

DELL RAPIDS SCHOOL DISTRICT NO. 49-3

AUDIT REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
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KMWF & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S 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

School Board
Dell Rapids School District No. 49-3
Minnehaha County, South Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dell Rapids School District No. 49-3, South Dakota (School District), as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District'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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be a material weakness. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2018-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The School 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

KMWF + Associates, PC

KMWF & Associates, PC
Dell Rapids, South Dakota
March 15, 2019

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

PRIOR AUDIT FINDINGS:

Prior Finding Number 2017-001:

A deficiency in controls existed due to a lack of segregation of duties. This finding has not been corrected and is restated as finding number 2018-001.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Current Audit Finding:

Internal Control – Related Findings – Material Weaknesses:

Finding Number 2018-001:

Criteria:

Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data.

Condition Found:

A deficiency in controls existed due to a lack of segregation of duties regarding the cash receipts, cash disbursements and payroll. This lack of segregation of duties could adversely affect the District's ability to record, process and report financial data and increases the risk of inaccurate financial statements and/or misappropriation of assets.

Recommendation:

Implementation of compensating controls.

Corrective Action Plan:

The School District is aware of this problem, which is a result of the size of the school district which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on page 64.



KMWF & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

School Board
Dell Rapids School District No. 49-3
Minnehaha County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dell Rapids School District No. 49-3, South Dakota, (School District) as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School District's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 School District'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 School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dell Rapids School District No. 49-3 as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows 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 (MD&A), the Budgetary Comparison Schedules and the Schedule of School District Contributions and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), as listed in the Table of Contents, 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 the 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 inquiries 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



KMWF & Associates, PC
Dell Rapids, South Dakota
March 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Dell Rapids School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$1,462,596.12 more than the \$9,843,941.50 in governmental and business-type program expenditures.
- In the General Fund, expenditures exceeded revenues by \$258,866.31. \$250,000.00 was transferred to the General Fund from the Capital Outlay Fund, utilizing approximately 32% of the allowable Capital Outlay flexibility. The General Fund's fund balance decreased by \$8,866.31 from \$1,072,325.56 to \$1,063,459.25, resulting in a fund balance percentage of 17.15%.
- The total cost of the District's programs decreased by 6.85%. Instructional expenses decreased by \$781,544.37, while other expenses increased by \$58,060.61. A major factor contributing to the decrease was a change in the District's South Dakota Retirement System pension proportionate share from a net pension liability of \$734,223.09 to a net pension asset of \$20,525.80. Other factors contributing to the change were salary and benefit increases and a decrease in special education expenses. In addition, there were extra expenses in FY2017 for furnishing the new high school science addition.
- The District paid \$831,920.04 toward capital debt principal and deposited an additional \$294,446.00 into a Qualified School Construction Bond Debt Service Sinking Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. Proprietary funds operated by the school are the Food Service Operation and Other Enterprise Funds for fee based

programs such as the Before/After School Program, summer drivers' education, ACT prep classes, and athletic camps.

- Fiduciary fund statements provide information about the financial relationships - like student organization accounts - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Dell Rapids School District's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the District operates similar to private businesses, such as the food service operation, activity camps and drivers' education	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses, and Changes in Net Position *Statement of Cash Flows	*Statement of Net Position *Statement of Changes in Net Position
Account Basis and Measurement Focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the District are reported in two categories:

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, declam, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing meal service, activity camps, ACT prep classes, and summer drivers' education. The Food Service Fund and the Other Enterprise Funds are the only business-type activities of the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board may establish other funds to control and manage money for particular purposes (like a Scholarship Trust).

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent

in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

- Proprietary Funds – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund and the Other Enterprise Funds are the only proprietary funds maintained by the District.
- Fiduciary Funds – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position changed as follows:

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Current and Other Assets	\$9,880,569.68	\$9,242,124.79	\$269,987.08	\$248,802.19	\$10,150,556.76	\$9,490,926.98	6.95%
Net Pension Asset	20,525.80	0.00	0.00	0.00	20,525.80	0.00	
Restricted Assets Held in Escrow	8,679,086.28	8,807,208.07	0.00	0.00	8,679,086.28	8,807,208.07	-1.45%
Capital Assets (Net of Depreciation)	<u>20,192,603.23</u>	<u>20,811,993.57</u>	<u>76,339.35</u>	<u>86,384.02</u>	<u>20,268,942.58</u>	<u>20,898,377.59</u>	-3.01%
Total Assets	\$38,772,784.99	\$38,861,326.43	\$346,326.43	\$335,186.21	\$39,119,111.42	\$39,196,512.64	-0.20%
Long-Term Liabilities Outstanding	\$23,867,337.65	\$25,458,482.74	\$0.00	\$0.00	\$23,867,337.65	\$25,458,482.74	-6.25%
Other Liabilities	<u>752,117.67</u>	<u>720,906.22</u>	<u>26,808.31</u>	<u>23,531.66</u>	<u>778,925.98</u>	<u>744,437.88</u>	4.63%
Total Liabilities	\$24,619,455.32	\$26,179,388.96	\$26,808.31	\$23,531.66	\$24,646,263.63	\$26,202,920.62	-5.94%
Deferred Inflows of Resources - Taxes Levied for Future Period	\$2,853,785.94	\$2,847,219.21	\$0.00	\$0.00	\$2,853,785.94	\$2,847,219.21	0.23%
Pension Related Deferred Inflows	<u>419,104.32</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>419,104.32</u>	<u>0.00</u>	
Total Deferred Inflows	\$3,272,890.26	\$2,847,219.21	\$0.00	\$0.00	\$3,272,890.26	\$2,847,219.21	14.95%
Pension Related Deferred Outflows of Resources	<u>\$2,224,957.11</u>	<u>\$1,815,945.71</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$2,224,957.11</u>	<u>\$1,815,945.71</u>	22.52%
Total Deferred Outflows	\$2,224,957.11	\$1,815,945.71	\$0.00	\$0.00	\$2,224,957.11	\$1,815,945.71	22.52%
Net Position:							
Invested in Capital Assets, Net of Related Debt	\$5,346,919.42	\$5,134,389.72	\$76,339.35	\$86,384.02	\$5,423,258.77	\$5,220,773.74	3.88%
Restricted	6,916,199.65	5,713,334.42	0.00	0.00	6,916,199.65	5,713,334.42	21.05%
Unrestricted	<u>842,277.45</u>	<u>802,939.83</u>	<u>243,178.77</u>	<u>225,270.53</u>	<u>1,085,456.22</u>	<u>1,028,210.36</u>	5.57%
Total Net Position	\$13,105,396.52	\$11,650,663.97	\$319,518.12	\$311,654.55	\$13,424,914.64	\$11,962,318.52	12.23%
Beginning Net Position	<u>\$11,650,663.97</u>	<u>\$11,102,139.53</u>	<u>\$311,654.55</u>	<u>\$315,243.56</u>	<u>\$11,962,318.52</u>	<u>\$11,417,383.09</u>	
Increase (Decrease) in Net Position	<u>\$1,454,732.55</u>	<u>\$548,524.44</u>	<u>\$7,863.57</u>	<u>(\$3,589.01)</u>	<u>\$1,462,596.12</u>	<u>\$544,935.43</u>	
Percentage of Increase (Decrease) in Net Position	<u>12.49%</u>	<u>4.94%</u>	<u>2.52%</u>	<u>-1.14%</u>	<u>12.23%</u>	<u>4.77%</u>	

Total assets decreased by \$77,401.22 between June 30, 2017 and June 30, 2018. Current assets increased by \$659,629.78, restricted assets held in escrow for crossover partial advance refunding bonds decreased by \$128,121.79, and net capital assets decreased by \$629,435.01. Net pension liability (South Dakota Retirement System) of \$734,223.09 in FY2017 changed to a net pension asset of \$20,525.80 in FY2018.

Total liabilities decreased by \$1,556,656.99. Long-term liabilities outstanding decreased by \$1,591,145.09, primarily due to payments on outstanding bonds, certificates, and other debt, and to the change in the District's South Dakota Retirement System pension proportionate share from a net pension liability of \$734,223.09 to a net pension asset of \$20,525.80. Other liabilities increased by \$34,488.10, primarily due to increases in early retirement and accrued leave payable.

Deferred inflows of resources increased by \$425,671.05. \$6,566.73 was due to increases in future period property taxes and utility taxes. \$419,104.32 is attributed to an increase in recognition of pension related deferred inflows. Pension related deferred outflows increased by \$409,011.40 in FY2018.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of general obligation bonds, capital outlay certificates payable, compensated absences payable and early retirement benefits payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Changes in Net Position

The School's total revenues (excluding special items) totaled \$11,306,537.62 (See Table A-2).

