

SIDNEY SCHOOL DISTRICT NO. 1 & 5

**RICHLAND COUNTY
SIDNEY, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Sidney School District No. 1 & 5
 Richland County
 Sidney, Montana 59270

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Sidney School District No. 1 & 5
Richland County
Sidney, Montana 59270

ORGANIZATION

BOARD OF TRUSTEES

Kelly Dey	Chair
Luann Cooley	Vice Chair
Dennis lorenz	Trustee
Craig Stienbeisser	Trustee
Serina Everett	Trustee
Dexter Thiel	Trustee

OFFICIALS

Daniel T. Farr	Superintendent
Nicole Beyer	District Clerk
Gail Staffanson	County Superintendent
Mike Weber	County Attorney

**SIDNEY PUBLIC SCHOOLS DISTRICTS NO. 1 AND 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Our discussion and analysis of the Sidney Public School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements which begin on page 12.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This annual report consists of financial statements for the District as a whole and notes to those statements with more detailed information for certain District funds, the general format of which is required by Standard No. 34 of the Governmental Accounting Standards Board (GASB). The *Statement of Net Position* and the *Statement of Activities* (pages 12 and 13) provide information about the activities of the District as a whole and present a long-term view of the District's finances-which include capital assets and long-term liabilities.

For governmental activities, fund financial statements (pages 14 through 16) present a short-term view of the District's activities. They include only current assets and liabilities expected to be collected/paid in the very near future. Generally accepted accounting principles require that only major funds are disclosed in these financial statements. These statements provide a more detailed look at the School District's most significant funds- Elementary General Fund, Elementary Transportation Fund, Elementary Building Reserve Fund, High School General Fund and High School Building Reserve Fund with all other non-major funds presented in total in one column. Also attached are summarized financial reports regarding the student activity trust (ASB) fund, the EAGLE Foundation and the AFLAC cafeteria plan which the District oversees.

FINANCIAL HIGHLIGHTS

The District's financial position improved in 2014 with revenues exceeding expenditures for the year.

Elementary major projects completed as of June 30, 2014, and paid for with funds from the multi-district agreement include remodel of unusable classrooms on the first floor of the 1949 addition at Central School, the re-keying of Central school, the installation of a sewer lift station at West Side and overhaul of the heating/air conditioning system in the Middle School Gymnasium. Assessment and a long-range facility study will be underway during the summer of 2014 on the West Side roof repairs and possible near-future classroom needs in the elementary and middle schools as well as a home for the Administration Office allowing classrooms at Central currently housing Administration staff to be utilized as classrooms.

Projects underway at the High School include an addition to the Career and Technical Education (CTE) wing of a "shop" to be utilized by both agriculture education and industrial arts. This will allow CTE classes to work with big machinery/projects and improve welding facilities with the goal of working with neighboring two-year colleges towards a dual credit or 3+1 secondary/post-secondary program in the welding field.

Enrollment, the driving force behind state allowed budget amounts, continues to be unstable. During 2012-2013, K-12 saw a total of 318 new and/or withdrawn students (not including students new to the District as of the first day of school) yielding a net student gain for the year of only 21 students K-12. For 2013-2014 the number of new/withdrawn students was 283 with a net loss of seven (7) for the year.

To accommodate continued student enrollment increases, additional classrooms were added at Grades 1 and 5 as well as .5 FTE elementary special education teacher, .5 guidance counselor, .5 PE teacher, .5 music teacher, .5 librarian and an additional elementary principal during 2013-2014. Students entering the district continue to demonstrate a high need for special/remedial services increasing the need for aides/tutors and additional space to house these programs. In an attempt to improve Adequate Yearly Progress (AYP), the summer math program was continued along with a beefed-up version of the reading group expanded from Kindergarten to include Grades 1-8.

District budgets are driven mainly by student enrollment. As noted above, planning for a possible influx of students (or not) is complicated by unknowns – the currently decreasing price of oil, the decline of oil related activity at the end of the calendar year, the continuous enrollment/withdrawal of students and the housing market which continues to expand with new apartment construction and rapid turnaround of home sales. The administration and board continue to wrestle with the question of "Will they come?". To assist with identifying possible future student enrollment trends, the District was awarded a matching grant from the State of Montana which allows the District to hire an architecture firm to conduct a study of facility capacities and community demographics in the hope of more accurately estimating future student growth. This study will be completed by December 31, 2014.

As stated in the 2013 audit, the community expressed support for a land purchase as a possible future school site- as long as oil and gas funds were used to pay for the acquisition. During 2013-2014, the Board approved an agreement to purchase land in the JD Subdivision adjacent to land already owned by the District with oil and gas revenue. Two payments have been made towards the land purchase with the final payment slated for January 2015.

With the enactment of new oil and gas legislation known as "concentric circles", once Sidney High School or any Richland County school contiguous to *an area school who has not reached the 130% state cap on oil and gas revenue* will share its over-the-cap oil and gas revenue with these contiguous schools. This means the State of Montana received no oil and gas funds from Sidney High School in 2013-2014 as over-cap oil and gas revenue went to Sidney Elementary and surrounding schools under the new concentric circle legislation. This amounted to an additional \$5,503,999.73 in oil and gas funds received by Sidney Elementary which assisted with staffing, recruitment, retention and also set aside for future elementary building/remodel projects. While the increase in funding in the Elementary District is a blessing to taxpayers and students, there are cons to this legislation. The formula set in place by the legislature for estimating oil and gas revenue in the general operating fund will greatly increase the amount of oil and gas revenue needed just to operate the schools- decreasing funds available for building/remodel projects, additional staffing or supplies currently paid from auxiliary funds.

Legislative changes were also made to the multi-district agreement process previously utilized by the High School District as a means to share oil and gas revenue with the Elementary District for building/remodel projects. Oil and gas revenue is the tool that allows this sharing of monies between the districts to occur on an annual basis. As noted in the preceding paragraph, the concentric circles formula may decrease funding available to "share" jeopardizing this process in the future.

OVERVIEW OF THE FINANCIAL STATEMENTS

Component Unit The Sidney Education and Alumni Foundation, Inc. (EAGLE Foundation) operates as a legally separate, tax-exempt entity whose purpose is to "...promote, maintain, and improve the quality of education in the public schools of Sidney, Richland County, Montana." As the fundraising activities of the Foundation are for the sole benefit of Sidney Schools, information on the Foundation is provided in these financial statements as a separate component unit.

Government-wide Financial Statements Residents of Richland County School Districts 1 and 5 want to know "Is the school district as a whole better off as a result of the year's activities?" The *Statement of Net Position* and the *Statement of Activities* (pages 12 and 13) report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position (position)* and changes in those assets. This change in net position/position (the difference between assets and liabilities) is important because it tells the reader whether, when considering the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors to consider in assessing the School District's overall health may include changes in the property tax base, economy, student enrollment, legislative changes/requirements, the State of Montana's funding of educational costs and/or required educational programs among other factors. Higher goal attainment expectations under No Child Left Behind, decreases in federal funding for federal programs benefiting at-risk and special education students, mandates for part-time employees put in place by the Affordable Health Care Act as well as implementation of the Common Core curriculum all affect the cost of education for Sidney Schools.

In the *Statement of Net Position* and the *Statement of Activities*, the School District's governmental activities are presented. These activities include most of the District's programs and services including instruction, support services, educational media services, administration, operations and maintenance, pupil transportation, food services and certain extracurricular activities.

Fund Financial Statements A fund is a group of related accounts used to differentiate expenditures and revenue related to specific School District activities or objectives. Sidney Public Schools, like other governmental agencies, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. Some funds are required and established by law. Sidney Public Schools has also established many other funds to help control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other monies. Sidney Public Schools uses three types of funds: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using a *modified accrual accounting method*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

Sidney Public Schools maintains 28 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance for the General Funds (combined high school and elementary), the Elementary Transportation Fund and the Elementary and High School Building Reserve Funds, which are considered to be major funds. Data from the 23 other funds is combined into a single, aggregated presentation.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. These funds use the accrual basis of accounting. Fiduciary funds are not reflected in the government-wide financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purpose. Sidney Public Schools operates four fiduciary Funds – Associated Student Body Fund (ASB-the student activities fund), the Endowment Fund (which contains the Scholarship Fund and Alumni Fund), the Cafeteria/Flex Plan Fund through AFLAC and an Interdistrict Fund in the Elementary District funded by a carry forward balance of \$854,165.29 and a \$1,334,926.83 contribution from the High School Flexibility Fund equal to the amount of Direct State Aid due to the High School from the State of Montana. This funding was utilized for the remodel of the Central 1949 addition both first and second floors, equipping new elementary classrooms, replacement of the antiquated sewer lift station at West Side School with a gravity sewer line, purchase of outside storage units for both Central and West Side and preparation for roof replacement at West Side School.

