

**FLANDREAU SCHOOL DISTRICT NO. 50-3**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2018**

**QUAM, BERGLIN & POST, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2018**

**School Board**

Darren Hamilton

Matt Lacey

Tricia LeBrun

Kelly Kontz

Tom Stenger

Kari Burggraff

Brian Johnson

**Superintendent**

Rick Weber

**Business Manager**

Lisa Sanderson

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Flandreau School District No. 50-3  
Moody County, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Flandreau School District No. 50-3, Moody County, 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 control 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, business-type activities, each major fund, and the aggregate remaining fund information of Flandreau School District No. 50-3 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 Pension Schedules, and Budgetary Comparison Schedules 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Flandreau School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of 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 Flandreau School District's internal control over financial reporting and compliance.

*Quam, Berglin & Post P.C.*

Quam, Berglin & Post, P.C.  
Certified Public Accountants

February 28, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Flandreau School District #50-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2018. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's net position from governmental fund activities is \$11,433,997.34 and business type activities is \$181,082.94. The total net position for governmental and business-type activities is \$11,615,080.28. This also includes the GASB 68 activity for SDRS.
- During the year, per the Statement of Activities, the School's revenues generated from taxes and other revenues of the governmental activities were more than the \$7,343,391.89 governmental activities expenditures, resulting in a net increase of \$1,255,430.08. This also includes a revenue increase for GASB 68 activity for SDRS. The business-type activities revenues generated \$23,441.73 more than the business-type activities expenditures of \$384,451.63.
- In the Capital Outlay Fund, revenues exceeded expenditures by \$371,902.51. The Capital Outlay's fund balance increased from \$408,058.88 to \$779,961.39. This is due to underspending the budget for future needs.
- The Impact Aid fund is maintained separately throughout the year and at year-end it is blended with the General Fund for reporting purposes. During FY 2018 Impact Aid funds were transferred to the General Fund in the amount of \$260,160.
- The total cost of the School's General Fund programs increased by 2.3% and the total cost of the School's Special Education Fund programs increased by 2.4%. The General Fund's cost increase included additional staffing, salaries/benefits, federal funded expenses, etc. Special Education cost increase involves staffing, salaries/benefits and purchased services which are driven by individual student needs.
- The District reduced its General Obligation Bond indebtedness \$240,000. G.O. Bond debt payable on June 30, 2018, was \$770,000.
- The District decreased its Capital Outlay Certificate indebtedness \$225,000. Capital Outlay Certificates payable on June 30, 2018, were \$4,740,000.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual 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 School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how basic services, e.g., regular and special education, 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 a business and the activities that provide services for its other programs and activities, i.e., internal service activities. The District has two business-type activities which are Food Service and Drivers Education.
  - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent of resources that belong to others, e.g., student clubs (agency funds) and scholarships (trust funds).

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 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

## Required Components of Flandreau School's Annual Financial Report

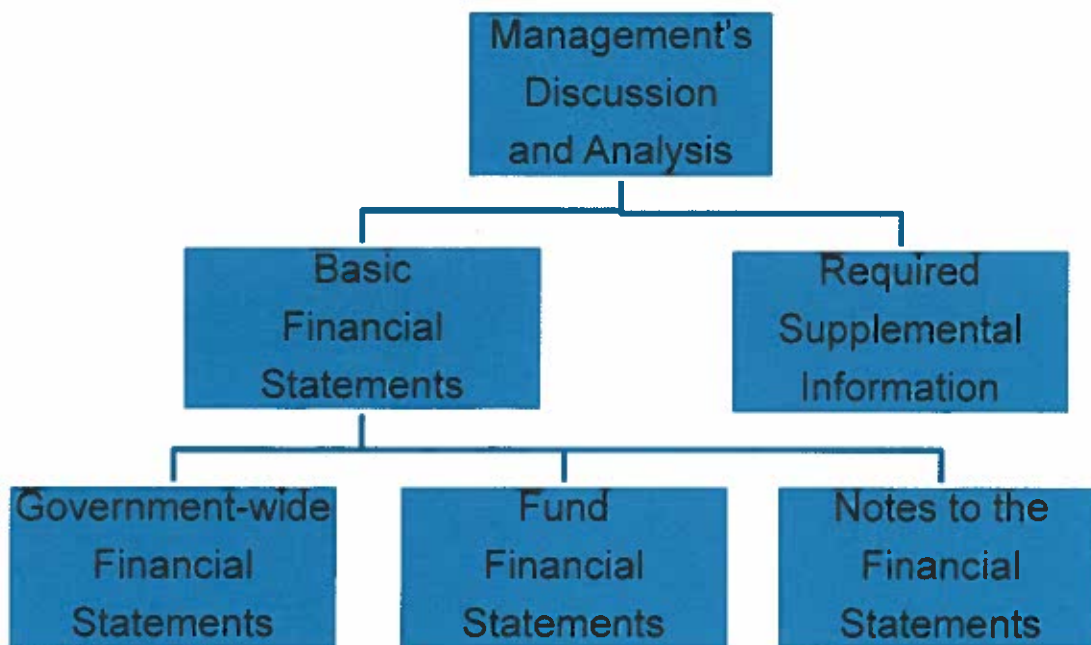




Figure A-2 summarizes the major features of the School's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2**  
Major Features of Flandreau School's Government-wide and Fund Financial Statements