49% of the District's revenue comes from property and other taxes, and 33% comes from state aid. (See Figure A-2)

The District's expenses cover a range of services encompassing instruction, support services and food services. District expenses decreased by approximately 6.85% in FY2018. (See Table A-2)

Figure A-2
Dell Rapids School District
Sources of Revenues for Fiscal Year 2018

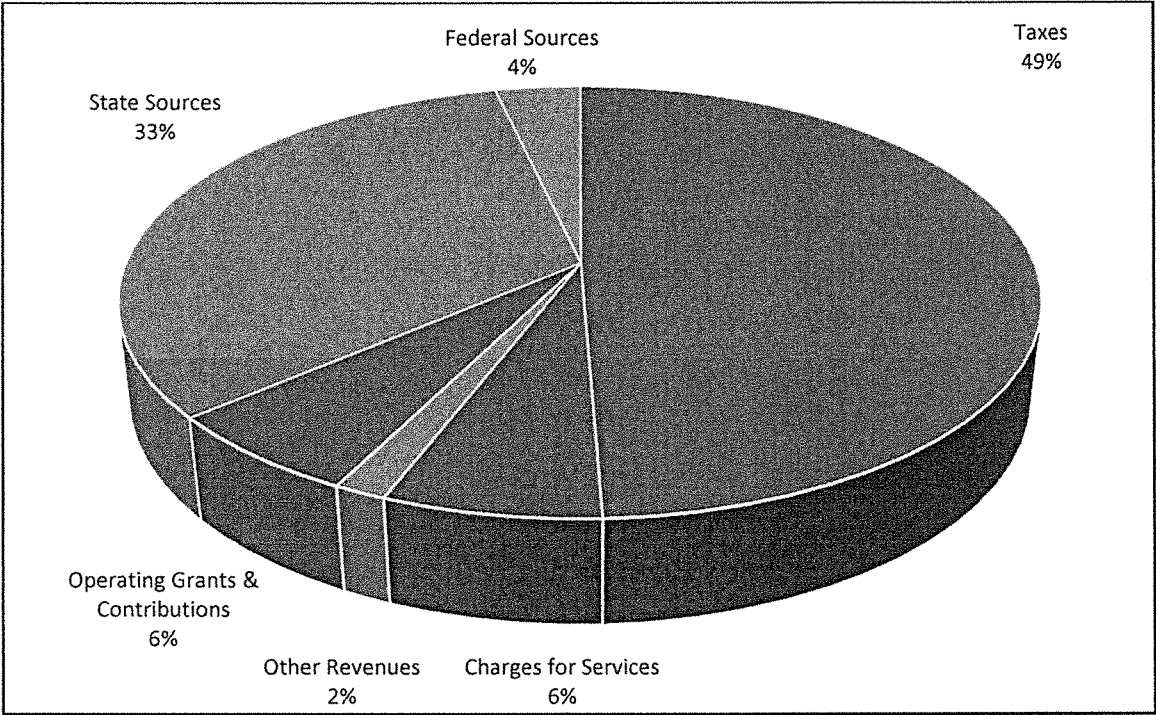
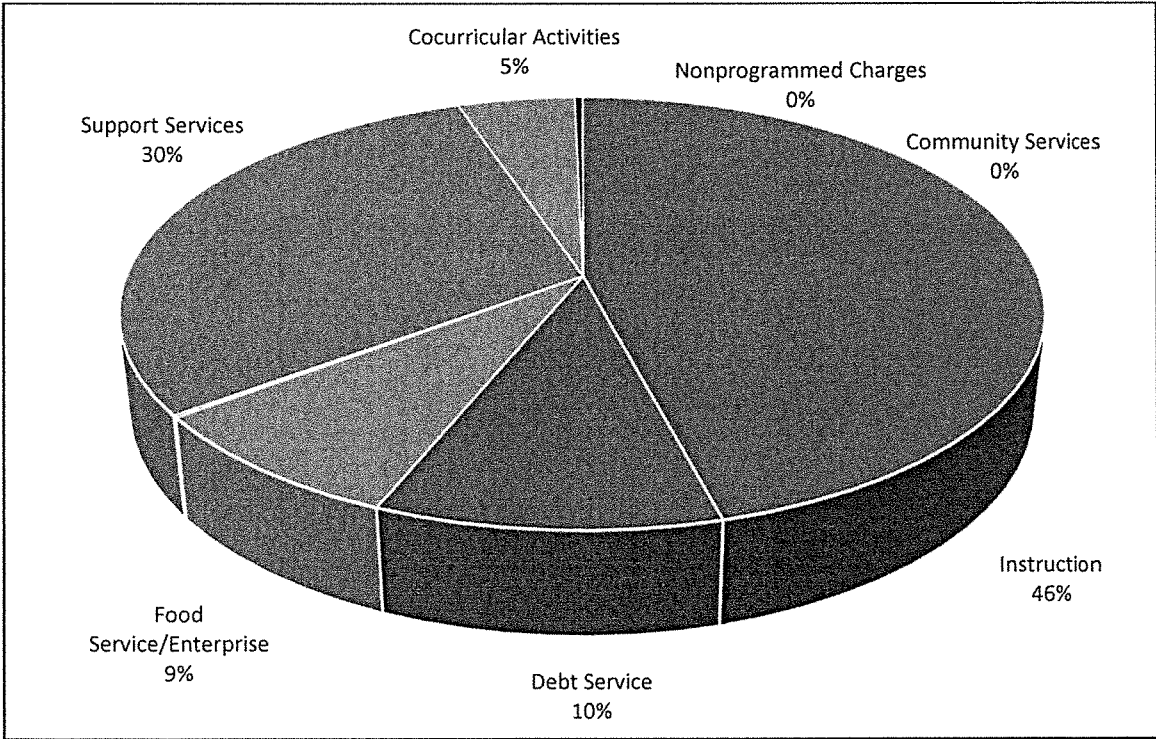


Figure A-3
Dell Rapids School District
Functional Expenses for Fiscal Year 2018



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

Table A-2
Dell Rapids School District 49-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Revenues							
Program Revenues							
Charges for Services	\$101,557.92	\$113,698.41	\$634,150.09	\$616,314.35	\$735,708.01	\$730,012.76	0.78%
Operating Grants and Contributions	499,349.38	449,283.34	203,549.87	201,386.31	702,899.25	650,669.65	8.03%
Capital Grants and Contributions	0.00	0.00			0.00	0.00	
General Revenues							
Taxes	5,583,914.02	5,663,699.03			5,583,914.02	5,663,699.03	-1.41%
Revenue State Sources	3,704,601.44	3,548,696.21			3,704,601.44	3,548,696.21	4.39%
Revenue Federal Sources	0.00	0.00			0.00	0.00	
Revenue Intermediate Sources	42,718.70	43,286.57			42,718.70	43,286.57	-1.31%
Revenue Local Sources	27,848.99	13,416.37			27,848.99	13,416.37	107.57%
Unrestricted Investment Earnings	104,899.65	55,777.23	373.27	344.16	105,272.92	56,121.39	87.58%
Federal Interest Reimbursement	403,574.29	406,458.71			403,574.29	406,458.71	-0.71%
Total Revenues	\$10,468,464.39	\$10,294,315.87	\$838,073.23	\$818,044.82	\$11,306,537.62	\$11,112,360.69	1.75%
Expenses							
Instruction	\$4,518,103.46	\$5,299,647.83			\$4,518,103.46	\$5,299,647.83	-14.75%
Support Services	2,952,881.97	3,046,582.74			2,952,881.97	3,046,582.74	-3.08%
Community Services	14,508.59	9,949.86			14,508.59	9,949.86	45.82%
Nonprogrammed Charges	33,621.60	31,826.40			33,621.60	31,826.40	5.64%
Debt Service	1,017,103.28	849,989.73			1,017,103.28	849,989.73	19.66%
Cocurricular Activities	477,512.94	507,794.87			477,512.94	507,794.87	-5.96%
Food Service			574,782.09	566,971.81	574,782.09	566,971.81	1.38%
Other Enterprise			255,427.57	254,662.02	255,427.57	254,662.02	0.30%
Total Expenses	\$9,013,731.84	\$9,745,791.43	\$830,209.66	\$821,633.83	\$9,843,941.50	\$10,567,425.26	-6.85%
Excess (Deficiency) Before Special Items and Transfers	\$1,454,732.55	\$548,524.44	\$7,863.57	(\$3,589.01)	\$1,462,596.12	\$544,935.43	168.40%
Transfers	0.00	0.00	0.00	0.00	0.00	0.00	
Increase (Decrease) in Net Position	\$1,454,732.55	\$548,524.44	\$7,863.57	(\$3,589.01)	\$1,462,596.12	\$544,935.43	168.40%
Net Position, Beginning	\$11,650,663.97	\$11,102,139.53	\$311,654.55	\$315,243.56	\$11,962,318.52	\$11,417,383.09	4.77%
Net Position, Ending	\$13,105,396.52	\$11,650,663.97	\$319,518.12	\$311,654.55	\$13,424,914.64	\$11,962,318.52	12.23%

GOVERNMENTAL ACTIVITIES

Revenues from governmental activities increased by \$174,148.52, or 1.69%. The main contributing factors were:

- An increase in revenue from state aid and other state sources.
- Increased revenue from grants and donations.
- Increased investment earnings.

- Decrease of \$732,059.59 in expenditures from governmental activities, mainly due to the change from a South Dakota Retirement System net pension liability to a net pension asset.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities (Food Service and Enterprise) increased by 2.45% to \$838,073.23 and expenses increased by 1.04% to \$830,209.66. Factors contributing to these results included:

- Increase in meal prices, as required by federal paid lunch equity requirements.
- Annual increase in food service management company meal prices.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Special Education Fund had a \$14,488.35 increase in fund balance for the year.

The General Fund had an \$8,866.31 decrease in fund balance.

The ending FY2018 Capital Outlay fund balance increased by \$295,744.43.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget four times. These amendments fell into three categories:

- Supplemental appropriations and contingency transfers approved to prevent budget overruns for unanticipated, yet necessary, expenses.
- Supplemental budgets approved to reflect revenue from an increase in enrollment/state aid, grants, contributions, and donations and related expenditures for personnel, supplies and equipment.

Favorable budget variances existed in various functional areas due to the District's continuous review throughout the year of various options to reduce costs. Major factors were changes in personnel and their benefit elections, and reduction in expenses for facilities, repair and maintenance, supplies, and technology.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2018, the District had invested \$20,268,942.58 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of \$629,435.01, or 3.01%, over last year, resulting mainly from annual depreciation.