THE SCHOOL DISTRICT AS A WHOLE

As noted earlier, net position may serve, over time, as a useful indicator of a school district's financial position. In the case of Sidney Public Schools, assets exceeded liabilities by \$40,874,002 as of June 30, 2014 and \$33,940,133 as of June 30, 2013. This growth in net position would indicate that, as a whole, Sidney Public Schools is in a stronger financial position than they were at the same time last year.

Restricted Net Position (See Note 1.c7 Page 22): \$12,438,833 or 30.43% at June 30, 2014 as compared to \$6,370,353 or 18.77% at June 30, 2013 of the District's net position were subject to external restrictions on how they may be used.

Unrestricted Net Position: Total \$2,584,624 or 6.32% at June 30, 2014, compared to \$2,540,913 or 7.49% at June 30, 2013, and are the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements.

SIDNEY PUBLIC SCHOOLS**NET POSITION**

	2013-2014	2012-2013
Current and other assets	\$ 15,833,728	\$ 9,867,136
Capital Assets	<u>26,098,200</u>	<u>25,028,867</u>
<i>Total Assets</i>	<i>41,931,928</i>	<i>34,896,003</i>
Current Liabilities	452,197	264,073
Long Term Liabilities	<u>605,729</u>	<u>691,798</u>
<i>Total Liabilities</i>	<i>1,057,926</i>	<i>955,871</i>
Net Position:		
Invested in Capital Assets, Net of Related Debt	25,850,544	25,028,867
Restricted	12,438,833	6,370,353
Unrestricted	<u>2,584,624</u>	<u>2,540,913</u>
Total Net Position	<u>\$40,874,002</u>	<u>\$33,940,133</u>

SIDNEY PUBLIC SCHOOLS**CHANGE IN NET POSITION****REVENUES:****PROGRAM REVENUES:**

	2013-2014	2012-2013
Charges for Services	537,709	418,517
Operating Grants	1,783,312	1,074,832
Capital Grants	0	95,732

GENERAL REVENUES:

Taxes	1,996,073	1,783,710
State Equalization	3,555,580	3,323,495
State Sources	12,868,091	7,127,405
Federal Sources	6,105	4,588
County Sources	1,479,734	1,098,819
Gain on Asset	47,500	0
Other	177,746	41,604

INTEREST

	<u>56,358</u>	<u>62,246</u>
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TOTAL REVENUES:

	22,508,208	15,030,948
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EXPENSES:

Instruction	8,007,633	7,874,495
Support Services	754,860	738,697
Educational Media Services	616,401	535,546
General & Building Administration	1,927,456	1,766,472
Operations and Maintenance	2,795,943	2,457,164
Student Transportation	602,420	529,566
Food Services	532,919	449,932
Extracurricular Activities	322,767	395,687
Loss on Assets	0	33,387
Interest	<u>13,942</u>	<u>13,633</u>

TOTAL EXPENSES:

	15,574,341	14,794,579
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Increase (Decrease) in Net Position	6,933,868	236,369
Prior Period Adjustment	0	0
Net Position, Beginning of Year	<u>33,940,133</u>	<u>33,703,764</u>
Net Position, End of Year	<u>\$ 40,874,001</u>	<u>\$ 33,940,133</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Budgetary Highlights

No significant variances between the final revenue and expenditure budgets exist.

General Fund balance reserves remain at the state maximum allowed of 10%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Only items purchased that meet the District's capitalization threshold of \$5,000.00 are capitalized and depreciated. (See Note 1.c.4, Page 21 of the financial statements)

Top priority for 2014-2015 is roof replacement at West Side Elementary. This and other projects await the results of the Facility Assessment Study to be completed by December 31, 2014. Capital asset purchases in 2013-2014 included a wood lathe and 3D printer for the Industrial Arts Department, a kiln for Middle School art, vehicles including a 2013 Suburban, 2012 Jeep and a new special needs bus, land in the JD Subdivision, pole vault pit, replacement of the entryway at West Side and outside storage containers for Central and West Side. The District also ordered a new cruiser which is scheduled to arrive sometime during 2014-2015. This cruiser will replace a 1997 coach originally purchased used that continues to need repairs.

THE FUTURE OF THE DISTRICT

As part of the Bakken Oilfield, Sidney continues to experience growing pains and planning dilemmas. **If** the population continues to grow, student enrollment is expected to increase. Housing units continue to be built but falling oil prices have caused a decline in local oil field employment, wages and hours but no corresponding decreases in the costs of housing or food. While the High School has not experienced an unusual enrollment increase over the past four years, the elementary continues to experience full classrooms one week and departing students the next. Kindergarten pre-enrollment indicates a probable need for a seventh kindergarten class this fall which will involve moving Administration offices to accommodate the addition. More kindergarteners increase Grades 1 and 2 classroom numbers at West Side. Grade 2 requires an additional classroom this fall to meet accreditation standards. Trustees continue to balance addressing facility needs required in today's technological age with meeting new curriculum requirements and dealing with the continuous influx and outflow of students- many needing remedial or special services which require additional staff and more space.

While the 2013 Montana legislature made changes to oil and gas funding with the establishment of "concentric circles" to the benefit of Sidney Elementary and providing tax relief locally, the governor and 2015 legislators have begun plans to earmark these funds elsewhere as concentric circle funds did not reach as many schools as anticipated and the state does not see this source of money necessary for impacted schools. The challenge this legislative season will be working with area oil and gas schools to find compromises that provide badly needed funding to more schools while maintaining enough oil and gas revenue to operate impacted schools without local taxpayers taking the brunt of the cost of local education.

Trustees intend to continue utilizing the multi-district agreement process to address infrastructure projects in the elementary district *as long as oil and gas funds are available for budgeting in the high school flexibility fund* allowing the transfer of monies to the elementary district. This amounts to \$1.2 to \$1.3 million a year- a drop in the bucket when working with the price of construction/remodeling in our locality.

Each new legislative session brings new mandated legislation which continues to put financial and time constraints on school districts. The State of Montana must meet new federal transparency and accountability requirements for students and staff, creating additional, more detailed reports to generate and send to the state containing more detailed information on the performance of both students and staff. The Affordable Care Act continues to mutate every few months leaving the School District unsure of its ability to offer legally mandated health insurance benefits to an estimated 30 additional staff members in July 2015 and still meet the definition of affordability under the act. Curriculum changes, Common Core requirements and No Child Left Behind mandates resulted in the adoption of a new K-6 math series that is frustrating parents and seasoned staff. Writing requirements have become part of the ACT test for college entrance forcing the District to research and implement effective writing programs K-12 to prepare students to meet writing proficiency requirements. Federal funding for Title I is demanding school districts failing to meet the federal definition of student Adequate Yearly Progress (AYP) budget for supplemental education services (difficult to find in Eastern Montana) and additional professional development for staff rather than utilizing the funds to hire additional personnel to work with struggling students in need of remedial help in classwork. The recordkeeping required for each of these changes stresses overloaded staff members causing angst and concern about appropriately meeting new requirements or losing funding sources to benefit Sidney students.

Filling staff vacancies has become a full-time endeavor requiring creative solutions. As teaching staff retire, attracting replacements to the area is a challenge with the current cost of living, rumors about "living in the Bakken" and availability of daycare and housing. A high school business department teacher opening vacant since May, has one qualified applicant. The turnover rate for classified employees and classroom substitutes is horrendous as is the time and expense involved in hiring, screening, background checks and setting up these employees for payment as many resign within 90 days of hire date. Trustees continue to make small increases to classified pay scales in an effort to attract and retain employees but cannot keep up with private sector wages or benefits due to state limited budgets. In an effort to remain more competitive and to encourage retention, the District continues to pay a quarterly "impact stipend" of \$2.00 per hour worked to classified hourly staff who have been employed by the District for three months. As of 2014-2015 this will become \$2.50 per hour worked and paid monthly to assist employees with the higher cost of living in Richland County. The Trustees intend to continue paying this stipend long as oil and gas funding is available.