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire School government (except for fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
<b>Required Financial Statements</b>	*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 *Statement of Cash Flows	*Statement of Net Position *Statement of Changes in Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/Liability Information</b>	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 School's funds do not currently contain capital assets although they can
<b>Type of Inflow/Outflow Information</b>	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 District'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, i.e., the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating.
- To assess the overall financial health of the District, additional factors, e.g., changes in the District's property tax base and changes in the state school aid funding formula, also need to be considered.

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, middle and high school educational programs, support services (guidance, executive administration, school board, fiscal services, etc.), debt service payments, extracurricular activities (sports, speech, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- **Business-type Activities** - The District has 2 business-type activities: Food Service and Drivers Education. The District charges a fee to students to help cover the costs of providing food services to all students and for also providing Drivers Education summer instruction to students.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's most significant or "major" funds rather than 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 funds.
- The District's School Board establishes other funds to control and manage money for particular purposes, e.g., various scholarship trust funds.

The School has three generic fund types:

- **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 the reader determine if 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, additional information is provided on a subsequent page that explains relationship and reconciles the differences between the fund financial statements and the governmental-wide statements.
- **Proprietary Funds** - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide

statements, provide both short-and long-term financial information. The District uses enterprise funds (type of proprietary fund) to report the activities of its Food Service Program and Drivers Education Program.

- **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 fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### COMBINED NET POSITION

The School's combined net position increased as follows:

Table A-1  
FLANDREAU SCHOOL DISTRICT #50-3  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018
Current and Other Assets	\$ 4,198,850.36	\$ 4,745,750.66	\$ 131,201.11	\$ 146,760.24	\$ 4,330,051.47	\$ 4,892,510.90
Capital Assets	13,031,546.17	12,803,979.68	33,172.45	44,058.85	13,064,718.62	12,848,038.53
<b>Total Assets</b>	<b>17,230,396.53</b>	<b>17,549,730.34</b>	<b>164,373.56</b>	<b>190,819.09</b>	<b>17,394,770.09</b>	<b>17,740,549.43</b>
Pension Related Deferred Outflows	1,418,463.77	1,723,255.70			1,418,463.77	1,723,255.70
Loss on Refunding Debt	329,545.48	293,909.12			329,545.48	293,909.12
<b>Total Deferred Outflows of Resource</b>	<b>1,748,009.25</b>	<b>2,017,164.82</b>			<b>1,748,009.25</b>	<b>2,017,164.82</b>
Long-Term Debt Outstanding	6,563,129.43	5,568,008.93			6,563,129.43	5,568,008.93
Other Liabilities	677,448.22	730,882.17	6,732.35	9,736.15	684,180.57	740,618.32
<b>Total Liabilities</b>	<b>7,240,577.65</b>	<b>6,298,891.10</b>	<b>6,732.35</b>	<b>9,736.15</b>	<b>7,247,310.00</b>	<b>6,308,627.25</b>
Pension Related Deferred Inflows	14,089.11	326,262.27			14,089.11	326,262.27
Taxes Levied for a Future Period	1,545,171.76	1,507,744.46			1,545,171.76	1,507,744.46
<b>Total Deferred Inflows of Resources</b>	<b>1,559,260.87</b>	<b>1,834,006.73</b>			<b>1,559,260.87</b>	<b>1,834,006.73</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	7,386,091.65	7,587,888.80	33,172.45	44,058.85	7,419,264.10	7,631,947.65
Restricted	1,389,328.62	2,348,302.61			1,389,328.62	2,348,302.61
Unrestricted	1,403,146.99	1,497,805.93	124,468.76	137,024.09	1,527,615.75	1,634,830.02
<b>Total Net Position</b>	<b>\$ 10,178,567.26</b>	<b>\$ 11,433,997.34</b>	<b>\$ 157,641.21</b>	<b>\$ 181,082.94</b>	<b>\$ 10,336,208.47</b>	<b>\$ 11,615,080.28</b>
Increase (Decrease) in Net Position	131,835.87	1,255,430.08	11,939.34	23,441.73	143,775.21	1,278,871.81
Adjusted Beginning Net Position	10,046,731.39	10,178,567.26	145,701.87	157,641.21	10,192,433.26	10,336,208.47
Ending Net Position	<b>\$ 10,178,567.26</b>	<b>\$ 11,433,997.34</b>	<b>\$ 157,641.21</b>	<b>\$ 181,082.94</b>	<b>\$ 10,336,208.47</b>	<b>\$ 11,615,080.28</b>
Percentage of Increase (Decrease) in Net Position	1.31%	12.33%	8.19%	14.87%	1.41%	12.37%

This section explains the differences between the current and prior year's assets, liabilities, and changes in net position.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities 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 District, consisting of construction bond and capital outlay certificates indebtedness, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

## CHANGES IN NET POSITION

This section shows a comparison of assets, liabilities and net position and provides explanations for significant differences. Changes that occurred from FY 2017 to FY 2018 are as follows: Increase in revenue due to the following: Property taxes, state aid, federal grants and GASB 34 SDRS (charges for services). Increase in expenditures due to the following: co-curricular, SE purchased services and debt services expenses. Food Service purchased equipment.