Table A-3

**DELL RAPIDS SCHOOL DISTRICT - Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percent Change
	2018	2017	2018	2017	2017-2018	2017-2018
Land	\$480,615.75	\$480,615.75			\$0.00	0.00%
Buildings and Construction Work in Progress	18,771,868.16	19,246,943.58			-475,075.42	-2.47%
Improvements	324,606.82	367,794.87			-43,188.05	-11.74%
Machinery and Equipment	<u>615,512.50</u>	<u>716,639.37</u>	<u>\$76,339.35</u>	<u>\$86,384.02</u>	<u>-111,171.54</u>	<u>-13.84%</u>
Total Capital Assets	\$20,192,603.23	\$20,811,993.57	\$76,339.35	\$86,384.02	-\$629,435.01	-3.01%

This year's capital asset purchases included mezzanine bleachers, library books, sidewalks, a Dodge Grand Caravan, and technology equipment.

LONG-TERM DEBT

At year-end, the District had \$23,867,337.65 in general obligation bonds, Capital Outlay certificates, and other long-term obligations. This is a decrease of 6.25%, primarily due to payment of debt principal and a change from net pension liability to net pension asset, as shown on Table A-4 below.

Table A-4
Dell Rapids School District 49-3
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2018	2017	2018	2017	2017-2018	2017-2018
Bonds	\$18,390,000.00	\$18,875,000.00			-\$485,000.00	-2.57%
Capital Outlay Certificates	5,132,244.00	5,422,244.00			-\$290,000.00	-5.35%
SDSDBF Insurance Deficit	192,312.00	254,537.00			-\$62,225.00	-24.45%
Installment Purchase Contracts	58,439.81	115,359.85			-\$56,920.04	-49.34%
Early Retirement	54,839.20	31,826.40			\$23,012.80	72.31%
Accrued Leave	39,502.64	25,292.40			\$14,210.24	56.18%
Net Pension Liability (SDRS)	0.00	734,223.09			-\$734,223.09	-100.00%
Total Outstanding Debt and Obligations	\$23,867,337.65	\$25,458,482.74	\$0.00	\$0.00	-\$1,591,145.09	-6.25%

The District paid \$775,000.00 in principal and \$864,873.13 in interest for Capital Outlay certificates, general obligation bonds, and Qualified School Construction Bonds. \$78,553.21 in interest was earned by the District's escrow account for crossover partial advance refunding of bonds, and \$206,675.00 in interest expense was paid out of this account. In addition, \$294,446.00 (annual obligation) was put into a Debt Service sinking fund for payment of Qualified School Construction Bond principal at maturity in 2025.

The District is a member of the South Dakota School District Benefits Fund (SDSDBF) which had a significant deficit position from prior years. The SDSDBF assessed each member school for their share of the deficit, and the District will pay its \$254,537.00 share, plus \$3,820.00 interest, in four installments payable FY2018, FY2019, FY2020, and FY2021.

In FY2017, two 71 passenger school buses were purchased under an installment contract. \$60,000.15 was paid when the buses were received in FY2017. \$56,920.04 in principal and \$3,080.11 interest were paid in FY2018. A final principal payment of \$58,439.81 and interest of \$1,560.34 will be paid in FY2019.

The District is liable for accrued annual vacation leave earned by full-time support staff.

The District maintains an early retirement plan, which allows teachers meeting certain qualifications to retire early and receive a percentage of their last year's teaching salary in equal payments spread over the next three years. This plan allows the District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

All employees who work more than 20 hours per week during the school year participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan. At June 30, 2018 the District's proportionate share of net pension asset was \$20,525.80.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown some change. The School experienced an increase in total property valuation (2017 valuation for taxes payable in 2018) of \$21,305,382, or 3.63% from the prior year. While the growth in valuation does increase the amount of revenue the District can generate from property taxes, the total amount which can be levied is limited by the State of South Dakota. In addition, growth in property valuation does not improve revenues for the General Fund or Special Education Fund because major revenues for these funds are based on an annual allocation derived from a formula determined by the State. This allocation is based on a combination of local property tax revenue and state funds. During calendar year 2018, additional revenue of approximately \$57,979 will be generated for Capital Outlay Fund due to the increase in valuation.

One of the primary sources of revenue to the District had been based on a per student allocation from the State of South Dakota. This state aid formula ensured that property taxes plus state aid equal the per student allocation. Per pupil allocations from FY2011 through FY2016 were:

FY2016	\$4,876.76 (2% increase)
FY2015	\$4,781.14 (3.36% increase)
FY2014	\$4,625.65 (2.32% increase)
FY2013	\$4,490.07, plus a one-time \$30.73 additional allocation (.75% increase)
FY2012	\$4,389.95, plus a one-time \$97.00 additional allocation (6.61% reduction)
FY2011	\$4,804.60

In March 2016, the State legislature approved a K-12 education package aimed at increasing the statewide average teacher salary, and recruiting and retaining high quality teachers in the state. The state sales tax rate was increased by one-half cent to fund the K-12 education package.

The new K-12 funding formula, effective in FY2017, was based on a target statewide average salary of \$48,500, and was implemented as follows:

- A target student-to-teacher ratio, based on a sliding scale by student enrollment, was calculated for each district. The student-to-teacher ratio for the Dell Rapids School District is 15-1.
- The district's target number of teachers was calculated by dividing the district's fall enrollment by the target student-to-teacher ratio.
- The district's total instructional need was calculated by multiplying the district's target number of teachers by the statewide target for average teacher salary, and by increasing that total by 29% for benefits.
- The total instructional need was increased by 31% to cover non-instructional costs, which include operating costs as well as salaries and benefits of non-instructional staff, such as administrators, guidance counselors, librarians, and school nurses.
- These steps were used to calculate the district's total need for state aid. Local tax effort was applied against total need, and the state provided any necessary funding to achieve the total need.

- Under the K-12 education funding package, schools retain control on how to use the dollars they receive. However, the law required that at least 85% of the increase received in FY2017 be used to enhance certified instructional staff salaries and benefits. The Dell Rapids School District increased teacher salaries in FY2017 by an average of 16%. No accountability provision was legislated for FY2018. In FY2019, schools are accountable to pay average teacher compensation (salaries and benefits) that are greater than, or equal to, average teacher compensation paid in FY2017.

Additional provisions in the new K-12 funding package include:

- The pension levy was abolished, and any moneys remaining in the Pension Fund after FY2020 will be merged into the General Fund.
- Capital Outlay flexibility was broadened and made permanent. 45% of Capital Outlay property tax collections can be transferred to the General Fund for any general fund purpose.
- Future growth in Capital Outlay tax collections are capped to an increase of 3% or inflation, annually, plus new construction.
- Over the next five years, other revenues, including utility gross receipts taxes, county apportionment of revenue from traffic fines, and bank franchise taxes, will be equalized across school districts.

The District's enrollment has increased as follows:

- Fall 2015 – 902
- Fall 2016 – 912
- Fall 2017 – 938
- Fall 2018 – 951

Under the new funding formula, the District received, or will receive, the following General Fund revenue from state aid and taxes:

- FY2017 - \$4,988,750
- FY2018 - \$5,151,123
- FY2019 - \$5,299,361

In September of 2018, the District issued \$985,000 in Capital Outlay certificates to fund a guaranteed energy savings contract. Facility improvements such as energy management, retrofit of lighting, sealing of the building envelope, steam trap repair/replacement, and domestic water fixture efficiency changes will be implemented between September 2018 and August 2019. The contract with Unesco guarantees that utility and operational cost savings over the next fifteen years will at least equal the cost of facility improvements and debt service.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Dell Rapids School District 49-3, 1216 North Garfield Avenue, Dell Rapids, SD 57022.

Dell Rapids School District 49-3
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 7,068,889.24	\$ 269,987.08	\$ 7,338,876.32
Taxes Receivable	2,559,061.52		2,559,061.52
Other Assets	252,618.92		252,618.92
Restricted Assets - Temporarily Restricted			
Cash & Investments Held in Escrow	8,679,086.28		8,679,086.28
Net Pension Asset	20,525.80		20,525.80
Capital Assets:			
Land and Construction in Progress	480,615.75		480,615.75
Other Capital Assets, Net of Depreciation	19,711,987.48	76,339.35	19,788,326.83
TOTAL ASSETS	\$ 38,772,784.99	\$ 346,326.43	\$ 39,119,111.42
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	2,224,957.11		2,224,957.11
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,224,957.11		2,224,957.11
LIABILITIES:			
Accounts Payable	\$ 94,487.59	\$ 4,097.01	\$ 98,584.60
Other Current Liabilities	657,630.08		657,630.08
Unearned Revenue		22,711.30	22,711.30
Noncurrent Liabilities:			
Due Within One Year	983,862.45		983,862.45
Due in More than One Year	22,883,475.20		22,883,475.20
TOTAL LIABILITIES	24,619,455.32	26,808.31	24,646,263.63
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	2,853,785.94	-	2,853,785.94
Pension Related Deferred Inflows	419,104.32	-	419,104.32
TOTAL DEFERRED INFLOWS OF RESOURCES	3,272,890.26	-	3,272,890.26
NET POSITION:			
Net Investment in Capital Assets	5,346,919.42	76,339.35	5,423,258.77
Restricted for:			
Capital Outlay	2,216,924.64		2,216,924.64
Special Education	66,395.02		66,395.02
Debt Service	2,792,348.64		2,792,348.64
Pension	14,152.76		14,152.76
SDRS Pension Purposes	1,826,378.59		1,826,378.59
Unrestricted	842,277.45	243,178.77	1,085,456.22
TOTAL NET POSITION	\$ 13,105,396.52	\$ 319,518.12	\$ 13,424,914.64

The notes to the financial statements are an integral part of this statement.