Trustees continue to strive to meet the mission of Sidney Public Schools- "Inspiring Students to Learn Today to Thrive Tomorrow." Community collaboration and commitment to the students of Sidney Public Schools is vital if the Trustees are to be successful in meeting the needs and goals of the community's students- OUR FUTURE.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions regarding this report or need additional information, contact the Superintendent or District Clerk at Sidney Public Schools Administration Office/Central School, 200 3rd Ave. SE, Sidney, MT 59270, 406-433-4080.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sidney School District No. 1 & 5
Richland County
Sidney, Montana 59270

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sidney School District No. 1 & 5 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities

Management has not adopted a methodology for reporting Other Postemployment Benefits (OPEB) in the governmental activities and accordingly has not recorded the annual required expense or related liabilities. Accounting principles generally accepted in the United States of America require OPEB financial reporting. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Sidney School District No. 1 & 5, as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sidney School District No. 1 & 5 as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 9) and budgetary comparison information (pages 29 - 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sidney School District No. 1 & 5's basic financial statements. The accompanying schedule of reported enrollment (page 36) and schedule of revenues, expenses and balances student activity funds (page 34 - 35) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (page 37 - 38) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying schedule of reported enrollment, schedule of revenues, expenses and balances student activity funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of reported enrollment, schedule of end of year revenues and expenses student activity funds, and the schedule of expenditures of federal awards 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 March 27, 2015 on our consideration of Sidney School District No. 1 & 5 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sidney School District No. 1 & 5 internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
March 27, 2015

STATEMENT OF NET POSITION
 as of June 30, 2014

	Governmental Activities	Component Units
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 15,546,295	\$ 194,742
Taxes Receivable	122,718	-
Due From Other Governments	40,957	-
Other Current Assets	41,364	594
Inventories	82,393	-
Total Current Assets	<u>15,833,728</u>	<u>195,336</u>
Noncurrent Assets:		
Capital Assets:		
Land	784,154	-
Construction in Progress	1,377,026	-
Net Depreciable Assets	<u>23,941,959</u>	<u>-</u>
Total Noncurrent Assets	<u>26,103,139</u>	<u>-</u>
Total Assets	<u>\$ 41,936,866</u>	<u>\$ 195,336</u>
LIABILITIES:		
Current Liabilities		
Due to Other Governments	\$ 1,500	\$ -
Other Current Liabilities	149,990	-
Unearned Revenues	26,151	-
Other Liabilities	2,550	-
Current Portions Compensated Absences	50,501	-
Current Portion Long-Term Capital Obligations	<u>242,800</u>	<u>-</u>
Total Current Liabilities	<u>473,492</u>	<u>-</u>
Noncurrent Liabilities:		
Compensated Absences	<u>605,729</u>	<u>-</u>
Total Noncurrent Liabilities	<u>605,729</u>	<u>-</u>
Total Liabilities	<u>1,079,221</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	25,860,339	-
Restricted	12,412,682	68,172
Unrestricted (Deficit)	<u>2,584,624</u>	<u>127,164</u>
Total Net Position	<u>40,857,645</u>	<u>195,336</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 41,936,866</u>	<u>\$ 195,336</u>

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

STATEMENT OF ACTIVITIES
 For the year ended June 30, 2014

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charge for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Component Units
GOVERNMENT OPERATIONS					
Instructional Services	\$ 8,046,946	\$ 104,149	\$ 1,280,790	\$ (6,662,006)	
Support Services	754,860	-	209,202	(545,658)	
Educational Media Services	616,401	-	410	(615,991)	
General Administrative Services	1,927,456	-	200	(1,927,256)	
Operation & Maintenance Services	2,848,425	112,886	300	(2,735,239)	
Transportation Services	602,420	18,455	122,720	(461,245)	
School Food Services	532,919	302,219	169,689	(61,011)	
Extracurricular	322,767	-	-	(322,767)	
Interest	9,712	-	-	(9,712)	
Total Governmental Activities	15,661,905	537,709	1,783,312	(13,340,884)	
COMPONENT UNITS					
Sidney Community Ed. Foundation	\$ 27,165	\$ 43,595	\$ -		\$ 16,430
Total Component Units	\$ 27,165	\$ 43,595	\$ -		\$ 16,430
GENERAL REVENUES					
District Levies				1,969,922	-
State Equalization				3,555,580	-
Other State Revenues				12,868,091	-
County				1,479,734	-
Federal				6,105	-
Interest				56,358	854
Other				208,746	352
Gain loss on Sale of Assets				47,500	-
Total General Revenues				20,192,036	1,206
Change in Net Position				6,851,152	17,636
Net Position					
Beginning of the Year				33,940,133	177,700
Prior Period Adjustment				66,360	-
End of the Year				\$ 40,857,645	\$ 195,336

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

BALANCE SHEET
 GOVERNMENTAL FUNDS
 as of June 30, 2014

	MAJOR					Total Governmental Funds
	General	Transportation (Elem.)	Building Reserve (Elem.)	Building Reserve (HS)	Other Governmental Funds	
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	\$ 3,167,876	\$ 147,465	\$ 6,133,132	\$ 2,793,982	\$ 3,303,840	\$ 15,546,295
Taxes Receivable	94,062	10,806	-	-	17,850	122,718
Due From Other Governments	24,845	-	-	-	16,112	40,957
Other Current Assets	40,167	363	-	-	834	41,364
Inventories	82,393	-	-	-	-	82,393
Total Assets	\$ 3,409,344	\$ 158,635	\$ 6,133,132	\$ 2,793,982	\$ 3,338,636	\$ 15,833,728
LIABILITIES:						
Current Liabilities						
Due to Other Governments	-	-	-	-	1,500	1,500
Other Current Liabilities	86,096	23,421	-	-	40,473	149,990
Unearned Revenues	-	-	-	-	26,151	26,151
Other Liabilities	-	-	-	-	2,550	2,550
Total Liabilities	86,096	23,421	-	-	70,674	180,191
DEFERRED INFLOWS OF RESOURCES						
Unavailable Property Taxes Receivable	94,062	10,806	-	-	17,850	122,718
Total Deferred Inflows of resources	94,062	10,806	-	-	17,850	122,718
FUND BALANCE:						
Fund Balances:						
Nonspendable	82,393	-	-	-	-	82,393
Restricted	-	124,407	6,133,132	2,793,982	3,250,112	12,301,633
Assigned	1,071,105	-	-	-	-	1,071,105
Unassigned:	2,075,687	-	-	-	-	2,075,687
Total Fund Balance	3,229,186	124,407	6,133,132	2,793,982	3,250,112	15,530,819
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 3,409,344	\$ 158,635	\$ 6,133,132	\$ 2,793,982	\$ 3,338,636	\$ 15,833,728

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balance reported above	\$ 15,530,819
Governmental Capital Assets	26,103,139
Long-term Liabilities	
Compensated Absences	(656,230)
Long-Term Capital Obligations	(242,800)
Unavailable Property Taxes Receivable	122,718
Net Position of Governmental Activities	\$ 40,857,645

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

STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2014

	MAJOR				Other Governmental Funds	Total Governmental Funds
	General	Transportation (Elem.)	Building Reserve (Elem.)	Building Reserve (HS)		
REVENUES:						
District Levies	\$ 1,472,498	\$ 194,447	\$ 9,911	\$ -	\$ 249,857	\$ 1,926,712
Interest	23,012	496	-	13,997	18,929	56,434
Charges for Services	54,559	12,899	8,547	497	461,207	537,709
Other	35,719	-	1,450	724	170,852	208,746
County	-	41,570	-	-	1,498,612	1,540,182
State	10,682,277	48,317	5,414,402	419,680	839,357	17,404,032
Federal	5,210	270	-	-	743,052	748,532
Total Revenues	12,273,274	297,998	5,434,310	434,898	3,981,867	22,422,347
EXPENDITURES:						
Current						
Instructional Services	5,742,721	-	-	8,376	2,312,908	8,064,005
Support Services	487,989	-	-	-	275,171	763,160
Educational Media Services	553,221	-	-	-	73,441	626,662
General Administrative Services	1,678,208	35,448	-	-	197,254	1,910,910
Operation & Maintenance Services	1,612,112	12,203	-	194,216	281,012	2,099,543
Transportation Services	55,117	231,469	-	-	154,751	441,337
School Food Services	-	-	-	29,040	490,073	519,113
Extracurricular	283,440	-	-	-	32,048	315,488
Debt Service						
Principal	242,800	-	-	-	-	242,800
Interest	9,712	-	-	-	-	9,712
Capital Outlay	1,781,654	-	-	188,472	80,150	2,050,276
Total Expenditures	12,446,973	279,120	-	420,104	3,896,808	17,043,005
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(173,699)	18,878	5,434,310	14,794	85,059	5,379,342
OTHER FINANCING SOURCES/USES						
Sale of Capital Assets	-	-	-	16,500	13,000	29,500
Loan Proceeds	485,600	-	-	-	-	485,600
Fund Transfers In	1,334,927	-	-	-	10,000	1,344,927
Fund Transfers (Out)	(1,344,927)	-	-	-	-	(1,344,927)
Total Other financial Sources/Uses	475,600	-	-	16,500	23,000	515,100
NET CHANGES IN FUND BALANCES	301,901	18,878	5,434,310	31,294	108,059	5,894,442
FUND BALANCE:						
Beginning of the Year	2,860,925	105,529	698,822	2,762,688	3,142,053	9,570,016
Prior Period Adjustment	66,360	-	-	-	-	66,360
End of the Year	\$ 3,229,186	\$ 124,407	\$ 6,133,132	\$ 2,793,982	\$ 3,250,112	\$ 15,530,819

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

Sidney School District No. 1 & 5
Richland County
Sidney, Montana 59270

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

Net Changes in Fund Balance		\$	5,894,442
Revenues on the Statement of Activity not included in governmental funds statement:			
Increase (decrease) in taxes receivable			43,210
Revenues reported in the governmental funds statement not included in the Statement of Activity			
Bond/Note Proceeds	485,600		
Sale of Fixed Assets	<u>29,500</u>	(515,100)	
Expenses on the Statement of Activity not included in the governmental funds statement:			
Depreciation Expense	(998,860)		
(Increase) decrease in compensated absence liability	<u>82,028</u>	(916,832)	
Expenditures reported in the governmental funds statement not included in the Statement of Activity			
Capital outlays	2,055,132		
Principal payment on Debt	242,800		
Gain loss on sale of assets	<u>47,500</u>	<u>2,345,432</u>	
Change in net position reported on the Statement of Activity		\$	<u>6,851,152</u>