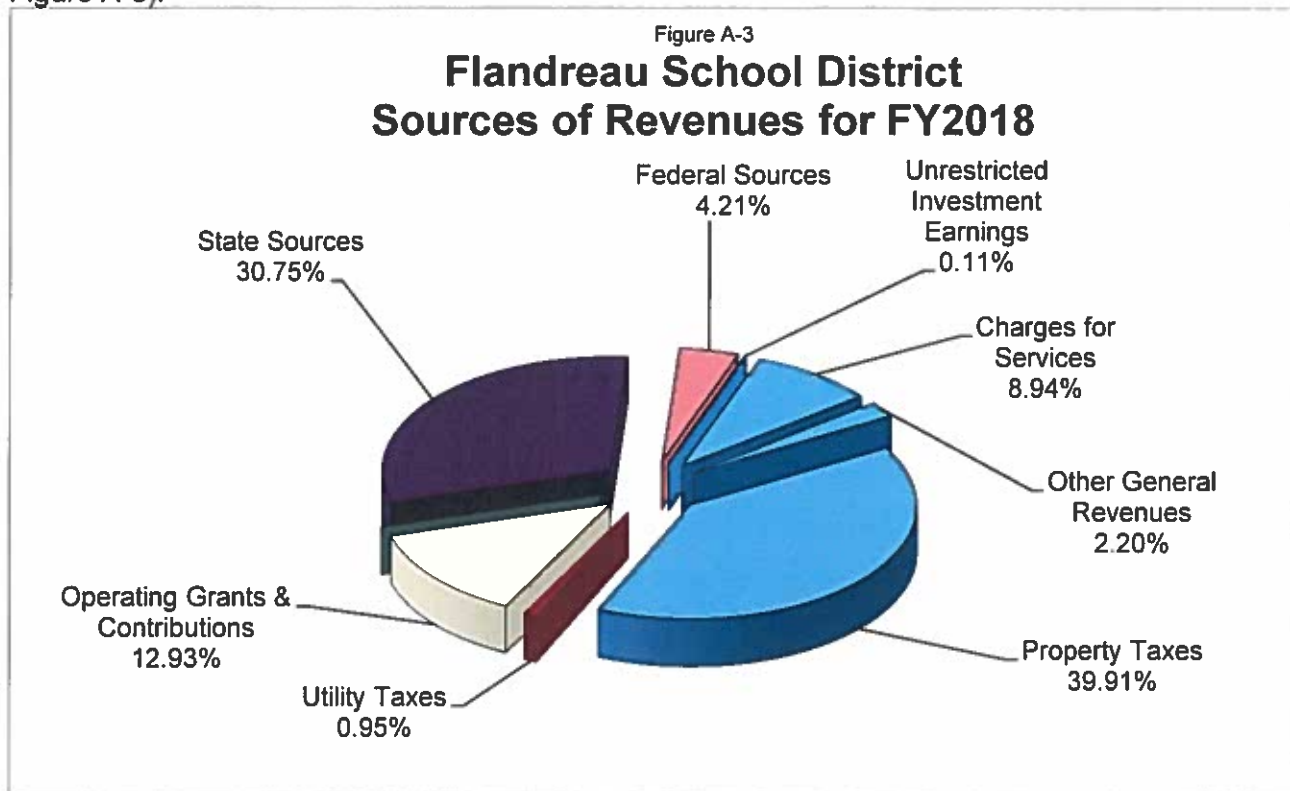
## GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the government-wide activities.