Dell Rapids School District 49-3
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Expenses	Total
Primary Government:							
Governmental Activities:							
Instruction	\$ 4,518,103.46	\$ -	\$ 379,452.96	\$ -	\$ (4,138,650.50)	\$ -	\$ (4,138,650.50)
Support Services	2,952,881.97	46,876.29	84,746.62		(2,821,259.06)		(2,821,259.06)
Community Services	14,508.59				(14,508.59)		(14,508.59)
Nonprogrammed Charges	33,621.60				(33,621.60)		(33,621.60)
* Interest on Long-term Debt	1,017,103.28		403,574.29		(613,528.99)		(613,528.99)
Cocurricular Activities	477,512.94	54,681.63	35,149.80		(387,681.51)		(387,681.51)
Total Governmental Activities	9,013,731.84	101,557.92	902,923.67	-	(8,009,250.25)		(8,009,250.25)
Business-type Activities:							
Food Service	574,782.09	387,301.69	182,667.19			(4,813.21)	(4,813.21)
Before/After School Programs	220,010.60	208,409.32	20,882.68			9,281.40	9,281.40
Drivers' Education	8,970.98	10,991.08				2,020.10	2,020.10
Athletic Camps	23,818.09	24,373.00				554.91	554.91
ACT Prep	2,627.90	3,075.00				447.10	447.10
Total Business-type Activities:	830,209.66	634,150.09	203,549.87	-	-	7,490.30	7,490.30
Total Primary Government	\$ 9,843,941.50	\$ 735,708.01	\$ 1,106,473.54	\$ -	\$ (8,009,250.25)	\$ 7,490.30	\$ (8,001,759.95)

General Revenues:

Taxes:

Property Taxes	5,385,820.32	5,385,820.32
Utility Taxes	198,093.70	198,093.70

Revenue from State Sources:

State Aid	3,481,430.00	3,481,430.00
Other	223,171.44	223,171.44

Unrestricted Investment Earnings	104,899.65	373.27	105,272.92
Other General Revenues	70,567.69		70,567.69

Total General Revenue	9,463,982.80	373.27	9,464,356.07
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Change in Net Position	1,454,732.55	7,863.57	1,462,596.12
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Net Position - Beginning	11,650,663.97	311,654.55	11,962,318.52
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NET POSITION - ENDING	\$ 13,105,396.52	\$ 319,518.12	\$ 13,424,914.64
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* The district does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

Dell Rapids School District 49-3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Debt Service Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Cash Equivalents	\$ 1,576,978.31	\$ 2,277,870.08	\$ 223,092.30	\$ 638,154.35	\$ 2,122,217.35	\$ 230,576.85	\$ 7,068,889.24
Cash Held with Fiscal Agent				8,679,086.28			8,679,086.28
Taxes Receivable--Current	878,553.01	827,105.34	417,257.84	331,387.65		79,884.92	2,534,188.76
Taxes Receivable--Delinquent	10,632.84	6,878.92	3,453.92	2,857.91		1,049.17	24,872.76
Due from Other Government	251,382.92		1,236.00				252,618.92
TOTAL ASSETS	\$ 2,717,547.08	\$ 3,111,854.34	\$ 645,040.06	\$ 9,651,486.19	\$ 2,122,217.35	\$ 311,510.94	\$ 18,559,655.96
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	\$ 14,736.47	\$ 5,768.98	\$ 27,237.44	\$ -	\$ -	\$ 46,744.70	\$ 94,487.59
Contracts Payable	440,923.64		79,297.10				520,220.74
Payroll Deductions and Withholdings and Employer Matching Payable	113,862.35		23,546.99				137,409.34
Total Liabilities	569,522.46	5,768.98	130,081.53	-	-	46,744.70	752,117.67
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	10,632.84	6,878.92	3,453.92	2,857.91		1,049.17	24,872.76
Unavailable Revenue - Utility Taxes	134,104.44						134,104.44
Taxes Levied for Future Period	939,828.09	889,160.72	448,563.51	356,223.51		85,905.67	2,719,681.50
Total Deferred Inflows of Resources	1,084,565.37	896,039.64	452,017.43	359,081.42	-	86,954.84	2,878,658.70
Fund Balances:							
Restricted:							
Capital Outlay		2,210,045.72					2,210,045.72
Special Education			62,941.10				62,941.10
Pension						68,723.92	68,723.92
Debt Service				9,292,404.77	2,122,217.35	109,087.48	11,523,709.60
Assigned	291,790.00						291,790.00
Unassigned	771,669.25						771,669.25
Total Fund Balances	1,063,459.25	2,210,045.72	62,941.10	9,292,404.77	2,122,217.35	177,811.40	14,928,879.59
TOTAL LAIBILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,717,547.08	\$ 3,111,854.34	\$ 645,040.06	\$ 9,651,486.19	\$ 2,122,217.35	\$ 311,510.94	\$ 18,559,655.96

The notes to the financial statements are an integral part of this statement.

Dell Rapids School District No. 49-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Governmental Funds	\$ 14,928,879.59
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	The cost of capital assets are Accumulated depreciation is Net	\$ 29,940,608.57 <u>(9,748,005.34)</u>	20,192,603.23
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	Bonds CO Certificates Installment Contracts Capital Lease Early Retirement SDSDBF Insurance Deficit Accrued Leave Net	\$ (9,655,000.00) (5,132,244.00) (8,735,000.00) (58,439.81) (54,839.20) (192,312.00) <u>(39,502.64)</u>	(23,867,337.65)
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Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	24,872.76
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Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds	20,525.80
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Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	2,224,957.11
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(419,104.32)
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Net Position - Governmental Funds	<u>\$ 13,105,396.52</u>
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The notes to the financial statements are an integral part of this statement.

Dell Rapids School District 49-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Debt Service Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 1,866,160.01	\$ 1,726,107.95	\$ 880,639.25	\$ 701,332.33	\$ -	\$ 175,006.09	\$ 5,349,245.63
Prior Years' Ad Valorem Taxes	13,099.69	6,027.86	3,021.43	2,530.86		939.80	25,619.64
Tax Deed Revenue	35.60	12.31	5.98	5.83		2.63	62.35
Utility Taxes	198,093.70						198,093.70
Penalties and Interest on Taxes	3,560.98	2,072.93	1,056.08	864.72		274.51	7,829.22
Tuition and Fees:							
Regular Day School Transportation Fees	26,011.00						26,011.00
Other Transportation Fees	16,555.29						16,555.29
Earnings on Investments and Deposits	715.32	3,573.72	46.75	79,556.84	20,631.94	375.08	104,899.65
Cocurricular Activities:							
Admissions	53,881.63						53,881.63
Rentals	800.00						800.00
Other Revenue from Local Sources:							
Rentals	4,698.00						4,698.00
Contributions and Donations	21,598.73	35,935.98					57,534.71
Services Provided Other LEAs	4,310.00						4,310.00
Charges for Services	6,749.79		26,950.88				33,700.67
Other	17,816.52		5,334.47				23,150.99
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	42,718.70						42,718.70
Revenues from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	3,491,168.44						3,491,168.44
Restricted Grants-in-Aid			213,433.00				213,433.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Restricted Grants-in-Aid Received from Federal Government Through the State	175,099.00	1,990.00	231,025.00				408,114.00
Other Federal Revenue		213,299.74		190,274.55		-	403,574.29
Total Revenue	5,943,072.40	1,989,020.49	1,361,512.84	974,565.13	20,631.94	176,598.11	10,465,400.91

Dell Rapids School District 49-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Debt Service Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:							
Instruction:							
Regular Programs:							
Elementary	\$ 1,313,265.61	\$ 51,763.65	\$ -		\$ -	\$ -	\$ 1,365,029.26
Middle/Junior High	1,012,541.99	57,999.00					1,070,540.99
High School	1,083,891.86	76,701.28					1,160,593.14
Special Programs:							
Programs for Special Education		234.90	908,483.76				908,718.66
Culturally Different	28,264.22						28,264.22
Educationally Deprived	91,366.13						91,366.13
Support Services:							
Pupils:							
Attendance and Social Work	5,150.00						5,150.00
Guidance	183,110.38						183,110.38
Health	56,542.24		539.66				57,081.90
Psychological			51,527.65				51,527.65
Speech Pathology			149,780.13				149,780.13
Student Therapy Services			69,550.82				69,550.82
Orientation and Mobility Services			678.49				678.49
Support Services - Instructional Staff:							
Improvement of Instruction	4,449.99		3,427.16				7,877.15
Educational Media	281,510.96	64,305.80					345,816.76
Support Services - General Administration:							
Board of Education	44,412.04						44,412.04
Executive Administration	180,618.24	8,279.41					188,897.65
Support Services - School Administration:							
Office of the Principal	386,013.93	384.97					386,398.90
Other	752.30						752.30
Support Services - Business:							
Fiscal Services	123,076.93	6,053.50					129,130.43
Facilities Acquisitions and Construction		58,585.08					58,585.08
Operation and Maintenance of Plant	824,937.98	7,332.07					832,270.05
Student Transportation	237,703.55	232.13					237,935.68
Internal Services	1,400.96	10,363.20					11,764.16
Support Services - Central:							
Planning							-
Staff	1,240.50						1,240.50
Other	14,785.55						14,785.55
Support Services - Special Education:							
Administrative Costs			50,066.85				50,066.85
Transportation Costs			111,686.60				111,686.60
Other Special Education Costs			1,283.37				1,283.37
Community Services:							
Nonpublic School	4,512.59	9,996.00					14,508.59