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 as of June 30, 2014

	Private Purpose	
	Trust Funds	Agency Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 306,358	\$ 898,546
Total Assets	<u>306,358</u>	<u>898,546</u>
LIABILITIES:		
Current Liabilities		
Warrants Payable	-	891,931
Due to Others	10,759	-
Other Current Liabilities	-	6,615
Total Liabilities	<u>10,759</u>	<u>898,546</u>
NET POSITION:		
Restricted for Endowment	23,043	
Restricted for Student Activities	<u>272,556</u>	
Total Net Position	<u>\$ 295,599</u>	

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

	Private Purpose
	Trust Funds
ADDITIONS:	
Revenues from Student Activities	\$ 607,969
Contributions to Endowment	11,260
Total Additions	<u>619,228</u>
DEDUCTIONS:	
Expenses of Student Activities	652,972
Student Scholarships	4,500
Total Deductions	<u>657,472</u>
CHANGE IN NET POSITION	(38,244)
NET POSITION:	
Beginning of the Year	<u>333,843</u>
End of the Year	<u>\$ 295,599</u>

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

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The basic financial statements of Sidney School District No. 1 & 5 (School District) have been prepared on a prescribed basis of accounting that demonstrates compliance with the accounting and budget laws of the State of Montana, which conforms to generally accepted accounting principles (GAAP). The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

During fiscal year 2014 the district adopted the following

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

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

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement revises and establishes new financial reporting requirement that provide employees with pension benefits. The statement is effective for fiscal year 2015. This statement will require the district to expand its pension foot note disclosures. The district plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations. The statement is applicable for fiscal year 2014. The statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The district is not merging with another district or ceasing to exist. This statement has no effect on the financial statements.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement amends paragraph 137 of statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The School District plans to implement this in fiscal year 2015 after the State of Montana provides the required information for reporting and disclosure.

The School District consists of two legally separate entities, an elementary district which provides education for kindergarten through eighth grade and a high school district which provides education for ninth through twelfth grade. For financial reporting purposes the two School Districts are combined because they are controlled by the same central board of trustees and managed by the same administration. The board of trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. GAAP requires only one general fund for each reporting entity so the elementary and high school general funds are combined in the accompanying financial statements.

The Sidney School District No. 1 & 5 was incorporated under the laws of the State of Montana and as required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Sidney School District No. 1 & 5 (the primary government) and any component units. The criteria for including organizations as component units within the School District's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the School District's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the School District. Based on those criteria this School District has determined that the Sidney Education Foundation, Inc. (Foundation) is a component unit of the School District. Therefore, the financial statements of the reporting entity include those of Sidney School District No. 1 & 5 (the primary government) along with the Sidney Education Foundation, Inc. (the component unit) which is discretely presented.

Discretely presented component units: The Sidney Education Foundation, Inc. (Foundation) was established to provide a source of funding and financial donations to the School District. The Foundation is run by a separate board of directors, however, the Foundation provides it resources exclusively to the School District. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

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 component unit column incorporates data from certain legally separate component units where the School District is financially accountable.

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

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. Expenses which are not directly related to a function, indirect expenses, are not charges to a function. Program revenues include:

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

Property taxes, investment earnings, state equalization payments, and other revenue sources not properly included with program revenue are reported as general revenues.

1. b. 2 FUND ACCOUNTING

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenues received from the State of Montana are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Cost reimbursement grant funds are considered to be both measurable and available to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received and the expenditure has not been incurred they are recorded as unearned grant revenues because the revenues are available. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

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

- Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental funds)

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

The School District reports the following major governmental funds:

- General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the 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. On the GASB 34 financial statements the general fund also includes activities of the flexibility fund since the restrictions on this fund are similar to the general fund.
- Elementary Transportation Fund – This fund is used to account for financing the maintenance and operation of School District owned school busses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. County wide levies to this fund are to be based upon projected transportation costs for the fiscal year.
- Elementary and High School Building Reserve Fund – These funds are used to account for financing voter approved building or construction projects funded with district mill levies or oil and gas tax revenue. This includes raising money for the future construction, equipping, or enlarging of school buildings and for the purpose of purchasing land needed for school purposes in the district.

1. b. 3 OTHER FUND TYPES

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

Agency Funds – Account for assets that the School District holds on behalf of others as their agent in the payroll and claims clearing funds and employee payroll tax withholdings. Cash is held for warrants which were written but have not been paid by the County Treasurer. A warrant is an order by which the drawer (the person with authority to make the order) commands the School District trustee to pay a particular sum of money to a payee (person or entity) from funds in the School District treasury which are or may become available.

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

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

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

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

1. c. 2 TAXES

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 State statute as a fixed percentage of market value.

Property taxes are collected by the County Treasurer who credits to the School District funds their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The School District receives its share of the sale proceeds of any such auction. Taxes that become delinquent are charged interest at the rate of 5/6 of 1% per month plus a penalty of 2%. After a period of three years, the County may begin foreclosure proceedings and sell real property at auction. In the case of personal property, the property may be seized and sold after the taxes become delinquent.

1. c. 3 INVENTORIES

Materials, supplies and food are carried in an inventory account at average cost and are charged to expenditures when purchased. Inventories also include maintenance and operating supplies as well as instructional supplies.

1. c. 4 CAPITAL ASSETS

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

Buildings	10 – 50 years
Improvements other than buildings	10 - 15 years
Machinery and Equipment	5 – 20 years

1.c. 5 DEFERRED INFLOWS OF RESOURCES

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

1.c. 6 VACATION AND SICK LEAVE

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

Certified School District employees shall accrue 13 days of leave per year. Unused sick leave will be accruable without limit. Certified leave days are limited to 156. Upon termination, only 25% of accumulated sick leave is paid.

Liabilities incurred because of unused vacation and sick leave accumulated by employees are reflected in the financial statements. Expenditures for unused leave are recorded when paid in governmental funds and when accrued on the statement of activities. The amount expected to be paid within one year is \$50,501 and it is generally paid out of the general fund.

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

1.c. 7 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

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

Governmental fund financial statements include the following fund balances:

- Non-spendable - Includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Assigned – the executing a purchase order for a specific purpose such as an encumbrance.
- Unassigned - Amounts that are available for any purpose; these amounts are reported only in the general fund.

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

Purpose	Nonspendable	Restricted	Assigned
Instructional - Regular	\$ 82,393	\$ 57,722	\$ 1,071,105
Operations and Maintenance	0	4,628	0
Student Transportation	0	1,469,092	0
School Food	0	129,097	0
Third Party Grantor Restrictions	0	749,726	0
Employer Retirement Benefits	0	564,950	0
Future Technology	0	189,980	0
Future Capital Costs	0	8,927,114	0
Debt Service	0	209,324	0
Total	<u>\$ 82,393</u>	<u>\$ 12,301,633</u>	<u>\$ 1,071,105</u>

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

1. d. OTHER
1. d. 1 USE OF ESTIMATES

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

1.d. 2 COUNTY PROVIDED SERVICES

The School District is provided various financial services by Richland 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 Richland County. The collections made by the County on behalf of the School District are accounted for in an agency fund in the School District's name and are periodically remitted to the School District by the Richland County Treasurer. No service charges have been recorded by the School District or Richland County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Account Type	Governmental Activities	Fiduciary Funds	Component Units	Total
Cash and Cash Equivalents	<u>\$ 15,546,295</u>	<u>\$ 1,204,904</u>	<u>\$ 194,742</u>	<u>\$ 16,945,941</u>

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

The carrying amount of cash on hand, deposits and investments at June 30, 2012, is as follows:

	<u>Amount</u>
Cash on Hand	\$ 2,100
Demand Accounts	241,131
U.S. government securities	101,872
Time Deposits	138,988
County Investment Pool	<u>16,461,850</u>
Total	<u>\$ 16,945,941</u>

Cash resources of the School District are held and managed by the Richland County treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Richland County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of repurchase agreement, certificates of deposit, and U.S. government securities and are carried at fair value. The School District's exposure to credit risk is not available to the School District. Risk in the event of loss is unclear in state law, but appears to be the liability of the Richland County government. Because of the custodial involvement of Richland County government, and the commingling of cash in County deposits in the name of Richland County Treasurer, full risk classifications according to GASB 40 are available in Richland County's annual report. There is no known maturity and credit rating of the Richland County Investment Pool.

The cash of the extracurricular funds is held separately by the School District, not at Richland County. As of June 30, 2014, \$181,443 was held at local banks and was covered by FDIC. An additional \$101,872 is held by a brokerage firm and is invested in U.S. government back securities and cash. The cash of the Sidney Education Foundation, Inc. of \$194,742 is held in demand accounts and certificates of deposit separate from Richland County and is covered by FDIC.