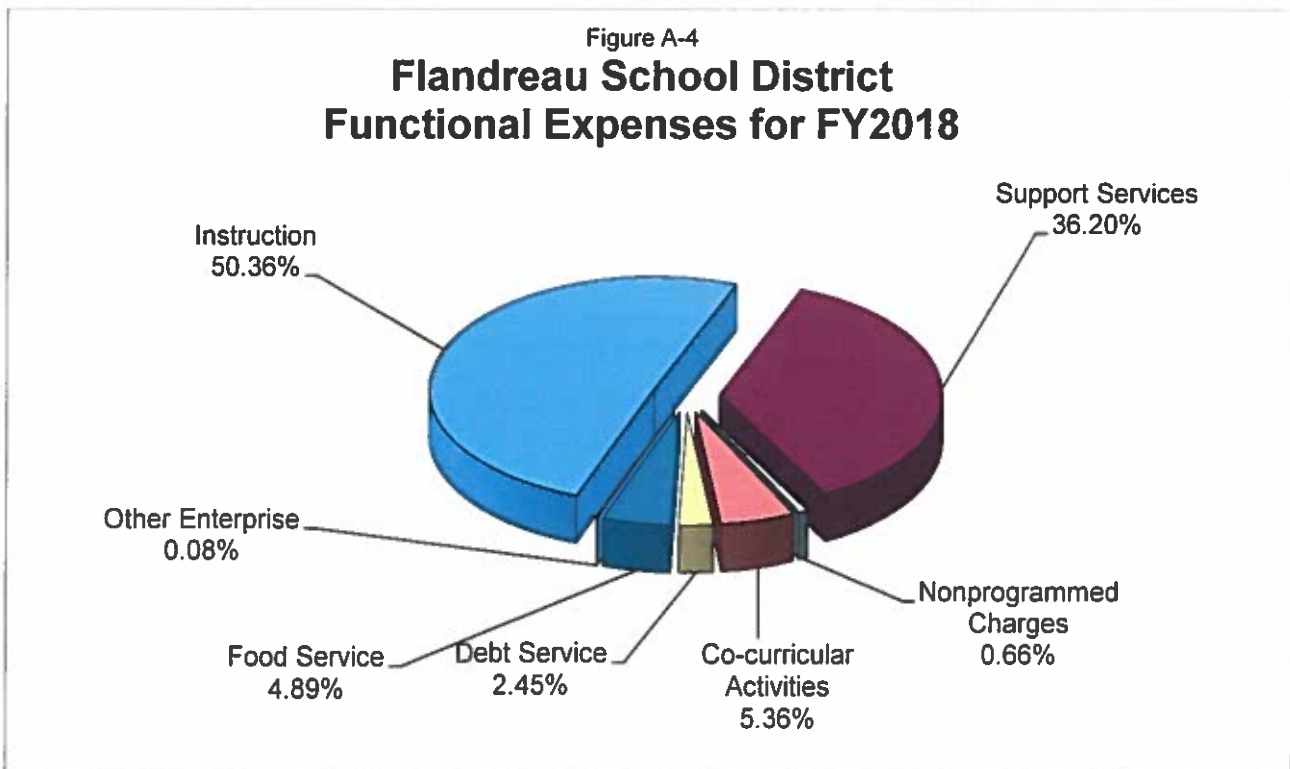
Table A-2  
FLANDREAU SCHOOL DISTRICT #50-3  
Changes in Net Position

	Total Governmental Activities		Total Business-Type Activities		Total	Total
	<u>FY2017</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2018</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 48,619.27	\$ 620,610.29	\$ 193,201.80	\$ 184,922.15	\$ 241,821.07	\$ 805,532.44
Operating Grants and	840,240.47	942,311.05	221,330.66	222,407.49	1,061,571.13	1,164,718.54
General Revenues						
Property Taxes	3,450,678.00	3,594,726.88			3,450,678.00	3,594,726.88
Utility Taxes	93,974.46	85,177.72			93,974.46	85,177.72
Revenue State Sources	2,630,471.09	2,769,299.20			2,630,471.09	2,769,299.20
Revenue Federal Sources	270,322.68	379,073.78			270,322.68	379,073.78
Other General Revenue	131,271.65	198,157.53			131,271.65	198,157.53
Unrestricted Investment Earning:	3,516.22	9,465.52	192.07	563.72	3,708.29	10,029.24
<b>Total Revenues</b>	<b>7,469,093.84</b>	<b>8,598,821.97</b>	<b>414,724.53</b>	<b>407,893.36</b>	<b>7,883,818.37</b>	<b>9,006,715.33</b>
<b>Expenses</b>						
Instruction	4,123,849.87	3,891,768.53			4,123,849.87	3,891,768.53
Support Services	2,701,410.28	2,797,378.76			2,701,410.28	2,797,378.76
Nonprogrammed Charges	45.00	50,849.00			45.00	50,849.00
Debt Services	136,780.32	189,242.06			136,780.32	189,242.06
Cocurricular Activities	375,172.50	414,153.54			375,172.50	414,153.54
Food Service			396,126.18	378,043.48	396,126.18	378,043.48
Driver's Education			6,659.01	6,408.15	6,659.01	6,408.15
<b>Total Expenses</b>	<b>7,337,257.97</b>	<b>7,343,391.89</b>	<b>402,785.19</b>	<b>384,451.63</b>	<b>7,740,043.16</b>	<b>7,727,843.52</b>
<b>Increase (Decrease) in Net Pos</b>	<b>\$ 131,835.87</b>	<b>\$ 1,255,430.08</b>	<b>\$ 11,939.34</b>	<b>\$ 23,441.73</b>	<b>\$ 143,775.21</b>	<b>\$ 1,278,871.81</b>
<b>NET POSITION - ENDING</b>	<b>\$ 10,178,567.26</b>	<b>\$ 11,433,997.34</b>	<b>\$ 157,641.21</b>	<b>\$ 181,082.94</b>	<b>\$ 10,336,208.47</b>	<b>\$ 11,615,080.28</b>

The District's Governmental and Business-type revenues totaled \$9,006,715.33 (See Table A-2). Over half of the District's revenue comes from 2 sources - property taxes and state aid. (See Figure A-3).