Dell Rapids School District 49-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Debt Service Fund	Qualified School Construction Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Nonprogrammed Charges:							
Early Retirement Payments						10,608.80	10,608.80
Debt Services		623,730.91		1,095,232.41		192,285.00	1,911,248.32
Cocurricular Activities:							
Male Activities	80,687.66						80,687.66
Female Activities	60,327.32						60,327.32
Transportation	62,866.55						62,866.55
Combined Activities	118,509.23	21,050.05					139,559.28
Capital Outlay		103,979.41				47,838.70	151,818.11
Total Expenditures	<u>6,201,938.71</u>	<u>1,100,991.36</u>	<u>1,347,024.49</u>	<u>1,095,232.41</u>	<u>-</u>	<u>250,732.50</u>	<u>9,995,919.47</u>
Excess of Revenue Over (Under) Expenditures	<u>(258,866.31)</u>	<u>888,029.13</u>	<u>14,488.35</u>	<u>(120,667.28)</u>	<u>20,631.94</u>	<u>(74,134.39)</u>	<u>469,481.44</u>
Other Financing Sources:							
Transfers In	250,000.00				294,446.00	47,838.70	592,284.70
Transfers Out		(592,284.70)					(592,284.70)
Total Other Financing Sources (Uses)	<u>250,000.00</u>	<u>(592,284.70)</u>	<u>-</u>	<u>-</u>	<u>294,446.00</u>	<u>47,838.70</u>	<u>-</u>
Net Changes in Fund Balances	<u>(8,866.31)</u>	<u>295,744.43</u>	<u>14,488.35</u>	<u>(120,667.28)</u>	<u>315,077.94</u>	<u>(26,295.69)</u>	<u>469,481.44</u>
Fund Balance - Beginning	<u>1,072,325.56</u>	<u>1,914,301.29</u>	<u>48,452.75</u>	<u>9,413,072.05</u>	<u>1,807,139.41</u>	<u>204,107.09</u>	<u>14,459,398.15</u>
FUND BALANCE - ENDING	<u>\$ 1,063,459.25</u>	<u>\$ 2,210,045.72</u>	<u>\$ 62,941.10</u>	<u>\$ 9,292,404.77</u>	<u>\$ 2,122,217.35</u>	<u>\$ 177,811.40</u>	<u>\$ 14,928,879.59</u>

Dell Rapids School District 49-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 469,481.44

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 151,818.11

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (771,208.45)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

Bond	\$	485,000.00	
CO Certificate	\$	290,000.00	
Other Long-Term		119,145.04	
			894,145.04

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statement in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". 3,063.48

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.

Vacation Leave	\$	(14,210.24)	
Early Retirement		(23,012.80)	
			(37,223.04)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (Pension Expense) (SDSDBF Insurance Deficit) 744,655.97

Change in Net Position of Governmental Activities \$ 1,454,732.55

Dell Rapids School District No.49-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 149,073.48	\$ 120,913.60	\$ 269,987.08
Total Current Assets	<u>149,073.48</u>	<u>120,913.60</u>	<u>269,987.08</u>
Noncurrent Assets:			
Machinery and Equipment - Local Funds	143,470.75		143,470.75
Less: Accumulated Depreciation	<u>(67,131.40)</u>		<u>(67,131.40)</u>
Total Noncurrent Assets	<u>76,339.35</u>	<u>-</u>	<u>76,339.35</u>
TOTAL ASSETS	<u><u>\$ 225,412.83</u></u>	<u><u>\$ 120,913.60</u></u>	<u><u>\$ 346,326.43</u></u>
LIABILITIES:			
Accounts Payable	\$ 333.00	\$ 3,764.01	\$ 4,097.01
Unearned Revenues	<u>14,651.30</u>	<u>8,060.00</u>	<u>22,711.30</u>
TOTAL LIABILITIES	<u>\$ 14,984.30</u>	<u>\$ 11,824.01</u>	<u>\$ 26,808.31</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 76,339.35	\$ -	\$ 76,339.35
Unrestricted Net Position	<u>134,089.18</u>	<u>109,089.59</u>	<u>243,178.77</u>
Total Net Position	<u>210,428.53</u>	<u>109,089.59</u>	<u>319,518.12</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 225,412.83</u></u>	<u><u>\$ 120,913.60</u></u>	<u><u>\$ 346,326.43</u></u>

The notes to the financial statements are an integral part of this statement.

Dell Rapids School District No. 49-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
Operating Revenue:			
Sales:			
Student	\$ 376,785.59	\$ -	\$ 376,785.59
Adults	10,504.10		10,504.10
Other Charges for Goods and Services	12.00	230,878.33	230,890.33
Total Operating Revenue	<u>387,301.69</u>	<u>230,878.33</u>	<u>618,180.02</u>
Operating Expenses:			
Food Service:			
Salaries		174,656.17	174,656.17
Employee Benefits	54.00	26,994.79	27,048.79
Purchased Services	509,137.77	29,532.26	538,670.03
Supplies	5,869.89	21,244.35	27,114.24
Cost of Sales - Donated	49,675.76		49,675.76
Other		3,000.00	3,000.00
Depreciation - Local Funds	10,044.67		10,044.67
Total Operating Expenses	<u>574,782.09</u>	<u>255,427.57</u>	<u>830,209.66</u>
Operating Income (Loss)	<u>(187,480.40)</u>	<u>(24,549.24)</u>	<u>(212,029.64)</u>
Nonoperating Revenue:			
Investment Earnings	239.79	133.48	373.27
Other Local Revenue		21,027.68	21,027.68
State Grants	1,974.73	15,825.07	17,799.80
Federal Grants	131,016.70		131,016.70
Donated Food	49,675.76		49,675.76
Total Nonoperating Revenue (Expense)	<u>182,906.98</u>	<u>36,986.23</u>	<u>219,893.21</u>
Change in Net Position	<u>(4,573.42)</u>	<u>12,436.99</u>	<u>7,863.57</u>
Net Position - Beginning	<u>215,001.95</u>	<u>96,652.60</u>	<u>311,654.55</u>
NET POSITION - ENDING	<u>\$ 210,428.53</u>	<u>\$ 109,089.59</u>	<u>\$ 319,518.12</u>

The notes to the financial statements are an integral part of this statement.

Dell Rapids School District No. 49-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 389,397.69	\$ 232,687.25	\$ 622,084.94
Payments to Employees for Services	(54.00)	(201,650.96)	(201,704.96)
Payments to Suppliers of Goods and Services	(514,674.66)	(54,737.88)	(569,412.54)
Net Cash Provided (Used) by Operating Activities	<u>(125,330.97)</u>	<u>(23,701.59)</u>	<u>(149,032.56)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants	132,991.43	36,852.75	169,844.18
Net Cash Flows from Noncapital Financing Activities	<u>132,991.43</u>	<u>36,852.75</u>	<u>169,844.18</u>
Cash Flows from Investing Activities:			
Interest Earnings	239.79	133.48	373.27
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 7,900.25</u>	<u>\$ 13,284.64</u>	<u>\$ 21,184.89</u>
Cash and Cash Equivalents at Beginning of Year	\$ 141,173.23	\$ 107,628.96	\$ 248,802.19
Cash and Cash Equivalents at End of Year	<u>149,073.48</u>	<u>120,913.60</u>	<u>269,987.08</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 7,900.25</u>	<u>\$ 13,284.64</u>	<u>\$ 21,184.89</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$(187,480.40)	\$ (24,549.24)	\$(212,029.64)
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	10,044.67		10,044.67
Value of Donated Commodities Used	49,675.76		49,675.76
Change in Assets and Liabilities:			
Accounts Payable	333.00	(961.27)	(628.27)
Unearned Revenue	2,096.00	1,808.92	3,904.92
Net Cash Provided (Used) by Operating Activities	<u>\$(125,330.97)</u>	<u>\$ (23,701.59)</u>	<u>\$(149,032.56)</u>
Noncash Investing, Capital and Financing Activities:			
Loss on Disposal of Capital Assets Not Affecting Value of Commodities Received	\$ 49,675.76		\$ 49,675.76

The notes to the financial statements are an integral part of this statement

Dell Rapids School District No. 49-3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 109,594.77</u>
TOTAL ASSETS	<u><u>\$ 109,594.77</u></u>
 LIABILITIES:	
Amounts Held for Others	<u>\$ 109,594.77</u>
NET POSITION:	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 109,594.77</u></u>

The notes to the financial statements are an integral part of this statement.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity

The reporting entity of Dell Rapids School District No. 49-3 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with ten other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net Position are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as programs revenues, including all taxes, are presented as general revenues.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - a fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major Fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - a fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund - a fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - a fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Bond Redemption Fund - a fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. Three Bond Redemption Funds are maintained by the School District – the Elementary School Bond Redemption Fund, the Middle School Bond Redemption Fund and the Qualified School Construction Bond Fund. The Elementary School Bond Redemption Fund and the Qualified School Construction Bond Fund are major funds. The Middle School Bond Redemption Fund is not a major fund.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Projects Fund is the only capital projects fund maintained by the School District. This is not a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund - a fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Other Enterprise Fund – a fund used to account for fee based programs such as before/after school programs, drivers' education, athletic camps, and ACT Prep classes. This is not a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs, and clearing accounts.