Custodial credit risk-deposits: The cash of the extracurricular funds is held separately by the School District, not at Ccounty and the deposits may be subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$181,443 of the deposits in the extracurricular fund were covered by FDIC insurance.

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. As of June 30, 2014, the School District's investment was 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>	
Fed Farm Credit Bank Cons Bonds	\$ 30,874	\$ 0	\$ 0	\$ 0	\$30,000	n/a
Tennessee Valley Auth 2003B Bd	22,323	0	0	0	20,000	n/a
GNMA Ser 2002-84 CI Ph	13,838	0	0	0	15,000	n/a
GNMA Ser 2005-91 CI Pd	8,560	0	0	0	8,000	n/a
GNMA Gtd Remic 2009-006 CI LP	<u>21,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	n/a
Total	<u>\$ 96,595</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$93,000</u>	

NOTE 3. ACCOUNTS RECEIVABLE

<u>Elementary Fund</u>	<u>Accounts Receivable</u>	
General*	\$ 35,513	Insurance receivable
Transportation*	363	Bus fee receivable
Miscellaneous	652	Foundation receivable
<u>High School Fund</u>		
General*	\$ 4,654	Foundation receivable
Transportation	<u>182</u>	<u>Bus fee receivable</u>
Total Governmental	<u>\$ 41,364</u>	

* Denotes Major Funds

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

NOTE 4. TAXES RECEIVABLE

The School District is permitted by State statutes to levy taxes up to certain fixed limits for various purposes. The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$13,800,818 for the Elementary School District and \$22,091,472 for the High School District. The tax rates assessed for the year ended June 30, 2014 to finance School District operations and applicable taxes receivable for the elementary and high schools follows:

	<u>Mill Levies</u>	<u>Taxes Receivable</u>
<u>Elementary Fund</u>		
General*	88.77	\$ 72,479
Transportation*	14.32	10,806
Bus Depreciation	3.27	3,387
Adult Education	.30	380
Technology	1.81	1,555
<u>High School Fund</u>		
General*	12.61	21,583
Transportation	5.58	8,056
Bus Depreciation	.50	1,079
Tuition	.04	70
Adult Education	.80	1,098
Technology	1.36	2,225
Total	<u>129.36</u>	<u>\$ 122,718</u>

* Denotes Major Funds

NOTE 5. DUE FROM OTHER GOVERNMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>Due From</u>	<u>Reason</u>
General*	\$ 12,236	Student Activity	Reimburse coaches and travel
General*	1,850	State of MT – OPI	Mileage reimbursement
Miscellaneous	1,468	State of MT	Title II Part A
Miscellaneous	1,662	State of MT	Title I Part A
Miscellaneous	1,862	State of MT	Indian Education
<u>High School Fund</u>			
Miscellaneous	543	State of MT	Demographic Study
General*	10,759	Student Activity	Reimburse coaches and travel
Miscellaneous	855	State of MT	Carl Perkins
Traffic Education	9,722	State of MT	Per pupil reimbursement
Total	<u>\$ 40,957</u>		

* Denotes Major Funds

NOTE 6. CAPITAL ASSETS, DEPRECIATION AND NET CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance</u>				<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>June 30, 2014</u>
<u>Non-Depreciable:</u>					
Land	\$ 32,120	\$ 752,034	\$ 0	\$ 0	\$ 784,154
Construction In Progress	342,126	1,057,940	(200)	(22,840)	1,377,026
Total Non-Depreciable	<u>\$ 374,246</u>	<u>\$ 1,809,974</u>	<u>\$ (200)</u>	<u>\$ (22,840)</u>	<u>\$ 2,161,180</u>
<u>Depreciable:</u>					
Land Improvements	\$ 949,513	\$ 29,040	\$ 0	\$ 0	\$ 978,553
Buildings	31,675,419	92,856	(6,166)	0	31,762,109
Major Equipment	3,265,320	171,164	(472,898)	0	2,963,586
Total Depreciable	<u>\$ 35,890,252</u>	<u>\$ 293,060</u>	<u>\$ (479,064)</u>	<u>\$ 0</u>	<u>\$ 35,704,248</u>
<u>Accumulated Depreciation:</u>					
Land Improvements	\$ (283,336)	\$ (66,142)	\$ 0	\$ 0	\$ (349,478)
Buildings	(8,636,937)	(641,962)	6,166	0	(9,272,733)
Major Equipment	(2,315,362)	(290,756)	466,040	0	(2,140,078)
Total Depreciation	<u>\$(11,235,635)</u>	<u>\$ (998,860)</u>	<u>\$ 472,206</u>	<u>\$ 0</u>	<u>\$(11,762,289)</u>
Net Depreciable Assets	<u>24,654,617</u>	<u>(705,800)</u>	<u>(6,858)</u>	<u>0</u>	<u>23,941,959</u>
Net Governmental Capital Assets	<u>\$ 25,028,863</u>	<u>\$ 1,104,174</u>	<u>\$ (7,058)</u>	<u>\$ (22,840)</u>	<u>\$ 26,103,139</u>

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

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

<u>Function</u>	<u>Amount</u>
Instructional	\$ 33,283
Media	2,668
School Administration	5,762
Operation & Maintenance	745,775
Transportation	192,561
School Food	11,532
Extracurricular	7,279
Total Depreciation Expense	<u>\$ 998,860</u>

NOTE 7. CURRENT LIABILITIES

7. a. DUE TO OTHER GOVERNMENTS

High School Fund	Amount	Due To	Reason
Miscellaneous	\$1,500	State of MT	Unused Advancing Agricultural Education

7. b. UNEARNED REVENUES

High School Fund	Amount	Reason
School Food	\$17,483	Prepaid lunch account balances
Lease Rental	<u>8,668</u>	Prepaid housing lease payments
Total	<u>\$26,151</u>	

7. c. OTHER CURRENT LIABILITIES

June 2014 accrued payroll \$149,990

7. d. OTHER LIABILITIES

Housing lease deposits \$2,550

NOTE 8. CHANGES IN LONG-TERM DEBT

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>New Debt</u> <u>and Other</u> <u>Additions</u>	<u>Principal</u> <u>Payments</u> <u>and Other</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
<u>Bonds and Notes Payable:</u>					
Land Note	\$ 0	\$ 485,600	\$ 242,800	\$ 242,800	\$ 242,800
Total Bonds and Notes Payable	<u>\$ 0</u>	<u>\$ 485,600</u>	<u>\$ 242,800</u>	<u>\$ 242,800</u>	<u>\$ 242,800</u>
<u>Other Liabilities:</u>					
Compensated Absences	\$ 738,258	\$ 0	\$ 82,028	\$ 656,230	\$ 50,501
Total Other Liabilities	<u>\$ 738,258</u>	<u>\$ 0</u>	<u>\$ 82,028</u>	<u>\$ 656,230</u>	<u>\$ 50,501</u>
Total Governmental Activities - Long-Term Debt:	<u>\$ 738,258</u>	<u>\$ 485,600</u>	<u>\$ 324,828</u>	<u>\$ 899,030</u>	<u>\$ 293,301</u>

8. b. LAND NOTE PAYABLE

The School District entered into a promissory note in October of 2013 for the acquisition of land for the possibility of building a new school. A down payment of \$242,800 was made in October in addition to a promissory note of \$485,600 with interest at 2%. The first payment on the note was made in January 2014 for \$252,512 and included interest of \$9,712. The interest expense. The terms and payment schedule for the final payment is indicated in the following schedule:

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding June 30, 2014</u>
Land promissory note	10/2013	2%	6 months	January 15	\$ 485,600	\$ 242,800

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

For the year ended 6/30:	<u>High School</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 242,800	\$ 4,856

NOTE 9. DEFERRED INFLOWS OF RESOURCES

9. a. PROPERTY TAXES

<u>Elementary Fund</u>	<u>Amount</u>	<u>Reason</u>
General*	\$ 72,479	Taxes Receivable
Transportation*	10,806	Taxes Receivable
Bus Depreciation	3,387	Taxes Receivable
Adult Education	380	Taxes Receivable
Technology	1,555	Taxes Receivable
<u>High School Fund</u>		
General*	21,583	Taxes Receivable
Transportation	8,056	Taxes Receivable
Bus Depreciation	1,079	Taxes Receivable
Tuition	70	Taxes Receivable
Adult Education	1,098	Taxes Receivable
Technology	2,225	Taxes Receivable
Total	\$ 122,718	

* Denotes Major Funds

NOTE 10. OPERATING LEASES

In September 2012 the District entered into an operating lease for the use of three triplex housing units. The lease was for 36 months with monthly payments of \$6,108 there is no buyout available at the end of the lease. Total lease payments in fiscal year 2014 were \$73,296. The School District rents these housing units to employees and collects the rent through payroll deductions in the lease rental fund. The future commitment to the District is as follows:

For the year ended 6/30:	<u>High School</u>	
	<u>Principal</u>	
2015	\$ 73,296	
2016	\$ 73,296	
Total	\$ 146,592	

NOTE 11. TRANSFERS

<u>High School Fund - From</u>	<u>Amount</u>	<u>Fund - To</u>
General*	10,000	High School - Compensated absences - Allowable transfer
Flexibility*	1,334,927	Elementary - Inter-local Agreement - Allowable transfer
Total	\$ 1,344,927	

* Denotes Major Funds

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

The School District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. The School District uses a single premium for both active and retired employees resulting in an implicit rate subsidy (the older retiree benefits from the School District's blended premium). The School District has not recorded a liability for the implicit rate subsidy as based on an analysis of the cost it is not material to the School District's financial statements. At June 30, 2014 the School District had no retired employees on the group insurance plan.