The District's Governmental and Business-type expenditures totaled \$7,727,843.52 (See Table A-2) and covered a range of services, including instruction, support services, debt service, co-curricular activities, food services and driver's education. (See Figure A-4).



## **BUSINESS-TYPE ACTIVITIES**

Revenues and expenses of the District's business-type activities:

Food Service and Driver's Education revenues decreased by 1.6%% from \$414,724.53 in FY 2017 to \$407,893.36 in FY 2018 and expenses decreased 4.6% from \$402,785.19 in FY 2017 to \$384,451.63 in FY 2018. Retained earnings increased by \$23,441.73 from FY 2017 to FY 2018.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

Fund balances changed as follows: General Fund increased \$35,470.04 due to revenue exceeding expenditures. Capital Outlay Fund increased \$371,902.51 due to revenues exceeding expenditures. Special Education Fund decreased \$469.34 due to expenditures exceeding revenues. Pension Fund increased \$1,014.04 due to revenue exceeding expenditures. Impact Aid Fund increased \$110,542.70 due to revenues exceeding expenditures (included Title VIII grant overpayment of \$64,184). Bond Redemption Fund increased \$6,407.81 as a result of expenditures exceeding revenues.

## **BUDGETARY HIGHLIGHTS**

During the course of the year, the School Board revised the District budget several times. These amendments fall into three categories:

- Supplemental appropriations approved to prevent budget overruns for unanticipated but necessary expenses.
- Changes in actual federal revenue receipts versus budgeted amounts.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were no significant budget changes or budget variances for the year. The supplemental budget changes that were made were due to new or increased funding in federal grants.

## **CAPITAL ASSET ADMINISTRATION**

By the end of 2018, the District had invested \$12,803,979.68 (after depreciation) in Governmental Activities in a broad range of capital assets, including land, buildings, improvements other than buildings and equipment for governmental activities. (See Table A-3). This amount represents a net decrease (including additions, deletions and depreciation) of \$227,566.49 over the previous year. Primary capital asset purchases include a vehicle, HS roof replacement, playground equipment, telephone system, grounds equipment, and copiers. In Business-Type activities: Food Service purchased a gas kettle and a cold food bar for the High School.

Table A-3  
FLANDREAU SCHOOL DISTRICT 50-3  
Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities	
	06/30/17	06/30/18	06/30/17	06/30/18
Capital Assets Not Being Depreciated				
Land	\$ 339,431.79	\$ 339,431.79		
CWIP	279,064.10			
Other Capital Assets Being Depreciated				
Buildings	13,934,652.94	14,267,504.74		
Improvements other than Buildings, CWIP	1,268,963.65	1,326,997.65		
Equipment	1,226,480.31	1,368,217.03	93,469.26	112,004.30
Total Other Capital Assets Being Depreciated	16,430,096.90	16,962,719.42	93,469.26	112,004.30
Accumulated Depreciation (Prior year)	(3,621,223.65)	(4,017,046.62)		
Accumulated Depreciation	(395,822.97)	(481,124.91)	(60,296.81)	(67,945.45)
Total Other Capital Assets (Net of Depreciation)	12,413,050.28	12,464,547.89	33,172.45	44,058.85
Total All Capital Assets (Net of Depreciation)	13,031,546.17	12,803,979.68	33,172.45	44,058.85

#### LONG-TERM DEBT

At year-end, the District had \$770,000 in General Obligation Bonds and \$4,740,000 in Capital Outlay Certificates. Other obligations include the vacation leave of \$7,159.93 and one early retirement of \$50,849. The net effect from the prior year is decreased as shown on Table A-4 below.

Table A-4  
FLANDREAU SCHOOL DISTRICT #50-3  
Outstanding Debt and Obligations

	Governmental Activities		
	FY2017	FY2018	
General Obligation Bonds	\$ 1,010,000.00	\$ 770,000.00	-23.76%
Capital Outlay Certificates	4,965,000.00	4,740,000.00	-4.53%
Early Retirement		50,849.00	100.00%
SDRS Pension Liability	578,670.38		-100.00%
Compensated Absences	9,459.05	7,159.93	-24.31%
<b>Total Long-Term Liabilities</b>	<b>\$ 6,563,129.43</b>	<b>\$ 5,568,008.93</b>	
<b>Net Increase (Decrease)</b>			<b>-15.16%</b>

