</u>

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

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

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
GOVERNMENT OPERATIONS:				
Instructional Services	\$ 2,183,566	\$ 6,601	\$ 412,114	\$ (1,764,851)
Support Services - Students	112,408	-	112,347	(61)
Support Services - Instructional	17,930	-	3,921	(14,009)
General Administrative Services	481,732	-	14,119	(467,613)
Operation and Maintenance Services	535,870	-	35,601	(500,269)
Transportation Services	131,823	-	75,702	(56,121)
School Food Services	73,536	31,849	38,159	(3,528)
Extracurricular	251,651	153,263	-	(98,388)
Other Current Charges	-	-	-	-
Community Services	4,946	-	-	(4,946)
Intergovernmental	84,838	-	-	(84,838)
Unallocated Depreciation Expense *	3,551	-	-	(3,551)
Total Governmental Activities	3,881,851	191,713	691,963	(2,998,175)
GENERAL REVENUES:				
District Levies				1,151,692
State Equalization				751,285
Other State Revenues				390,344
County				268,272
Interest				19,749
Other				52,937
Gain (loss) on Sale of Assets				(15,427)
Total General Revenues				2,618,852
Change in Net Position				(379,323)
NET POSITION:				
Beginning of the Year				2,028,020
Prior Period Adjustments				127,837
End of the Year				\$ 1,776,534

* Excludes depreciation included in direct expenses of the various functions

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

Draft for Discussion

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

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2020

	MAJOR				Total Governmental Funds
	General	Miscellaneous Programs (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 492,836	\$ 21,860	\$ 246,816	\$ 740,172	\$ 1,501,684
Taxes Receivable	5,057	-	255	2,263	7,575
Interfund Receivable	11,499	-	-	8,550	20,049
Due from Other Governments	-	20,104	-	349	20,453
Total Assets	509,392	41,964	247,071	751,334	1,549,761
DEFERRED OUTFLOWS OF RESOURCES:					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 509,392	\$ 41,964	\$ 247,071	\$ 751,334	\$ 1,549,761
LIABILITIES:					
Current Liabilities:					
Interfund Payable	-	20,049	-	-	20,049
Total Liabilities	-	20,049	-	-	20,049
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Property Taxes Receivable	5,057	-	255	2,263	7,575
Total Deferred Inflows of Resources	5,057	-	255	2,263	7,575
FUND BALANCE (DEFICITS):					
Restricted	-	21,915	246,816	749,071	1,017,802
Assigned	39,999	-	-	-	39,999
Unassigned	464,336	-	-	-	464,336
Total Fund Balance	504,335	21,915	246,816	749,071	1,522,137
Total liabilities, deferred inflows of resources, and fund balance	\$ 509,392	\$ 41,964	\$ 247,071	\$ 751,334	\$ 1,549,761
RECONCILIATION TO THE STATEMENT OF NET POSITION					
Total fund balance reported above					\$ 1,522,137
Unavailable Property Taxes Receivable					7,575
Governmental capital assets					2,657,232
Employer Pension Plan Related					295,290
Long-term Liabilities					
Compensated absences					(105,256)
Net Pension Accrual					(2,047,055)
Other Postemployment Benefits					(490,937)
Employer Pension Plan Related					(62,452)
Net Position of Governmental Activities					\$ 1,776,534