NOTE 13. OTHER COMMITMENTS

13. a. 1 ENCUMBRANCES

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

<u>Elementary Fund</u>	<u>Amount</u>
General*	\$ 78,514
Transportation*	9,070
Bus Depreciation	161,936
Miscellaneous	2,114
Technology	34,390
Inter-local Agreement	881,885
Adult Education	
<u>High School Fund</u>	
General*	108,771
Flexibility fund	1,935
Transportation	3,887
Bus Depreciation	377,850
School Food	6,055
Miscellaneous	28,197
Traffic Education	339
Building Reserve*	1,429,440
Technology	44,791
Total	<u>\$ 3,169,174</u>

* Denotes Major Funds

13. a. 2 CONSTRUCTION OR SIMILAR COMMITMENTS

The School District is planning two projects to deal with future growth in the district. To help with the planning process the School District signed a Long Range Facility Contract, which will cost approximately \$255,000, to be performed by CTA Architects.

NOTE 14. RISK MANAGEMENT

The School District is exposed to various types of risk of loss, including: a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers' compensation, i.e. employee injuries and f) medical insurance costs of employees. Several methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and contents damage, employee torts, professional liabilities, and employee medical insurance. The district has joined with other districts throughout the state into an inter-local common risk pool to insure workers compensation for all participating 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 district other than timely payments of premiums. The district can withdraw from the Workers Compensation Risk Retention Program with 60 days' notice at any time. The 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.

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

NOTE 15. EMPLOYEE RETIREMENT SYSTEM

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

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

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

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

The PERS rates for employees was 6.9% and for new hires after July 1, 2011, 7.9%. The PERS rate for the State was set at .37%. For the defined contribution plan the rates are the same except only 4.19% of the employer amount is added to the employee account. Employees who elect the defined contribution plan are in control of their investments and the retirement is based upon the cash in their fund. The PERS rate for employers was 6.8%. The TRS rates for employees was 7.15% and the State was set at 2.49%. The TRS rate for employers was 7.47%. The State's contribution to the retirement system qualifies as an on-behalf payment and has not been reported in the District's financial statements.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
TRS	\$ 996,234	\$ 1,126,958	\$ 1,280,584
PERS	168,879	202,725	215,764
Total	<u>\$ 1,165,113</u>	<u>\$ 1,329,683</u>	<u>\$ 1,496,348</u>

NOTE 16. PRIOR PERIOD ADJUSTMENTS

<u>Elementary Fund</u>	<u>Amount</u>	<u>REASON</u>
General*	\$ 36,582	Inventory adjustment
Inter-local Agreement*	15,025	PY donated asset
<u>High School Fund</u>		
General*	<u>14,753</u>	Inventory adjustment
Total	<u>\$ 66,360</u>	

* Denotes Major Funds

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

	General (Elem)			Transportation (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 1,225,112	\$ 1,225,112	\$ 1,206,181	\$ 197,663	\$ 197,663	\$ 194,447
Interest	6,462	6,462	6,523	400	400	496
Charges for Services	10,396	10,396	10,395	12,000	12,000	12,899
Other	2,461	2,461	711	-	-	-
County	-	-	-	47,130	47,130	41,570
State	4,491,197	4,491,197	4,491,197	47,130	47,130	48,317
Federal	-	-	4,483	-	-	270
Total Revenues	<u>5,735,628</u>	<u>5,735,628</u>	<u>5,719,489</u>	<u>304,323</u>	<u>304,323</u>	<u>297,998</u>
EXPENDITURES:						
Current						
Instructional Services			3,462,430	-	-	-
Support Services			341,494	-	-	-
Educational Media Services			400,262	-	-	-
General Administrative Services			672,871	35,448	35,448	35,448
Operation & Maintenance Services			811,822	12,203	12,203	12,203
Transportation Services			470	290,515	290,515	229,740
Extracurricular			48,087	-	-	-
Total Current Outlays			5,737,436	338,166	338,166	277,391
Debt Service						
Interest and other charges			-	-	-	-
Capital Outlay			2,252	-	-	-
Total Expenditures	<u>5,739,688</u>	<u>5,739,688</u>	<u>5,739,688</u>	<u>338,166</u>	<u>338,166</u>	<u>277,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>(4,060)</u>	<u>(4,060)</u>	<u>(20,198)</u>	<u>(33,843)</u>	<u>(33,843)</u>	<u>20,607</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			-	-	-	-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(4,060)</u>	<u>(4,060)</u>	<u>(20,198)</u>	<u>(33,843)</u>	<u>(33,843)</u>	<u>20,607</u>
FUND BALANCE:						
Beginning of the Year			661,465			94,730
End of the Year			<u>\$ 641,266</u>			<u>\$ 115,337</u>

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

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

	General (HS)			Flexibility Fund (Elem.)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
REVENUES:						
District Levies	\$ 278,685	\$ 278,685	\$ 266,317	\$ -	\$ -	\$ -
Interest	6,692	6,692	6,636	-	-	1,861
Charges for Services	28,000	28,000	44,164	-	-	-
Other	954	954	3,147	-	-	449
County	-	-	-	-	-	-
State	3,054,189	3,054,189	3,054,189	717,170	717,170	806,221
Federal	-	-	727	-	-	-
Total Revenues	<u>3,368,520</u>	<u>3,368,520</u>	<u>3,375,180</u>	<u>717,170</u>	<u>717,170</u>	<u>808,532</u>
EXPENDITURES:						
Current						
Instructional Services			1,761,262	115,602	115,602	115,602
Support Services			146,185	88	88	88
Educational Media Services			152,959	-	-	-
General Administrative Services			463,713	612,233	612,233	351,821
Operation & Maintenance Services			544,149	-	-	-
Transportation Services			54,646	-	-	-
Extracurricular			201,353	-	-	3,626
Total Current Outlays			<u>3,324,266</u>	<u>727,923</u>	<u>727,923</u>	<u>471,138</u>
Debt Service			-	-	-	-
Interest and other charges			-	-	-	-
Capital Outlay			44,850	-	-	-
Total Expenditures	<u>3,379,116</u>	<u>3,379,116</u>	<u>3,369,116</u>	<u>727,923</u>	<u>727,923</u>	<u>471,138</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,596)</u>	<u>(10,596)</u>	<u>6,063</u>	<u>(10,753)</u>	<u>(10,753)</u>	<u>337,394</u>
OTHER FINANCING SOURCES/USES						
Fund Transfers (Out)			(10,000)	-	-	-
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(10,596)</u>	<u>(10,596)</u>	<u>(3,937)</u>	<u>(10,753)</u>	<u>(10,753)</u>	<u>337,394</u>
FUND BALANCE:						
Beginning of the Year			<u>399,970</u>			<u>10,753</u>
End of the Year			<u>\$ 396,033</u>			<u>\$ 348,147</u>

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

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

	Flexibility Fund (HS)		
	Original Budget	Final Budget	Actual
REVENUES:			
District Levies	\$ -	\$ -	\$ -
Interest	-	-	3,246
Charges for Services	-	-	-
Other	-	-	412
County	-	-	-
State	2,330,670	2,330,670	2,330,670
Federal	-	-	-
Total Revenues	<u>2,330,670</u>	<u>2,330,670</u>	<u>2,334,328</u>
EXPENDITURES:			
Current			
Instructional Services	243,311	243,311	243,311
Support Services	222	222	222
Educational Media Services	-	-	-
General Administrative Services	2,118,676	2,118,676	189,803
Operation & Maintenance Services	-	-	-
Transportation Services	-	-	-
Extracurricular	-	-	30,374
Total Current Outlays	<u>2,362,209</u>	<u>2,362,209</u>	<u>463,709</u>
Debt Service	-	-	-
Interest and other charges	-	-	9,712
Capital Outlay	-	-	551,095
Total Expenditures	<u>2,362,209</u>	<u>2,362,209</u>	<u>1,024,516</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(31,539)</u>	<u>(31,539)</u>	<u>1,309,812</u>
OTHER FINANCING SOURCES/USES			
Fund Transfers (Out)	-	-	(1,334,927)
Total Other financial Sources/Uses	<u>-</u>	<u>-</u>	<u>(1,334,927)</u>
NET CHANGES IN FUND BALANCES	<u>(31,539)</u>	<u>(31,539)</u>	<u>(25,115)</u>
FUND BALANCE:			
Beginning of the Year			<u>31,539</u>
End of the Year			<u>\$ 6,424</u>

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

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

NOTE 1. BUDGETS

1. a. BUDGETS

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

1. a. 1 General Budget Policies:

The School District's funds are either budgeted or non-budgeted in accordance with State statutes. Budgeted funds are those of which a legal budget must be adopted to have expenditures from such funds and are noted above. All other funds are non-budgeted, meaning a legal budget is not required in order to spend the cash balance of such a fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget vs. Actual, has been prepared on the modified accrual basis of accounting and contains financial information for only the major general and special revenue fund budgeted funds. The major funds elementary and high school building reserve are not included in the schedule because they are not special revenue funds and the inter-local agreement fund is a non-budgeted fund.