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 30 days. The revenues which are accrued at June 30, 2018 are:

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Title I reimbursement receivable	\$ 23,144.00
Title IIA reimbursement receivable	\$ 8,657.00
Title IV reimbursement receivable	\$ 2,044.00
Perkins grant reimbursement receivable	\$ 8,420.00
DOC grant reimbursement receivable	\$ 7,901.00
Garretson School shared services reimbursement receivable	\$ 4,310.00
Rural electric utility taxes receivable	\$ 62,802.48
IDEA 611 reimbursement receivable	\$ 1,091.00
IDEA 619 reimbursement receivable	\$ 145.00

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The total June 30, 2018 balance of capital assets for governmental activities includes approximately nine percent for which the costs were determined by estimates of the original cost. The total June 30, 2018 balance of capital assets for business-type activities are valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All Land	----N/A----	----N/A----
Improvements other than Buildings	\$ 15,000.00	Straight-line	20 yrs.
Buildings	\$ 50,000.00	Straight-line	50 yrs.
Building Improvements	\$ 25,000.00	Straight-line	20 yrs.
Machinery and Equipment	\$ 5,000.00	Straight-line	10-15 yrs.
Food Service Equipment	\$ 3,000.00	Straight-line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, South Dakota School District Benefit Fund deficit, capital outlay certificates payable, bonds payable, and installment contracts payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

k. Application of Net Position

It is the School District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

l. Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board or Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Governing Board committed the following fund balance types by taking the following action:

The General Fund Assigned Fund Balance as authorized by the Governing Board is comprised of the following:

Assigned for the Subsequent Year’s Budget	\$291,790.00
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The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

m. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. There were no investments held as of June 30, 2018.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

The actual bank balances at June 30, 2018 are as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 603,902.35
Uninsured, collateral jointly held by state's/School's agent in the name of the state and the pledging financial institution.	
Uninsured, uncollateralized	<u>6,877,947.50</u>
Total Deposits	<u>\$ 7,481,849.85</u>

The School District's carrying amount of deposits at June 30, 2018 was \$7,445,421.09.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been established.

4. INVENTORY

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is current cost, First-In, First-Out (FIFO) basis. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The district's inventory of consumable supplies at June 30, 2018 was not material to the financial statements.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

5. PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

Primary Government

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$480,615.75			\$480,615.75
Construction Work in Progress	1,728,494.84		\$1,728,494.84	-
Total, not being depreciated	2,209,110.59	0.00	0.00	480,615.75
Capital assets, being depreciated:				
Improvements	1,019,303.64	10,009.69		1,029,313.33
Buildings	24,857,349.96	1,821,199.54		26,678,549.50
Machinery and Equipment	1,714,495.87	49,103.72	11,469.60	1,752,129.99
Total, being depreciated	27,591,149.47	1,880,312.95	11,469.60	29,459,992.82
Less accumulated depreciation for:				
Improvements	651,508.77	53,197.74		704,706.51
Buildings	7,338,901.22	567,780.12		7,906,681.34
Machinery and Equipment	997,856.50	150,230.59	11,469.60	1,136,617.49
Total accumulated depreciation	8,988,266.49	771,208.45	11,469.60	9,748,005.34
Total capital assets, being depreciated, net	18,602,882.98	1,109,104.50	0.00	19,711,987.48
Governmental activity capital assets, net	\$ 20,811,993.57	\$ 1,109,104.50	\$ 0.00	\$ 20,192,603.23

** Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 394,047.73
Support Services	216,896.02
Co-curricular Activities	160,264.70
Total depreciation expense - governmental activities	\$ 771,208.45

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Business-type activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 143,470.75			\$ 143,470.75
Less accumulated depreciation for:				
Machinery and Equipment	57,086.73	10,044.67		67,131.40
Total capital assets, being depreciated, net	86,384.02	(10,044.67)	-	76,339.35
Business-type activity capital assets, net	<u>\$ 86,384.02</u>	<u>\$ (10,044.67)</u>	<u>\$ -</u>	<u>\$ 76,339.35</u>

**Depreciation expense was charged to functions as follows:

Business-type activities:	
Food Service - Current Year Depreciation	<u>\$ 10,044.67</u>

There was no Construction Work in Progress on June 30, 2018. \$46,744.60 is being held as a Capital Projects Fund accounts payable pending resolution of a dispute between the general contractor and a plumbing sub-contractor.

7. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 18,875,000.00		\$ 485,000.00	\$ 18,390,000.00	\$ 510,000.00
Capital Outlay Certificates	5,422,244.00		290,000.00	5,132,244.00	290,000.00
SDSDBF Insurance Deficit	254,537.00		62,225.00	192,312.00	64,104.00
SDRS Liability	734,223.09		734,223.09		
Installment Contracts	115,359.85		56,920.04	58,439.81	58,439.81
Total Debt	25,401,363.94	-	1,628,368.13	23,772,995.81	922,543.81
Early Retirement Payable-					
Governmental Funds	31,826.40	33,621.60	10,608.80	54,839.20	21,816.00
Accrued Compensated Absences-					
Governmental Funds	25,292.40	59,831.53	45,621.29	39,502.64	39,502.64
Total Governmental Activities	<u>\$ 25,458,482.74</u>	<u>\$ 93,453.13</u>	<u>\$ 1,684,598.22</u>	<u>\$ 23,867,337.65</u>	<u>\$ 983,862.45</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirement Benefits payable for governmental activities typically have been liquidated from the Pension Fund.

Annual payments of \$294,446.00 are being made into a Sinking Fund for the payment of QSCB certificate principal at maturity in 2025.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

During fiscal year 2017, the School District issued \$8,735,000 in Series 2016 General Obligation Refunding Bonds with an average interest rate ranging from 2-3% to refund the following:

<u>Year Issued</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Unpaid Principal at Time of Refunding</u>
2010	General Obligation Build America Bonds	3.073% to 6.407%	\$ 8,420,000.00

The School District refunded the debt to reduce its total debt service payments over the next 18 years by \$1,047,878.95 and to obtain an economic gain of \$832,602.92.

The net proceeds of \$8,735,000 plus premiums of \$261,636.75 and less discounts and fees of \$137,488.75 and cash payments of \$1,679.83 were deposited in an irrevocable trust with an escrow agent to provide for future debt service requirements on the refunded issuance which will be called effective 1/15/2020 (crossover date). On June 30, 2018 the School District had \$8,679,086.28 on deposit with the escrow agent in this trust to retire \$8,420,000 of old debt still outstanding.

Liabilities payable at June 30, 2018 are comprised of the following:

Primary Government:

Governmental Activities:

Bonds Payable – Payable from Bond Redemption Fund

Series 2010A-2; Build America Bonds; Maturity – 6/30/2035; Interest Rate – 3.073% to 6.407%
Series 2010B; Maturity – 7/1/2019; Interest Rate - .9% to 3.3%
Series 2016; General Obligation Refunding Bonds; Maturity – 6/30/35; Interest Rate – 2.0% to 3.0%

Total	<u>\$18,390,000.00</u>
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Capital Outlay Certificates – Payable from Capital Outlay Fund

2010; Qualified School Construction Bonds; Maturity – 6/1/2025; Interest Rate – 6.05%
2012; Refunding Certificates; Maturity – 7/15/2019; Interest Rate - .75% to 1.7%
2016; Maturity – 12/15/2025; Interest Rate – 1.0% to 2.25%

Total	<u>\$5,132,244.00</u>
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Insurance Deficit Payable

SDSDBF Insurance Deficit Payable

Payment due October 1, 2017, 2018, 2019, 2020; 1.5% Interest Rate

Payable from General Fund	\$ 150,655.00
Payable from Special Education Fund	\$ 37,113.00

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Early Retirement Benefits Payable

Teachers retiring between the ages of 55 and 62, with 20 years of service in the District, may elect to apply for a retirement incentive. Up to three teachers per year may take the retirement incentive. Each teacher granted the retirement incentive receives an employer contribution to a 403(b) on-ERISA employer funded plan of 60% of his/her last year's teaching salary. The benefit is paid in three equal annual installments, beginning the year following retirement. Because the retirement is limited to three teachers per year, the maximum number of teachers receiving payment in any given school year is nine.

The annual amount payable in July 2018, and July 2019 for two retired teachers is \$21,816.00. The amount payable in July 2020 for one retired teacher is \$11,207.20.

Total \$ 54,839.20

Compensated Absences

Accrued vacation leave for full-time employees from General Fund.

Total \$ 39,502.64

Primary Government:

Governmental Activities:

The annual debt service requirements to maturity, except for compensated absences and SDRS liability, for all debt outstanding as of June 30, 2018 are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2018

Year Ending June 30,	Capital Outlay Certificates		General Obligation Bonds		Installment Contracts		SDSDBF Insurance Deficit		Early Retirement Benefits Payable		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	290,000	267,211	510,000	780,249	58,440	1,560	64,104		21,816		944,360	1,049,020
2020	95,000	262,661	350,000	497,189			64,103		21,816		530,919	759,850
2021	100,000	261,193	8,900,000	216,226			64,103		11,207		9,075,310	477,419
2022	100,000	259,493	485,000	199,725							585,000	459,218
2023	105,000	251,541	510,000	189,775							615,000	441,316
2024-2028	4,442,244	515,625	2,825,000	785,725							7,267,244	1,301,350
2029-2033			3,310,000	451,563							3,310,000	451,563
2034-2035			1,500,000	45,450							1,500,000	45,450
TOTALS	\$ 5,132,244	\$ 1,817,724	\$ 18,390,000	\$ 3,165,902	\$ 58,440	\$ 1,560	\$ 192,310	\$ -	\$ 54,839	\$ -	\$ 23,827,833	\$ 4,985,186

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

8. OPERATING LEASES

The District has a new four-year lease for seven Savin MP6503 copier/printers beginning in July 2017, with a monthly payment of \$863.60 from the Capital Outlay Fund.

The following are the minimum payments required for the July 2017 to July 2021 operating leases:

<u>Year</u>	<u>Capital Outlay Fund Amount</u>
FY2019	\$11,563.20
FY2020	\$11,563.20
FY2021	\$11,563.20

9. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

There were no interfund receivable or payable balances on June 30, 2018.

There were three interfund transfers for the year ended June 30, 2018.

A transfer for \$294,446.00 was made from the Capital Outlay Fund to a Debt Service Fund. The purpose of the transfer was to make the seventh of fourteen payments into a sinking fund for the 2025 redemption of \$4,122,244.00 in Qualified School Construction bond principal.