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended June 30, 2020

	MAJOR				
	General	Miscellaneous Programs (Elem.)	Bus Depreciation (HS)	Other Governmental Funds	Total Governmental Funds
REVENUES:					
District Levies	\$ 776,462	\$ -	\$ 53,640	\$ 327,359	\$ 1,157,461
Interest	7,014	93	3,424	9,218	19,749
Charges for Services	-	-	-	191,041	191,041
Other	50,033	2,904	-	13,272	66,209
County	-	-	-	306,644	306,644
State	1,188,802	72,232	-	72,643	1,333,677
Federal	-	263,546	-	48,939	312,485
Total Revenues	2,022,311	338,775	57,064	969,116	3,387,266
EXPENDITURES:					
Current:					
Instructional Services	1,200,586	137,176	-	269,496	1,607,258
Support Services - Students	61	112,347	-	-	112,408
Support Services - Instructional	18,854	1,092	-	11,522	31,468
General Administrative Services	275,116	1,200	-	108,400	384,716
Operation and Maintenance Services	302,170	-	-	147,536	449,706
Transportation Services	15,680	392	-	115,584	131,656
School Food Services	-	-	-	73,506	73,506
Extracurricular	112,219	-	-	139,432	251,651
Community Services	-	-	-	4,946	4,946
Capital Outlay	50,515	-	-	57,488	108,003
Intergovernmental	-	84,838	-	-	84,838
Total Expenditures	1,975,201	337,045	-	927,910	3,240,156
Excess (Deficiency) of Revenues Over Expenditures	47,110	1,730	57,064	41,206	147,110
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	2,085	-	-	-	2,085
Fund Transfers In	637	-	-	280	917
Fund Transfers (Out)	(280)	-	-	(637)	(917)
Total Other Financial Sources (Uses)	2,442	-	-	(357)	2,085
Net Change in Fund Balance	49,552	1,730	57,064	40,849	149,195
FUND BALANCE:					
Beginning of the Year	454,783	20,185	189,752	580,385	1,245,105
Prior Period Adjustments	-	-	-	127,837	127,837
End of the Year	\$ 504,335	\$ 21,915	\$ 246,816	\$ 749,071	\$ 1,522,137

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

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net Changes in Fund Balance		\$	149,195
Revenues on the Statement of Activities not included in governmental funds statement:			
Increase (decrease) in taxes receivable	(5,769)		
State Pension Aid	<u>136,458</u>		130,689
Revenues reported in the governmental funds statement not included in the Statement of Activities			
Sale of Capital Assets	<u>2,085</u>		(2,085)
Expenses on the Statement of Activities not included in the governmental funds statement:			
Depreciation Expense	(163,342)		
Actuarial Pension Expense	(273,805)		
(Increase) decrease in Other Postemployment Benefits	(312,780)		
(Increase) decrease in compensated absence liability	<u>229</u>		(749,698)
Expenditures reported in the governmental funds statement not included in the Statement of Activities			
Capital outlays	108,003		
Gain (loss) on sale of assets	(15,427)		<u>92,576</u>
Change in net position reported on the Statement of Activities		\$	<u>(379,323)</u>

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

Draft for Discussion

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

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS June 30, 2020

	Private Purpose Trust Funds
ASSETS:	
Current assets:	
Cash and Cash Equivalents	\$ 16,568
Restricted Cash and Investments	91,046
Total Assets	\$ 107,614
LIABILITIES:	
Current liabilities:	
Total Liabilities	-
NET POSITION:	
Restricted For:	
Individuals and Organizations	107,614
Total Net Position	\$ 107,614

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS For the Year Ended June 30, 2020

	Private Purpose Trust Funds
ADDITIONS:	
Investment and royalty earnings	(1,286)
Contributions from private sources	3,500
Total Additions	2,214
DEDUCTIONS:	
Distributions to Individuals and Organizations	4,700
Total Deductions	4,700
Change in net position	(2,486)
NET POSITION:	
Beginning of the year	247,458
Prior period adjustments	(137,358)
End of the year	\$ 107,614

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Budget and Actual
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2020

	General (Elem.)			Flexibility (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 357,671	\$ 357,671	\$ 358,091	\$ -	\$ -	\$ -
Interest	3,468	3,468	2,212	-	-	783
Other	-	-	-	-	-	35,033
State	669,303	669,303	669,303	-	-	-
Total Revenues	<u>1,030,442</u>	<u>1,030,442</u>	<u>1,029,606</u>	<u>-</u>	<u>-</u>	<u>35,816</u>
EXPENDITURES:						
Current:						
Instructional Services			663,922			-
Support Services - Students			61			-
Support Services - Instructional			9,840			-
General Administrative Services			134,481			-
Operation and Maintenance Services			191,799			-
Transportation Services			5,365			-
Extracurricular			20,989			-
Capital Outlay			-			-
Total Expenditures	<u>1,036,002</u>	<u>1,036,002</u>	<u>1,026,457</u>	<u>48,557</u>	<u>48,557</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,560)</u>	<u>(5,560)</u>	<u>3,149</u>	<u>(48,557)</u>	<u>(48,557)</u>	<u>35,816</u>
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets			-			-
Fund Transfers In			637			-
Fund Transfers (Out)			(4,485)			-
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,848)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(5,560)</u>	<u>(5,560)</u>	<u>(699)</u>	<u>(48,557)</u>	<u>(48,557)</u>	<u>35,816</u>
FUND BALANCE:						
Beginning of the Year			109,160			48,557
Prior Period Adjustments			896			-
End of the Year			<u>\$ 109,357</u>			<u>\$ 84,373</u>