1. a. 2 Budget Operation:

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

- By the second Monday in July, the County Assessor transmits a statement of the assessed valuation and taxable valuation of all property in the School District's borders.
- Before the fourth Monday in July, the County Superintendent estimates the revenue required for each fund.
- Before the fourth Monday in August, the Board of Trustees must meet to legally adopt the final budget. The final budget for the general fund is fund total only.
- Once adopted, the budget can be amended by subsequent Board action. An increase of the total budget of a given fund requires the adoption of an amended budget in accordance with State statutes.
- According to State statutes, the expenditures of a budgeted fund may not legally exceed the adopted budget.
- At the end of a fiscal year, unencumbered appropriations lapse unless specifically obligated by the School District.

NOTE 2. BUDGET AMENDMENT

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

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

The fund balances of the general fund and transportation fund displayed on the Statement of Revenue, Expenditures, and Changes in Fund Balances is differently displayed on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) by \$1,071,105, \$9,070, respectively. This is due to the reserve for encumbrances. Encumbrances are not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The District reports encumbrances at year end as budgeted expenditures and displays these amounts as assigned or reserve of fund balances, as applicable. In addition the general fund has a reserve for inventory of \$82,393. Inventory is not included as expenditures on the first statement as they do not meet the GAAP definition of expenditures. The School District reports inventory at year end as budgeted expenditures and establishes a reserve of non-spendable fund balances for inventory on the GAAP balance sheet since they do not represent GAAP expenditures of liabilities.

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

	<u>Sub-fund</u> <u>General</u> <u>Fund</u> <u>(EL)</u>	<u>Sub-fund</u> <u>General</u> <u>Fund</u> <u>(HS)</u>	<u>Sub-fund</u> <u>Flexibility</u> <u>Fund (EL)</u>	<u>Sub-fund</u> <u>Flexibility</u> <u>Fund (HS)</u>	<u>Sub-fund</u> <u>Inter-local</u> <u>Agreement</u> <u>Fund (EL)</u>	<u>Total</u> <u>General</u> <u>Fund</u>
REVENUES:						
District Levies	\$ 1,206,181	\$ 266,317	\$ 0	\$ 0	\$ 0	\$ 1,472,498
Interest Earnings	6,522	6,636	1,862	3,246	4,745	23,011
Other	711	3,147	449	412	31,000	35,719
State Sources	4,491,197	3,054,189	806,221	2,330,670	0	10,682,277
Federal	4,483	727	0	0	0	5,210
Charge For Services	10,395	44,164	0	0	0	54,559
Total Revenues	<u>\$ 5,719,489</u>	<u>\$ 3,375,180</u>	<u>\$ 808,532</u>	<u>\$ 2,334,328</u>	<u>\$ 35,745</u>	<u>\$12,273,274</u>
EXPENDITURES:						
Instructional Services	3,436,404	1,826,945	180,280	263,061	36,031	5,742,721
Support Services	341,494	146,185	88	222	0	487,989
Educational Media	400,262	152,959	0	0	0	553,221
General Administrative	672,871	463,713	351,822	189,802	0	1,678,208
Operation & Maintenance	811,822	544,149	0	0	256,141	1,612,112
Transportation	470	54,646	0	0	0	55,116
Extracurricular	48,087	201,353	3,626	30,374	0	283,440
Principal	0	0	0	242,800	0	242,800
Interest	0	0	0	9,712	0	9,712
Capital	2,252	2,802	0	793,895	982,705	1,781,654
Total Expenditures	<u>\$ 5,713,662</u>	<u>\$ 3,392,752</u>	<u>\$ 535,816</u>	<u>\$ 1,529,866</u>	<u>\$ 1,274,877</u>	<u>\$12,446,973</u>
Excess (Deficiency) of Revenue Over Expenditures	\$ 5,827	\$ (17,572)	\$ 272,716	\$ 804,462	\$ (1,239,132)	\$ (173,699)
Other Financing Sources/Uses						
Loan Proceeds	0	0	0	485,600	0	485,600
Fund Transfer In	0	0	0	0	1,334,927	1,334,927
Fund Transfer (Out)	0	(10,000)	0	(1,334,927)	0	(1,344,927)
Net Changes In Fund Balance	\$ 5,827	\$ (27,572)	\$ 272,716	\$ (44,865)	\$ 95,795	\$ 301,901
FUND BALANCE:						
Beginning of the Year	\$ 733,450	\$ 543,938	\$ 75,431	\$ 53,224	\$ 1,454,882	\$ 2,860,925
Prior Period Adjustment	36,582	14,753	0	0	15,025	66,360
Ending of the Year	<u>\$ 775,859</u>	<u>\$ 531,119</u>	<u>\$ 348,147</u>	<u>\$ 8,359</u>	<u>\$ 1,565,702</u>	<u>\$ 3,229,186</u>

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

On the Statement of Revenues, Expenditures, and Changes in Fund Balance (Budget and Actual) All Budgeted Major Governmental Funds the general fund and flexibility funds are shown because they are reported as major funds and have legally adopted budgets. The inter-local agreement fund is a non-budgeted fund.

Sidney School District
Schedule of Revenues, Expenses and Balances
Student Activity Funds
Fiscal Year-Ended June 30, 2014

<u>Activity Account Name</u>	<u>Beginning</u>				
	<u>Balance</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending Balance</u>
"A" DIVISIONAL	86	2,727	2,582	(137)	94
C DIVISIONAL VB	943	6,800	6,794	-	949
2C GBB/BBB	3,453	43,930	43,382	-	4,001
AP TESTS	2,439	3,684	2,118	(522)	3,482
APC	164	5	-	-	169
ART CLUB	336	50	-	-	386
AG ED ASB	2,015	368	538	-	1,846
ATHLETICS	54,323	64,838	84,614	(207)	34,340
BPA	3,875	35,939	40,583	2,588	1,820
BAND	3,661	6,012	4,791	-	4,883
BAND RENTAL	141	1,229	1,085	-	285
BOY'S BB	9,805	15,240	16,446	-	8,599
BUSY BEAVERS	473	1,346	1,661	-	158
CENTRAL ELEM LIBRARY	-	4,244	3,633	-	611
CENTRAL ELEMENTARY	-	4,496	2,385	1,074	3,185
CLASS OF 2014	4,444	4,603	8,404	(643)	-
CLASS OF 2015	5,092	236	558	2,082	6,852
CLASS OF 2016	3,136	222	87	1,519	4,790
CLASS OF 2017	807	222	62	2,772	3,739
CLASS OF 2018	973	222	15	-	1,179
CLASS OF 2019	472	279	23	-	728
CLASS OF 2020	-	1,653	-	-	1,653
CROSS COUNTRY	1,947	200	289	281	2,140
CHEER/PEP SQUAD	2,073	589	2,194	-	468
CHESS CLUB	1,517	2,140	1,550	-	2,106
CLOSE UP	4,927	33,552	35,317	1,295	4,457
DRILL TEAM	5,061	4,778	8,663	629	1,805
FCCLA	5,542	13,142	19,556	872	0
FFA	4,519	11,074	13,095	403	2,901
FOOTBALL ASB	9,770	5,769	10,483	-	5,056
FRENCH CLUB	1,111	602	241	-	1,472
GOLF	-	169	214	45	-
GIRL'S BASKETBALL	8,081	11,481	17,100	-	2,463
GIRL'S SOFTBALL	343	6,491	6,265	1,305	1,874
HS FRIENDS OF RACHEL	1,505	0	300	(200)	1,005
H.S.I.A.	3,798	2,224	3,806	-	2,215
HS LIBRARY	6,446	3,266	3,690	-	6,022
HS PARTICIPATION FEES	12,565	11,949	9,882	(527)	14,106
HS TRACK	11	53	441	377	-
INTERNATIONAL CLUB	3,251	47	283	463	3,478

Sidney School District
 Schedule of Revenues, Expenses and Balances
 Student Activity Funds (continued)
 Fiscal Year-Ended June 30, 2014