The District is liable for the accrued vacation leave payable to full time year round staff. This involves one staff member. The School also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 75% of their last year's salary in 1 payment, paid in September of the following year. This plan allows the school to potentially reduce

the overall program cost by hiring lower paid teachers to replace the higher paid teachers. At the end of FY 2018, the school had an administrator that elected the local early retirement option per policy.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Based on fund balances for governmental activities, the District's economic position increased by \$524,867.76. The fund balance for the General Fund, increased by \$35,470.04 or 3.3%. All fund balances increased with the exception of Special Education. The Special Education Fund is deficit spending due to high cost student needs. SE funding cannot meet the demands. The District did maintain a positive fund balance in Special Education due to receiving Extra-Ordinary Cost Funds upon application and approval from the State of South Dakota. However, the Special Education Fund did have a reduction in fund balance from the prior yr. Note: ECF funds are not guaranteed each year. The District did experience a \$12,174,143 or 2.5% increase in total property valuation for the 2017 payable 2018 year. While a change in property valuation does affect 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, an increase in property valuation does not increase revenues for the General Fund or Special Education because major revenues for these funds are based on an annual per pupil allocation that is set by the State. The allocation is based on a combination of local property tax revenue and state funds. Levies against property valuation determine local effort. This amount is subtracted from the local need and the difference is provided by the State as state aid. With regard to General Fund revenues, therefore, increases in local property valuation essentially increase the local effort and decrease the amount of state aid the District receives if the ADM/enrollment remains unchanged.

As noted above, one of the District's primary sources of revenue for the General Fund is the allocation received from the State of South Dakota.

1. For FY 2018 there was no Average Teacher Compensation accountability to meet. For FY 2019, 2020, and 2021 - the accountability to maintain is the district's Average Teacher Compensation as reported for FY 2017 which was \$48,309.
2. The funding formula is based on a target student to teacher ratio. This ratio is based on a sliding scaled determined by student enrollment. For Flandreau School District with over 600 students, the ratio is determined to be 15 students to 1.

Enrollment is projected to fluctuate for the next several years. As a result, the District is currently reviewing the projected enrollments to maintain a balanced budget.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, patrons, 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 Flandreau School District 50-3 Business Office, 600 West Community Drive, Flandreau, SD 57028.



**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 2,059,324.94	\$ 128,370.47	\$ 2,187,695.41
Investments-Certificates of Deposit	900,000.00		900,000.00
Taxes Receivable	1,543,852.99		1,543,852.99
Accounts Receivable	119.26	4,455.94	4,575.20
Due from Other Governments	226,556.73		226,556.73
Inventories		13,933.83	13,933.83
Net Pension Asset	15,896.74		15,896.74
Capital Assets:			
Land	339,431.79		339,431.79
Other Capital Assets, Net of Depreciation	<u>12,464,547.89</u>	<u>44,058.85</u>	<u>12,508,606.74</u>
<b>TOTAL ASSETS</b>	<u>17,549,730.34</u>	<u>190,819.09</u>	<u>17,740,549.43</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	1,723,255.70		1,723,255.70
Deferred Loss on Refunding of Debt	<u>293,909.12</u>		<u>293,909.12</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,017,164.82</u>		<u>2,017,164.82</u>
<b>LIABILITIES :</b>			
Accounts Payable	220,506.31	422.58	220,928.89
Accrued Wages & Benefits Payable	510,375.86		510,375.86
Deposits Payable		9,313.57	9,313.57
Noncurrent Liabilities:			
Due Within One Year	578,576.60		578,576.60
Due in More than One Year	<u>4,989,432.33</u>		<u>4,989,432.33</u>
<b>TOTAL LIABILITIES</b>	<u>6,298,891.10</u>	<u>9,736.15</u>	<u>6,308,627.25</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	326,262.27		326,262.27
Taxes Levied for a Future Period	<u>1,507,744.46</u>		<u>1,507,744.46</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,834,006.73</u>		<u>1,834,006.73</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	7,587,888.80	44,058.85	7,631,947.65
Restricted for:			
Capital Outlay	788,904.94		788,904.94
Special Education	22,568.15		22,568.15
Pension	38,456.00		38,456.00
Debt Service	85,483.35		85,483.35
SDRS Pension Purposes	1,412,890.17		1,412,890.17
Unrestricted	<u>1,497,805.93</u>	<u>137,024.09</u>	<u>1,634,830.02</u>
<b>TOTAL NET POSITION</b>	<u>\$ 11,433,997.34</u>	<u>\$ 181,082.94</u>	<u>\$ 11,615,080.28</u>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:						
Governmental Activities:						
Instruction	\$ 3,891,768.53	\$	\$ 942,311.05	\$ (2,949,457.48)	\$	\$ (2,949,457.48)
Support Services	2,797,378.76	594,825.52		(2,202,553.24)		(2,202,553.24)
Nonprogrammable Charges	50,849.00			(50,849.00)		(50,849.00)
*Interest on Long-term Debt	189,242.06			(189,242.06)		(189,242.06)
Cocurricular Activities	414,153.54	25,784.77		(388,368.77)		(388,368.77)
Total Governmental Activities	<u>7,343,391.89</u>	<u>620,610.29</u>	<u>942,311.05</u>	<u>(5,780,470.55)</u>		<u>(5,780,470.55)</u>
Business-type Activities:						
Food Service	378,043.48	177,002.15	222,407.49		21,366.16	21,366.16
Driver's Education	6,408.15	7,920.00			1,511.85	1,511.85
Total Business-type Activities	<u>384,451.63</u>	<u>184,922.15</u>	<u>222,407.49</u>		<u>22,878.01</u>	<u>22,878.01</u>
Total Primary Government	<u>\$ 7,727,843.52</u>	<u>\$ 805,532.44</u>	<u>\$ 1,164,718.54</u>	<u>(5,780,470.55)</u>	<u>22,878.01</u>	<u>(5,757,592.54)</u>