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

Draft for Discussion

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Budget and Actual
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2020

	General (HS)			Bus Depreciation (HS)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 417,395	\$ 417,395	\$ 418,371	\$ 53,580	\$ 53,580	\$ 53,640
Interest	3,949	3,949	2,526	-	-	3,424
Other	-	-	-	-	-	-
State	519,499	519,499	519,499	-	-	-
Total Revenues	940,843	940,843	940,396	53,580	53,580	57,064
EXPENDITURES:						
Current:						
Instructional Services			515,997			-
Support Services - Students			-			-
Support Services - Instructional			9,014			-
General Administrative Services			136,167			-
Operation and Maintenance Services			119,654			-
Transportation Services			10,315			-
Extracurricular			87,349			-
Capital Outlay			34,715			-
Total Expenditures	952,346	952,346	913,211	243,332	243,332	-
Excess (Deficiency) of Revenues Over Expenditures	(11,503)	(11,503)	27,185	(189,752)	(189,752)	57,064
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets			-			-
Fund Transfers In			-			-
Fund Transfers (Out)			(36,198)			-
Total Other Financial Sources (Uses)	-	-	(36,198)	-	-	-
Net Change in Fund Balance	(11,503)	(11,503)	(9,013)	(189,752)	(189,752)	57,064
FUND BALANCE:						
Beginning of the Year			106,737			189,752
Prior Period Adjustments			274			-
End of the Year			<u>\$ 97,998</u>			<u>\$ 246,816</u>

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Budget and Actual
 ALL BUDGETED MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2020

	Flexibility (HS)		Actual
	Original Budget	Final Budget	
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	1,467
Other	-	-	15,000
State	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>16,467</u>
EXPENDITURES:			
Current:			
Instructional Services			5,636
Support Services - Students			-
Support Services - Instructional			-
General Administrative Services			-
Operation and Maintenance Services			7,357
Transportation Services			-
Extracurricular			-
Capital Outlay			-
Total Expenditures	<u>91,020</u>	<u>91,020</u>	<u>12,993</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(91,020)</u>	<u>(91,020)</u>	<u>3,474</u>
OTHER FINANCING SOURCES (USES):			
Sale of Capital Assets			2,085
Fund Transfers In			-
Fund Transfers (Out)			-
Total Other Financial Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,085</u>
Net Change in Fund Balance	<u>(91,020)</u>	<u>(91,020)</u>	<u>5,559</u>
FUND BALANCE:			
Beginning of the Year			91,020
Prior Period Adjustments			-
End of the Year			<u>\$ 96,579</u>

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

Draft for Discussion

Sheridan School District No. 5
 Madison County
 Sheridan, Montana 59749
 For the Year Ended June 30, 2020

Management Discussion and Analysis Comparison Schedules

NET POSITION	Governmental Activities			
	6/30/2019	6/30/2020	CHANGE	% CHANGE
Current Assets	\$ 1,395,807	\$ 1,529,712	\$ 133,905	9.59%
Capital Assets, net	<u>2,730,083</u>	<u>2,657,232</u>	<u>(72,851)</u>	<u>-2.67%</u>
Total Assets	4,125,890	4,186,944	61,054	1.48%
Deferred outflows of resources	<u>381,603</u>	<u>295,290</u>	<u>(86,313)</u>	<u>-22.62%</u>
Current Liabilities	35,000	15,394	(19,606)	-56.02%
Long Term Liabilities	<u>2,240,934</u>	<u>2,627,854</u>	<u>386,920</u>	<u>17.27%</u>
Total Liabilities	2,275,934	2,643,248	367,314	16.14%
Deferred Inflows of Resources	<u>66,181</u>	<u>62,452</u>	<u>(3,729)</u>	<u>-5.63%</u>
Net Position:				
Net Investment in Capital Assets	2,730,083	2,657,232	(72,851)	-2.67%
Restricted	932,185	1,020,320	88,135	9.45%
Unrestricted	<u>(1,496,890)</u>	<u>(1,901,018)</u>	<u>(404,128)</u>	<u>27.00%</u>
Total Net Position	2,165,378	1,776,534	(388,844)	-17.96%