JOBS FOR MT GRADS ASB	55	3,513	2,556	(700)	312
KEY CLUB	2,657	4,613	5,088	1,056	3,238
LEO CLUB	2,105	3,144	4,498	858	1,609
MS FRIENDS OF RACHEL	896	3,483	1,648	-	2,731
MS BREAKFAST	770	5,607	5,668	-	709
MS BAND	1,922	7,896	8,587	-	1,231
MS CHEERLEADERS	95	250	-	-	345
MS FCS 8TH GR HOME EC	2,387	1,226	1,559	-	2,054
MS GATE RECEIPTS	12,948	5,987	5,529	(200)	13,206
MSIA	7,882	1,081	64	-	8,899
MS LIBRARY	362	670	-	-	1,032
MS PARTICIPATION FEES	6,474	11,217	5,347	-	12,344
MS PUBLICATIONS	2,510	2,481	-	-	4,991
MS STUDENT COUNCIL	3,550	1,494	2,247	(77)	2,719
MS STUDENT STORE	4,488	14,940	16,507	-	2,921
MEDIA	2,094	33	25	-	2,102
NHS	661	156	799	1,189	1,208
PUBLICATIONS	7,271	30,781	38,473	2,750	2,330
RESOURCES UNLIMITED	3,613	39,052	41,661	(410)	594
S CLUB	4,971	27	273	-	4,725
ELEM PARTICIPATION FEES	1,561	2,876	-	-	4,438
SID EL PRE-SCHOOL	1,468	720	570	-	1,618
SID EL STUDENT STORE	4,055	2,551	5,641	-	965
SID EL TITLE I ST. NEEDS	1,204	22	-	-	1,226
SPIRIT CLUB	1,000	160	117	-	1,043
STUDENT COUNCIL	4,597	4,993	6,179	2,223	5,634
SCHOOL PLAY	1,920	1,336	631	-	2,626
SCIENCE CLUB	3,454	42	547	-	2,949
SKILLS USA	5,473	2,091	4,648	2,860	5,776
SPEECH/DRAMA ASB	5,727	2,394	4,597	1,325	4,850
SPOKESMAN	567	11	-	-	578
TALON	1,785	70,052	40,843	(29,484)	1,511
TRADING CARDS	6,485	1,360	3,737	(442)	3,666
VOLLEYBALL ASB	13,037	29,785	34,814	200	8,207
VOCAL	3,035	7,657	9,948	1,660	2,403
WESTSIDE ELEM LIBRARY	5,074	1,400	1,237	-	5,237
WESTSIDE ELEMENTARY	5,021	21,480	19,429	554	7,626
WRESTLING ASB	3,684	14,815	15,858	3,190	5,832
YARD/GARDEN ASB	11,598	698	141	(20)	12,136
Total	\$ 317,559	\$ 607,968	\$ 642,592	\$ 0	\$ 282,936

SIDNEY SCHOOL DISTRICT NO. 1 & 5

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

FALL ENROLLMENT - OCTOBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	116	116	0
Grade 1 - 6	567	567	0
Grade 7 - 8	212	212	0
Total	<u>895</u>	<u>895</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	397	397	0
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	8	8	0
Less than 719 hours	3	3	0
Total Part-time	<u>11</u>	<u>11</u>	<u>0</u>
19 year olds	<u>2</u>	<u>2</u>	<u>0</u>

WINTER ENROLLMENT - DECEMBER, 2013

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	116	116	0
Grade 1 - 6	572	572	0
Grade 7 - 8	215	215	0
Total	<u>903</u>	<u>903</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	389	389	0
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	9	9	0
Less than 719 hours	0	0	0
Total Part-time	<u>9</u>	<u>9</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

SPRING ENROLLMENT - FEBRUARY, 2014

Elementary			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Kindergarten Full	121	121	0
Grade 1 - 6	577	577	0
Grade 7 - 8	218	218	0
Total	<u>916</u>	<u>916</u>	<u>0</u>
High School			
	<u>Reported</u>	<u>Audited</u>	<u>Variance</u>
Grade 9 - 12	382	382	0
Part-time Students			
Less than 181 hours	0	0	0
Less than 359 hours	0	0	0
Less than 539 hours	7	7	0
Less than 719 hours	0	0	0
Total Part-time	<u>7</u>	<u>7</u>	<u>0</u>
19 year olds	<u>0</u>	<u>0</u>	<u>0</u>

Sidney School District No. 1 & 5
 Richland County
 Sidney, Montana 59270

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:			
National School Lunch Program (Donated Food) (fn2)	10.555	N/A	33,842
National School Lunch Program (fn1)	10.555	N/A	167,949
Total U.S. Department of Agriculture			<u>\$ 201,791</u>
PASSED THROUGH MONTANA OFFICE OF PUBLIC INSTRUCTION:			
Title I Grants to Local Education Agencies - Part A, Improving Basic Programs	84.010A		218,556
IDEA Part B	84.027		270,178
IDEA Preschool	84.173A		11,905
Carl Perkins	84.048A		15,871
Title X Educaion of Homeless Children	84.192		6,783
Title I Part C Migrant Ed.	84.011A		2,557
Improving Teacher Quality State Grants Title II	84.367		50,939
Total U.S. Department of Education			<u>\$ 576,789</u>
Total Federal Financial Assistance			<u>\$ 778,580</u>

The accompanying notes to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS are an integral part of this schedule

SIDNEY SCHOOL DISTRICT NO. 1 & 5

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year-Ended June 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Sidney School District No. 1 & 5 under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Sidney School District No. 1 & 5, it is not intended to and does not present the financial position, changes in net assets or cash flows of Sidney School District No. 1 & 5.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements. Pass-through entity identifying numbers are presented where available

NOTE 3. FOOTNOTES

Fn1 – No separate funds or accounts maintained, the district assumes first in first out for program money.
Fn2 – The value of commodities (revenues, expenses or inventory) are noted in the basic financial statements
N/A – Not applicable/ available

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
Sidney School District No. 1 & 5
Richland County
Sidney, Montana 59270

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sidney School District No. 1 & 5 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Sidney School District No. 1 & 5's basic financial statements and have issued our report thereon dated March 27, 2015. Our opinion on the financial statements was qualified due to management not adopting a methodology for reporting a liability and a related expense for Other Post-Employment Benefits (OPEB) in the governmental activities. Accounting principles generally accepted in the United States of America require OPEB financial reporting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sidney School District No. 1 & 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as item 2015 -1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sidney School District No. 1 & 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*.

Sidney School District No. 1 & 5's Response to Findings

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

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
March 27, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sidney School District No. 1 & 5
Richland County
Sidney, Montana 59270

Report on Compliance for Each Major Federal Program

We have audited Sidney School District No. 1 & 5's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sidney School District No. 1 & 5's major federal programs for the year ended June 30, 2014. Sidney School District No. 1 & 5's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sidney School District No. 1 & 5's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sidney School District No. 1 & 5's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sidney School District No. 1 & 5's compliance.

Opinion on Each Major Federal Program

In our opinion, Sidney School District No. 1 & 5's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014

Report on Internal Control Over Compliance

Management of Sidney School District No. 1 & 5, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sidney School District No. 1 & 5's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sidney School District No. 1 & 5's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


STROM & ASSOCIATES, PC
Billings, Montana
March 27, 2015

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued a qualified opinion on School District No. 1 & 5's financial statements as of and for the year ended June 30, 2014.
2. Our audit disclosed no significant deficiencies in internal controls. Our audit did disclose a finding that is considered to be a material weakness relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of School District No. 1 & 5.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unmodified opinion on School District No. 1 & 5's compliance with major federal awards programs as of and for the year ended June 30, 2014.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for Sidney School District No. 1 & 5 for the year ended June 30, 2014 was CFDA# 84.010 Title I Part A and CFDA#'s 84.027 & 84.173 Special education cluster (IDEA).
8. The threshold used to distinguish between Type A and type B programs was \$300,000. Sidney School District No. 1 & 5 has no type A programs.
9. This school district does not qualify as a low risk audit client.

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

FINDING NUMBER 1 - OTHER POST EMPLOYMENT BENEFITS 2013 (Repeat finding from FY 2010-2013):

Criteria - Governmental Accounting Standards Board Statement 45 requires Other Post Employment Benefits (OPEB) to be reported. Condition - The District did not calculate or report its OPEB liability. Context: The District reported \$0 of OPEB. Effect - There is the possibility that the District's OPEB liability is understated. Cause - The Board of Trustees determined that the cost of determining its OPEB liability was not worth the benefit. Recommendation - We recommend that the District not hire an actuary to calculate their OPEB liability as the cost of the actuary would not result in any benefit to the District. Auditee Response: Auditee Response: After consulting with the District auditor and considering the costs and benefits of the options available to the District in order to comply with GASB 45, the Trustees respectfully refuse to incur the expense that would result in the hiring of an actuary for the book figure required by GASB 45. The District is over the 100 employee minimum that would allow the use of the alternative method, and, the only post-employment benefit realized by the District employees is the opportunity to retain group coverage through the District via COBRA and/or retiree benefits. No financial assistance is provided from the District for post-employment coverage.

C. Findings and questioned costs for Federal awards, as defined in section .510 (a) of OMB Circular A-133.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section .510 (a) of OMB Circular A-133.