\*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

**General Revenues:**

Taxes:			
Property Taxes		3,594,726.88	3,594,726.88
Utility Taxes		85,177.72	85,177.72
Revenue from State Sources:			
State Aid		2,769,299.20	2,769,299.20
Revenue from Federal Sources:			
Grants and Contributions not Restricted to Specific Programs		379,073.78	379,073.78
Unrestricted Investment Earnings		9,465.52	10,029.24
Other General Revenues		198,157.53	198,157.53
Total General Revenues		<u>7,035,900.63</u>	<u>7,036,464.35</u>
Change in Net Position		1,255,430.08	1,278,871.81
Net Position - Beginning		<u>10,178,567.26</u>	<u>10,336,208.47</u>
NET POSITION - ENDING		<u>\$ 11,433,997.34</u>	<u>\$ 11,615,080.28</u>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 1,663,588.28	\$ 215,636.39	\$ 128,577.86	\$ 38,037.08	\$ 13,485.33	\$ 2,059,324.94
Investments-Certificates of Deposit	230,000.00	600,000.00			70,000.00	900,000.00
Accounts Receivable	119.26					119.26
Taxes Receivable--Current	468,911.88	613,767.79	314,290.34		110,774.45	1,507,744.46
Taxes Receivable--Delinquent	19,884.79	8,943.55	4,863.25	418.92	1,998.02	36,108.53
Due from Other Governments	163,189.72		63,367.01			226,556.73
<b>TOTAL ASSETS</b>	<b><u>\$ 2,545,693.93</u></b>	<b><u>\$ 1,438,347.73</u></b>	<b><u>\$ 511,098.46</u></b>	<b><u>\$ 38,456.00</u></b>	<b><u>\$ 196,257.80</u></b>	<b><u>\$ 4,729,853.92</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 75,323.57	\$ 35,675.00	\$ 109,507.74	\$	\$	\$ 220,506.31
Contracts Payable	367,927.52		54,009.51			421,937.03
Payroll Deductions and Withholdings and Employer Matching Payable	77,716.11		10,722.72			88,438.83
<b>Total Liabilities</b>	<b><u>520,967.20</u></b>	<b><u>35,675.00</u></b>	<b><u>174,239.97</u></b>			<b><u>730,882.17</u></b>
<b>Deferred Inflows of Resources:</b>						
Taxes Levied for a Future Period	468,911.88	613,767.79	314,290.34		110,774.45	1,507,744.46
Unavailable Revenue-Property Taxes	19,884.79	8,943.55	4,863.25	418.92	1,998.02	36,108.53
<b>Total Deferred Inflows of Resources</b>	<b><u>488,796.67</u></b>	<b><u>622,711.34</u></b>	<b><u>319,153.59</u></b>	<b><u>418.92</u></b>	<b><u>112,772.47</u></b>	<b><u>1,543,852.99</u></b>
<b>Fund Balances:</b>						
Restricted		779,961.39	17,704.90	38,037.08	83,485.33	919,188.70
Assigned for Subsequent Year's Budget	72,794.00					72,794.00
Unassigned	1,463,136.06					1,463,136.06
<b>Total Fund Balances</b>	<b><u>1,535,930.06</u></b>	<b><u>779,961.39</u></b>	<b><u>17,704.90</u></b>	<b><u>38,037.08</u></b>	<b><u>83,485.33</u></b>	<b><u>2,455,118.76</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 2,545,693.93</u></b>	<b><u>\$ 1,438,347.73</u></b>	<b><u>\$ 511,098.46</u></b>	<b><u>\$ 38,456.00</u></b>	<b><u>\$ 196,257.80</u></b>	<b><u>\$ 4,729,853.92</u></b>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total Fund Balances - Governmental Funds \$ 2,455,118.76

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of Assets	\$ 17,302,151.21	
Less: Accumulated Depreciation	<u>(4,498,171.53)</u>	12,803,979.68

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

General Obligation Bonds	(770,000.00)	
Capital Outlay Certificates	(4,740,000.00)	
Compensated Absences	(7,159.92)	
Early Retirement	<u>(50,849.00)</u>	(5,568,008.92)

Deferred outflows of resources consisting of losses on refunded debt are not accounted for in the governmental funds but are reported in the Statement of Net Position.