CHANGES IN NET POSITION	Governmental Activities			
	6/30/2019	6/30/2020	CHANGE	% CHANGE
Revenues				
Program Revenues:				
Charges for Services	287,237	191,713	(95,524)	-33.26%
Operating Grants	560,029	691,963	131,934	23.56%
Capital Grants	10,000	-	(10,000)	-100.00%
General Revenues:				
District Levies	1,113,429	1,151,692	38,263	3.44%
State Equalization	737,457	751,285	13,828	1.88%
Other State Revenues	401,500	390,344	(11,156)	-2.78%
County	221,033	268,272	47,239	21.37%
Interest	30,396	19,749	(10,647)	-35.03%
Other	14,931	52,937	38,006	254.54%
Gain (loss) on Sale of Assets	<u>-</u>	<u>(15,427)</u>	<u>(15,427)</u>	<u>#DIV/0!</u>
Total Revenues	3,376,012	3,502,528	126,516	3.75%
Program Expenses				
Instructional Services	1,780,668	2,183,566	402,898	22.63%
Support Services - Students	134,075	112,408	(21,667)	-16.16%
Support Services - Instructional	72,373	17,930	(54,443)	-75.23%
General Administrative Services	351,328	481,732	130,404	37.12%
Operation and Maintenance Services	406,298	535,870	129,572	31.89%
Transportation Services	199,291	131,823	(67,468)	-33.85%
School Food Services	79,256	73,536	(5,720)	-7.22%
Extracurricular	372,511	251,651	(120,860)	-32.44%
Other Current Charges	4,862	-	(4,862)	-100.00%
Community Services		4,946	4,946	#DIV/0!
Intergovernmental		84,838	84,838	#DIV/0!
Unallocated Depreciation Expense	<u>4,468</u>	<u>3,551</u>	<u>(917)</u>	<u>-20.52%</u>
Total Expenses	3,405,130	3,881,851	476,721	14.00%
Change in Net Position	(29,118)	(379,323)	(350,205)	

Draft for Discussion
SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

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

At the end of fiscal year 2020, the School District adopted the following GASB Statements:

- GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund 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. The effects on the School District's fiduciary net position of adopting the new accounting principles are 1) the cumulative prior-period effect is shown as a restatement to beginning net position for all fiduciary-fund statements and 2) for custodial funds, the current-year effect is reported as the current-year change in net position in the newly reported Custodial Fund Statement of Fiduciary Activities. The School District implemented this Statement in fiscal year 2020.
- GASB Statement No. 92 – *Omnibus*. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The School District determined that this Statement does not significantly affect its financial reporting. The School District plans to follow the guidance in this Statement as it is applicable to financial reporting of the School District.
- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. This Statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The School District determined that this Statement does not significantly affect its financial reporting. The School District does not have any derivative instruments, but will comply with this statement if it enters into any such instruments in the future.
- GASB Statement No. 94 – *Public-Private and Public-Public Partnerships*. This Statement establishes guidance for the various aspects of Public-Private and Public-Public Partnerships (PP&Ps) and Availability Payment Arrangements (APAs). The School District determined that this Statement does not significantly affect its financial reporting. The School District does not have any PP&Ps or APAs, but will comply with this statement if it enters into any such instruments in the future.
- GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. This statement changed the effective dates to June 15, 2019, except for GASB 87 which is effective for reporting periods beginning after December 15, 2021.

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.

Draft for Discussion

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended June 30, 2020

- 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 – *Subscription-Based Information Technology Arrangements*. 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 period 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.

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.

Draft for Discussion
SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

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. 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 is generally not material. Unavailable income is recorded in governmental funds for delinquent taxes. Expenditures are recorded when the related fund liability is incurred, except for 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.

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. However, for financial reporting purposes, unredeemed warrants posted to the School District's payroll and claims clearing funds are treated as cash reconciling items and are not presented in these financial statements.

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).

Draft for Discussion

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended June 30, 2020

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.
- 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.
- 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.

1. b. 3. OTHER FUND TYPES

Fiduciary Funds

- Private-purpose trust 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)

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 (the 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 County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

Draft for Discussion
SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Restricted Cash – Restricted cash accounts of the fiduciary funds are restricted for specific use as required by the 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 – 30 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.

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.

Draft for Discussion

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended June 30, 2020

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 receivable.