A transfer of \$47,838.70 was made from the Capital Outlay Fund to the Capital Projects Fund for construction of a high school addition and renovations.

A transfer of \$250,000.00 was made from the Capital Outlay Fund to the General Fund for operating expenses.

10. RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2018 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Special Education	Law	\$ 66,395.02
Capital Outlay	Law	2,216,924.64
Pension	Law	14,152.76
SDRS Pension Purposes	Law	1,826,378.59
Debt Service	Debt Covenants	<u>2,792,348.64</u>
Total Restricted Net Position		<u>\$ 6,916,199.65</u>

These balances are restricted due to federal grant and statutory requirements.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

11. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
 - 80.0 % to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% – 2.1% COLA

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The Increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAS, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2018, 2017, and 2016, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2018	\$284,454.85
2017	\$275,726.58
2016	\$247,986.99

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions: -

At June 30, 2017, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2017 and reported by the School District as of June 30, 2018 are as follows:

Proportionate share of pension liability	\$26,315,599.76
Less proportionate share of net pension restricted for pension benefits	<u>\$26,336,125.55</u>
Proportionate share of net pension (asset)	<u>\$ (20,525.79)</u>

At June 30, 2018, the School District reported a asset of \$20,525.79 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017 the School District's proportion was 0.22617690% which is an increase of 0.0088162% from its proportion measured as of June 30, 2016.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018, the School District recognized a reduction of pension expense of \$460,201.12. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 328,879.55	\$ -
Changes in assumption.	\$ 1,593,699.73	\$ -
Net Difference between projected and actual earnings on pension plan investments.	\$ -	\$ 394,628.63
Changes in proportion and difference between District contributions and proportionate share of contributions.	\$ 17,923.02	\$ 24,475.69
School District contributions subsequent to the measurement date.	\$ 284,454.85	\$ -
TOTAL	<u>\$2,224,957.15</u> =====	<u>\$ 419,104.31</u> =====

\$284,454.85 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended June 30:

2019	\$ 417,575.78
2020	\$ 695,052.00
2021	\$ 505,746.83
2022	\$ (96,976.62)
TOTAL	<u>\$ 1,521,397.99</u> =====

Actuarial Assumptions:

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00%
Discount Rate	6.50% net of plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%

Total	100%	
	=====	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$3,759,294.28	\$(20,525.79)	\$(3,098,528.52)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

12. POST EMPLOYMENT HEALTH CARE PLAN

The School District pays a set rate toward medical insurance premiums for current employees.

Eligible retirees and their qualified dependents are allowed to continue with the School District's group medical and/or dental insurance coverage until age 65. An eligible retiree must have retired on or before the end of the 2014-2015 school year, qualified for benefits under the South Dakota Retirement System Rule of 85, and have been a participant in the insurance plan for the 12 months immediately prior to retirement. Retirees continuing with the School District's group health insurance coverage pay 100% of the insurance premium.

13. JOINT VENTURES

The School District participates in the joint venture known as Prairie Lakes Educational Cooperative formed for the purpose of providing special education services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Baltic	8%
Chester	6%
Colman-Egan	5%
Dell Rapids	15%
Flandreau	15%
Garretson	6%
Howard	8%
Madison Central	15%
Oldham - Ramona	4%
Rutland	3%
Tri-Valley	15%

The Prairie Lakes Educational Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the cooperative's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the Net Position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

At June 30, 2018, this joint venture had total assets of \$124,771.17, total liabilities of \$68,928.35 and a net position of \$55,842.82.

The Baltic School District, Chester School District, and Dell Rapids St. Mary School participate in a wrestling sports cooperative with the Dell Rapids School District. The Baltic School District provides \$500.00 for expenses and the Chester School District provides an assistant coach.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

The Dell Rapids School District participates in a girls' soccer cooperative with the Garretson School District. The Dell Rapids School District pays a prorated share of expenses based on the number of Dell Rapids School soccer participants.

14. RISK MANAGEMENT

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2018, the school district managed its risks as follows:

Employee Health Insurance

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity self-insured risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. During FY2018, five coverage plans were offered with deductibles ranging from \$1,000 per person/\$2,000 per family up to \$3,500 per person/\$7,000 per family. The plans also provide for coinsurance of 80 percent with a maximum of \$6,450 per person/\$12,900 per family.

The school district does not carry additional health insurance coverage to pay claims in excess of this upper limit.

Liability Insurance

The school district purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The School District pays an annual premium to provide workers' compensation for its employees under a retrospectively rated policy, and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchase by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceed the liability coverage over the past three years.

Unemployment Benefits

The school district has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2018, no claims were filed for unemployment benefits. \$2,500.00 has been budgeted for unemployment benefits that may be filed in the next fiscal year.

15. SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2018, the School District was involved in one lawsuit. No determination can be made at this time regarding the potential outcome of this lawsuit. However, as discussed in the Risk Management note, the School District has liability coverage for itself and its employees with EMC Insurance. Therefore, no material effects are anticipated to the School District as a result of the potential outcome of these lawsuits.

16. SIGNIFICANT CONTINGENCIES – BENEFITS FUND

The School District is a member of the South Dakota School District Benefits Fund (SDSDBF) which had a significant deficit position at the end of June 2015. The SDSDBF assessed the School District for its share of the deficit which has been determined to be \$192,312. This amount is reflected as a long-term liability in the government-wide financial statements.

17. SUBSEQUENT EVENTS

The School District accepted a proposal from Unesco for a guaranteed energy savings project in which the School District will incur enough energy savings over the next 15 years to completely pay for the total cost of the project or Unesco will reimburse the School for the difference. The total cost of the project is \$963,762.50 and the School plans to fund the project by issuing \$985,000 in Capital Outlay Certificates.

Management has evaluated subsequent events to March 15, 2019, the date which the financial statements were available to be issued, and determined that no other events occurring subsequent to the end of the fiscal year merit recognition or disclosure in these statements.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,847,192.00	\$ 1,887,192.00	\$ 1,866,160.01	\$ (21,031.99)
Prior Years' Ad Valorem Taxes			13,099.69	13,099.69
Tax Deed Revenue			35.60	35.60
Utility Taxes	183,000.00	183,000.00	198,093.70	15,093.70
Penalties and Interest on Taxes	4,000.00	4,000.00	3,560.98	(439.02)
Tuition and Fees:				
Regular Day School Transportation Fees	21,000.00	21,000.00	26,011.00	5,011.00
Other Transportation Fees	16,000.00	16,000.00	16,555.29	555.29
Earning Investments and Deposits	1,000.00	1,000.00	715.32	(284.68)
Cocurricular Activities:				
Admissions	48,000.00	48,000.00	53,881.63	5,881.63
Rentals	1,000.00	1,000.00	800.00	(200.00)
Other Revenue from Local Sources:				
Rentals	1,200.00	1,200.00	4,698.00	3,498.00
Contributions and Donations	15,500.00	21,386.81	21,598.73	211.92
Services Provided Other School Districts		4,310.00	4,310.00	-
Charges for Services	5,000.00	5,000.00	6,749.79	1,749.79
Other	4,000.00	4,225.00	17,816.52	13,591.52
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	50,000.00	50,000.00	42,718.70	(7,281.30)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	3,356,019.00	3,456,019.00	3,491,168.44	35,149.44
Restricted Grants-in-Aid			-	-
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	100.00	100.00	-	(100.00)
Restricted Grants-in-Aid Received from Federal Government Through the State	171,525.00	199,178.00	175,099.00	(24,079.00)
Total Revenue	\$ 5,724,536.00	\$ 5,902,610.81	\$ 5,943,072.40	\$ 40,461.59

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 1,332,073.00	\$ 1,332,806.46	\$ 1,313,265.61	\$ 19,540.85
Middle/Junior High	1,036,614.00	1,036,614.00	1,012,541.99	24,072.01
High School	1,098,613.00	1,099,588.46	1,083,891.86	15,696.60
Special Programs:				
Culturally Different	24,197.00	28,507.00	28,264.22	242.78
Educationally Deprived	112,164.00	112,164.00	91,366.13	20,797.87
Support Services:				
Pupils:				
Attendance and Social Work	5,150.00	5,150.00	5,150.00	-
Guidance	147,631.00	183,284.00	183,110.38	173.62
Health	57,104.00	57,104.00	56,542.24	561.76
Support Services - Instructional Staff:				
Improvement of Instruction	13,050.00	13,050.00	4,449.99	8,600.01
Educational Media	281,104.00	284,484.95	281,510.96	2,973.99
Support Services - General Administration:				
Board of Education	42,950.00	45,750.00	44,412.04	1,337.96
Executive Administration	177,996.00	180,796.00	180,618.24	177.76
Support Services - School Administration:				
Office of the Principal	385,553.00	386,553.00	386,013.93	539.07
Other	-	1,000.00	752.30	247.70
Support Services - Business:				
Fiscal Services	117,436.00	124,336.00	123,076.93	1,259.07
Operation and Maintenance of Plant	845,647.00	857,647.00	824,937.98	32,709.02
Pupil Transportation	229,557.00	237,557.00	237,703.55	(146.55)
Internal Services	3,200.00	3,200.00	1,400.96	1,799.04
Support Services - Central:				
Staff	1,450.00	1,450.00	1,240.50	209.50
Other	19,440.00	19,440.00	14,785.55	4,654.45
Community Services:				
Nonpublic School	7,781.00	7,781.00	4,512.59	3,268.41
Nonprogrammed Charges:				
Payments to State - Unemployment	2,500.00	2,500.00	-	2,500.00