1. c. 6. VACATION AND SICK LEAVE

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

Certified School District employees shall 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.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the Statement of Activities. At June 30, 2020, the amount expected to be paid within one year related to governmental activities amounted to \$15,394 and is generally paid out of the General fund.

1. c. 7. NET POSITION AND FUND BALANCE

The Statement of Net Position includes the following:

- Net Investment in Capital Assets – This component of net position is comprised of the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.
- Restricted – This component of net position is restricted externally by creditors (e.g., debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position is difference between the assets and liabilities that are not reported in the other components of net position.

Governmental fund financial statements include the following fund balances:

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

At June 30, 2020, fund balance components other than unassigned fund balance were as follows:

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

Draft for Discussion

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

<u>Purpose</u>	<u>Restricted</u>	<u>Assigned</u>
Instructional and Support Services	\$ 29,519	\$ 0
Operations and Maintenance	0	39,999
Student Transportation	96,273	0
Extracurricular	152,908	0
School Food	831	0
Third Party Grantor Restrictions	59,841	0
Employer Retirement Benefits	97,564	0
Future Technology	10,290	0
Future Capital Costs	554,419	0
Debt Service	<u>16,157</u>	<u>0</u>
Total	<u>\$ 1,017,802</u>	<u>\$ 39,999</u>

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 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. No service charges have been recorded by the School District or the County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2020, cash and cash equivalents for governmental activities, activities, and fiduciary funds were as follows:

<u>Account Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,501,684	\$ 16,568	\$ 1,518,252
Restricted Assets	<u>0</u>	<u>91,046</u>	<u>91,046</u>
Total	<u>\$ 1,501,684</u>	<u>\$ 107,614</u>	<u>\$ 1,609,298</u>

The carrying amounts of cash on hand, deposits, and investments at June 30, 2020 were as follows:

	<u>Amount</u>
Demand Accounts	\$ 152,908
Time Deposits	107,614
County Investment Pool	<u>1,348,776</u>
Total	<u>\$ 1,609,298</u>

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, 2020, the deposits in the extracurricular fund were covered by FDIC insurance.

Draft for Discussion

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended June 30, 2020

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, money market accounts and certificates of deposit, and are carried at fair value. The School District’s exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in the state law, but appears to be the liability of the 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.

2. c. RESTRICTED ASSETS

Restricted cash was held by the School District Treasurer at June 30, 2020 as follows:

Fund Name	Private Purpose Trust
Scholarship fund principal	\$ 91,046

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, 2019, upon which the levy for the 2020 fiscal year was based, amounted to \$4,282,361 for the Elementary School District and \$7,337,244 for the High School District. The tax rates assessed for the year ended June 30, 2020 to finance School District operations and applicable taxes receivable for the elementary and high schools were as follows:

Fund	Mill Levies	Taxes Receivable
<u>Elementary</u>		
General *	83.52	\$ 2,842
Transportation	14.24	489
Bus Depreciation	12.81	429
Tuition	6.99	226
Technology	5.84	199
Building Reserve	7.34	257
<u>High School</u>		
General *	56.89	2,215
Transportation	9.58	372
Bus Depreciation	7.30	255
Adult Education	0.92	36
Technology	2.60	101
Building Reserve	3.87	154
Total	<u>211.90</u>	<u>\$ 7,575</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 relating to taxes paid under protest.

NOTE 5. OTHER ASSETS

5. 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, 2020 were as follows:

Draft for Discussion

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Fund	Amount	Due From	Reason
<u>Elementary</u>			
Miscellaneous *	\$ 55	Federal Government	Reap grant fund reimbursement
Miscellaneous*	20,049	State of Montana	COVID grant fund reimbursement
<u>High School</u>			
Miscellaneous	<u>349</u>	State of Montana	Carl Perkins grant fund reimbursement
Total	<u>\$ 20,453</u>		

* Denotes Major Fund

5. c. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables represent the loan of resources from one fund to another fund experiencing a temporary cash shortage. Each fund is a separate fiscal entity and therefore presents interfund borrowing on fund level financial statements. Liabilities arising from interfund borrowing do not constitute general long-term debt. Interfund amounts reported as of June 30, 2020 were as follows:

Interfund Receivable	Amount	Interfund Payable	Purpose of the Transfer
<u>Elementary</u>			
General *	\$ 11,499	Miscellaneous	Future CARES Act distributions.
Transportation	<u>8,550</u>	Miscellaneous	Future CARES Act distributions.
Total	<u>\$ 20,049</u>		