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Cocurricular Activities:				
Male Activities	\$ 82,054.00	\$ 82,054.00	\$ 80,687.66	\$ 1,366.34
Female Activities	62,281.00	63,481.00	60,327.32	3,153.68
Transportation	61,504.00	63,825.94	62,866.55	959.39
Combined Activities	124,907.00	124,907.00	118,509.23	6,397.77
Contingencies	50,000.00	5,000.00		5,000.00
Total Expenditures	6,321,956.00	6,360,030.81	6,201,938.71	158,092.10
Excess of Revenue Over (Under) Expenditures	(597,420.00)	(457,420.00)	(258,866.31)	198,553.69
Other Financing Sources				
Transfers In	250,000.00	250,000.00	250,000.00	-
Total Other Financing Sources	250,000.00	250,000.00	250,000.00	-
Net Change in Fund Balance	(347,420.00)	(207,420.00)	(8,866.31)	198,553.69
Fund Balance - Beginning	1,072,325.56	1,072,325.56	1,072,325.56	-
FUND BALANCE - ENDING	\$ 724,905.56	\$ 864,905.56	\$ 1,063,459.25	\$ 198,553.69

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Capital Outlay Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,754,892.00	\$ 1,754,892.00	\$ 1,726,107.95	\$ (28,784.05)
Prior Years' Ad Valorem Taxes			6,027.86	6,027.86
Tax Deed Revenue			12.31	12.31
Penalties and Interest on Taxes	1,500.00	1,500.00	2,072.93	572.93
Earning Investments and Deposits	1,500.00	1,500.00	3,573.72	2,073.72
Other Revenue from Local Sources:				
Contributions and Donations	20,000.00	37,153.00	35,935.98	(1,217.02)
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State		1,990.00	1,990.00	-
Other Federal Revenue	212,614.00	212,614.00	213,299.74	685.74
Total Revenue	\$ 1,990,506.00	\$ 2,009,649.00	\$ 1,989,020.49	\$ (20,628.51)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 76,150.00	\$ 76,150.00	\$ 51,763.65	\$ 24,386.35
Middle/Junior High	75,250.00	75,250.00	57,999.00	17,251.00
High School	90,170.00	90,170.00	76,701.28	13,468.72
Special Programs:				
Programs for Special Education	4,500.00	4,500.00	234.90	4,265.10
Support Services - Instructional Staff:				
Educational Media	98,807.00	100,023.78	84,652.52	15,371.26
Support Services - General Administration:				
Executive Administration	5,375.00	5,375.00	8,279.41	(2,904.41)
Support Services - School Administration:				
Office of the Principal	1,125.00	1,125.00	384.97	740.03
Other	375.00	375.00	-	375.00
Support Services - Business:				
Fiscal Services	5,875.00	5,875.00	6,053.50	(178.50)
Facilities Acquisition and Construction	145,000.00	146,990.00	113,460.77	33,529.23
Operation and Maintenance of Plant	35,000.00	35,000.00	30,490.07	4,509.93
Student Transportation Services	3,000.00	3,000.00	232.13	2,767.87
Internal Services	10,364.00	10,364.00	10,363.20	0.80

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Capital Outlay Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Community Services Nonpublic School	10,000.00	10,000.00	9,996.00	4.00
Debt Services	624,184.00	624,184.00	623,730.91	453.09
Cocurricular Activities: Combined Activities	10,325.00	26,261.22	26,649.05	(387.83)
Total Expenditures	1,195,500.00	1,214,643.00	1,100,991.36	113,651.64
Excess of Revenue Over (Under) Expenditures	795,006.00	795,006.00	888,029.13	93,023.13
Other Financing Sources: Transfers Out	(564,446.00)	(592,285.00)	(592,284.70)	0.30
Total Other Financial Sources (Uses)	(564,446.00)	(592,285.00)	(592,284.70)	0.30
Net Change in Fund Balance	230,560.00	202,721.00	295,744.43	93,023.43
Fund Balance - Beginning	1,914,301.29	1,914,301.29	1,914,301.29	-
FUND BALANCE - ENDING	<u>\$ 2,144,861.29</u>	<u>\$ 2,117,022.29</u>	<u>\$ 2,210,045.72</u>	<u>\$ 93,023.43</u>

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Special Education Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 846,411.00	\$ 846,411.00	\$ 880,639.25	\$ 34,228.25
Prior Years' Ad Valorem Taxes			3,021.43	3,021.43
Tax Deed Revenue			5.98	5.98
Penalties and Interest on Taxes	750.00	750.00	1,056.08	306.08
Earning Investments and Deposits	10.00	10.00	46.75	36.75
Other Revenue from Local Sources:				
Charges for Services	15,900.00	15,900.00	26,950.88	11,050.88
Other			5,334.47	5,334.47
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	518,180.00	518,180.00	213,433.00	(304,747.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	231,025.00	231,025.00	231,025.00	-
Total Revenue	\$ 1,612,276.00	\$ 1,612,276.00	\$ 1,361,512.84	\$ (250,763.16)
Expenditures:				
Special Programs:				
Programs for Special Education	\$ 1,019,172.00	\$ 1,019,172.00	\$ 908,483.76	\$ 110,688.24
Support Services:				
Pupils:				
Health	25,000.00	25,000.00	539.66	24,460.34
Psychological	48,159.00	48,159.00	51,527.65	(3,368.65)
Speech Pathology	168,330.00	168,330.00	149,780.13	18,549.87
Student Therapy Services	120,000.00	120,000.00	69,550.82	50,449.18
Orientation and Mobility Services			678.49	(678.49)
Support Services - Instructional Staff:				
Improvement of Instruction	5,873.00	5,873.00	3,427.16	2,445.84
Support Services - Special Education:				
Administrative Costs	62,138.00	62,138.00	50,066.85	12,071.15
Transportation Costs	119,604.00	119,604.00	111,686.60	7,917.40
Other Special Education Costs	44,000.00	44,000.00	1,283.37	42,716.63
Total Expenditures	1,612,276.00	1,612,276.00	1,347,024.49	265,251.51
Excess of Revenue Over (Under) Expenditures	-	-	14,488.35	14,488.35
Fund Balance - Beginning	48,452.75	48,452.75	48,452.75	-
FUND BALANCE - ENDING	\$ 48,452.75	\$ 48,452.75	\$ 62,941.10	\$ 14,488.35

The notes to the required supplementary schedules are an integral part of this schedule.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and each major Special Revenue Fund with a legally required budget.

1. Budgets and Budgetary Accounting:

The School District followed these procedures in establishing the budgetary data reflected in the schedules:

1. Prior to the first regular board meeting in May of each year, the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

Required Supplementary Information
Dell Rapids School District 49-3
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
South Dakota Retirement System
(Dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.2261769%	0.2173607%	0.2204587%	0.2277243%
District's proportionate share of net pension liability (asset)	\$ (21)	\$ 734	\$ (935)	\$ (1,641)
District's covered-employee payroll	\$ 4,595	\$ 4,133	\$ 4,025	\$ 3,982
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.46%	17.76%	23.23%	41.21%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.01%	96.89%	104.10%	107.30%

2

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

Required Supplementary Information
Dell Rapids School District 49-3
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System
(Dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 284	\$ 276	\$ 248	\$ 241
Contributions in relation to the contractually required contribution	<u>\$ 284</u>	<u>\$ 276</u>	<u>\$ 248</u>	<u>\$ 241</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,741	\$ 4,595	\$ 4,133	\$ 4,025
Contributions as a percentage of covered-employee payroll	5.99%	6.01%	6.00%	5.99%

Dell Rapids School District

Quarrier Pride...We Empower Each Other to Excel

Administration:

Dr. Summer Schultz, Superintendent
Drew Bunkers, 9-12 Principal
Francis Ruesink, 5-8 Principal
Julie Wynja, Special Education Director/K-4 Principal
Jeff Krumm, Technology Director
Jeff Dvorak, Activities Director/Facility Manager
Barb Littel, Business Manager

Board of Education:

Matt Weiland, President
Troy Randall, Vice President
Jacque LeBrun
Jody Schumaker
Jeff Traill

March 15, 2019

To Whom It May Concern:

This letter is in response to the following audit finding:

Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data.

This reportable condition exists due to a lack of segregation of duties in the Dell Rapids School District. It is a result of the size of the school district which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Since it is not feasible financially for the district to take corrective action that would remove this comment as an audit finding, specific actions that are being implemented as compensating controls include:

- The superintendent reviews bank statements for unusual transactions and examine the monthly bank reconciliation. The superintendent also compares bank statement balances, bank reconciliation balances, and balance sheet reports.
- Salaries are entered into the payroll accounting system by the business manager. The administrative secretary verifies entries against written contracts (signed by the school board president) and salaries published in the board minutes.
- Monthly payroll is run by the business manager. The administrative secretary packages and mails pay stubs to employees.
- Classified staff utilize a computerized time clock system. Weekly time clock reports are processed by the administrative secretary and reviewed by the business manager. Supervisors have view-only access to time cards.
- Direct deposit payroll processing is limited at the bank to a level sufficient only for normal payroll amounts.
- If grant funds are used for program supplies, requisitions are entered online, approved by the building principal and the business manager, and purchase orders are generated by the administrative secretary for the business manager's signature. The administrative secretary checks in packages and enters invoices for accounts payable. The school board approves payment of invoices, the business manager prints checks, and the administrative secretary packages/mailed checks.
- Detailed expenditure reports are uploaded to the DOE Grants Management System when the business manager processes requests for reimbursement. Reimbursements are made by direct deposit into the school district bank account.
- An itemized listing of claims is sent to the superintendent and school board members prior to each board meeting. Claims, with supporting documentation, are available for board review at the school board meeting.
- The superintendent, building principals, special education director, facility manager, activities director, and technology director have view-only access to financial reports via the accounting system's weblink.

Barbara Littel

Barbara Littel
Business Manager