* Denotes Major Fund

NOTE 6. CAPITAL ASSETS, DEPRECIATION, AND NET CAPITAL ASSETS

6. a. GENERAL CAPITAL ASSETS

The schedule of changes in general capital assets for the year ended June 30, 2020 follows:

Governmental Activities:	Balance July 1, 2019	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2020
<u>Non-depreciable Assets:</u>					
Land	\$ 23,500	\$ 0	\$ 0	\$ 0	\$ 23,500
Construction in Progress	<u>65,288</u>	<u>57,488</u>	<u>0</u>	<u>(78,500)</u>	<u>44,276</u>
Total Non-depreciable Assets	88,788	57,488	0	(78,500)	67,776
<u>Depreciable Assets:</u>					
Buildings	3,852,927	0	0	0	3,852,927
Machinery and Equipment	<u>1,432,132</u>	<u>60,015</u>	<u>(184,908)</u>	<u>78,500</u>	<u>1,385,739</u>
Total Depreciable Assets	5,285,059	60,015	(184,908)	78,500	5,238,666
<u>Accumulated Depreciation:</u>					
Buildings	(1,919,866)	(57,638)	0	0	(1,977,504)
Machinery and Equipment	<u>(723,898)</u>	<u>(105,704)</u>	<u>157,896</u>	<u>0</u>	<u>(671,706)</u>
Total Accumulated Depreciation	<u>(2,643,764)</u>	<u>(163,342)</u>	<u>157,896</u>	<u>0</u>	<u>(2,649,210)</u>
Net Depreciable Assets	<u>2,641,295</u>	<u>(103,327)</u>	<u>(27,012)</u>	<u>78,500</u>	<u>2,589,456</u>
Net General Capital Assets	<u>\$ 2,730,083</u>	<u>\$ (45,839)</u>	<u>\$ (27,012)</u>	<u>\$ 0</u>	<u>\$ 2,657,232</u>

Draft for Discussion

SHERIDAN SCHOOL DISTRICT NO. 5

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended June 30, 2020

Depreciation expense charged to governmental functions was as follows:

Function	Amount
Instructional Services	\$ 65,428
General Administrative Services	3,719
Operation and Maintenance Services	38,515
Transportation Services	52,129
Unallocated	<u>3,551</u>
Total Depreciation Expense	<u>\$ 163,342</u>

NOTE 8. LONG-TERM DEBT

8. a. GENERAL LONG-TERM DEBT

The schedule of changes in general long-term debt for the year ended June 30, 2020 follows:

Governmental Activities:	Balance July 1, 2019	New Debt and Other Additions	Principal Payments and Other Reductions	Balance June 30, 2020	Due within One Year
Other Liabilities:					
Compensated Absences	105,485	0	(229)	105,256	15,394
Accrued Pension	1,992,292	54,763	0	2,047,055	0
Other Postemployment Benefits	<u>178,157</u>	<u>312,780</u>	<u>0</u>	<u>490,937</u>	<u>0</u>
Total Other Liabilities	<u>2,275,934</u>	<u>367,543</u>	<u>(229)</u>	<u>2,643,248</u>	<u>15,394</u>
Total Governmental Activities - Long-term Debt	<u>\$ 2,275,934</u>	<u>\$ 367,543</u>	<u>\$ (229)</u>	<u>\$ 2,643,248</u>	<u>\$ 15,394</u>

NOTE 9. DEFERRED INFLOWS OF RESOURCES

The School District reported deferred inflows of resources at June 30, 2020 as follows:

9. a. PROPERTY TAXES

Fund	Amount	Reason
Elementary		
General *	\$ 2,842	Taxes Receivable
Transportation	489	Taxes Receivable
Bus Depreciation	429	Taxes Receivable
Tuition	226	Taxes Receivable
Technology	199	Taxes Receivable
Building Reserve	257	Taxes Receivable
High School		
General *	2,215	Taxes Receivable
Transportation	372	Taxes Receivable
Bus Depreciation	255	Taxes Receivable
Adult Education	36	Taxes Receivable
Technology	101	Taxes Receivable
Building Reserve	<u>154</u>	Taxes Receivable
Total	<u>\$ 7,575</u>	Taxes Receivable

* Denotes Major Fund