293,909.12

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.

36,108.53

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.

1,723,255.70

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.

(326,262.27)

Net Position - Governmental Funds

\$ 11,433,997.34

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>Revenues:</b>						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 1,101,248.68	\$ 1,434,877.78	\$ 744,339.62	\$	\$ 262,563.28	\$ 3,543,029.36
Prior Years' Ad Valorem Taxes	23,870.81	15,219.42	8,531.78	875.51	3,470.20	51,967.72
Utility Taxes	85,177.72					85,177.72
Penalties and Interest on Taxes	5,814.04	2,031.94	1,119.71	138.53	496.43	9,600.65
Earnings on Investments and Deposits	6,387.48	2,359.52	140.62		577.90	9,465.52
Cocurricular Activities:						
Admissions	22,004.77					22,004.77
Pupil Organization Membership	2,565.00					2,565.00
Rentals	990.00					990.00
Other Pupil Activity Income	225.00					225.00
Other Revenue from Local Sources:						
Rentals	850.00					850.00
Contributions and Donations	3,645.00	5,000.00				8,645.00
Refund of Prior Years' Expenditures	1,635.76					1,635.76
Medicaid Direct Services			4,786.93			4,786.93
Medicaid Indirect Administrative Services	12,735.67		3,047.00			15,782.67
Other	27,084.81		346.32			27,431.13
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	104,116.89					104,116.89
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	2,769,299.20					2,769,299.20
Restricted Grants-in-Aid	10,553.12		485,910.00			496,463.12
Other State Revenues			180.60			180.60
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid Received						
Directly from Federal Government	368,481.13		10,592.65			379,073.78
Restricted Grants-in-Aid Received						
Directly from the Federal Government	43,408.00					43,408.00
Restricted Grants-in-Aid Received from Federal Through State	241,859.93		160,580.00			402,439.93
<b>Total Revenue</b>	<u>4,831,953.01</u>	<u>1,459,488.66</u>	<u>1,419,575.23</u>	<u>1,014.04</u>	<u>267,107.81</u>	<u>7,979,138.75</u>

**Expenditures:**

Instruction:				
Regular Programs:				
Elementary	1,165,377.34	73,638.37		1,239,015.71
Middle/Junior High	501,433.52	45,414.33		546,847.85
High School	831,518.47	61,430.56		892,949.03
Special Programs:				
Programs for Special Education			812,016.23	812,016.23
Educationally Deprived	263,103.65			263,103.65
Support Services:				
Pupils:				
Attendance and Social Work	44,621.50			44,621.50
Guidance	90,054.73			90,054.73
Health	4,562.90		22,831.00	27,393.90
Psychological			50,341.44	50,341.44
Speech Pathology			224,208.75	224,208.75
Student Therapy			91,557.31	91,557.31
Support Services - Instructional Staff:				
Improvement of Instruction	62,695.95		8,358.20	71,054.15
Educational Media/Tech Coordinator	177,965.41	19,351.60		197,317.01
Support Services - General Administration:				
Board of Education	53,794.07			53,794.07
Executive Administration	132,144.71	1,505.11		133,649.82
Support Services - School Administration:				
Office of the Principal	314,310.67	2,322.78		316,633.45
Other	1,977.71			1,977.71
Support Services - Business:				
Fiscal Services	150,114.80	8,588.26		158,703.06
Operation and Maintenance of Plant	658,410.40	90,733.36		749,143.76
Pupil Transportation	175,461.76	22,800.00		198,261.76
Food Services	16,054.40			16,054.40
Support Services - Special Education:				
Administrative Costs			85,903.98	85,903.98
Transportation Costs			89,050.89	89,050.89
Other Special Education Costs			35,776.77	35,776.77
Debt Services		357,905.70		260,700.00
Cocurricular Activities:				
Male Activities	59,026.45	17,445.44		76,471.89
Female Activities	39,069.02	4,363.50		43,432.52
Transportation	35,788.97	10,102.71		45,891.68
Combined Activities	82,177.99			82,177.99
Capital Outlay		201,984.43		201,984.43
<b>Total Expenditures</b>	<u>4,859,664.42</u>	<u>917,586.15</u>	<u>1,420,044.57</u>	<u>7,457,995.14</u>

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2018**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	(27,711.41)	541,902.51	(469.34)	1,014.04	6,407.81	521,143.61
<b>Other Financing Sources (Uses):</b>						
Transfers In	170,000.00					170,000.00
Transfers (Out)		(170,000.00)				(170,000.00)
Compensation for Sale of General Capital Assets	<u>3,724.15</u>					<u>3,724.15</u>
<b>Total Other Financing Sources (Uses):</b>	<u>173,724.15</u>	<u>(170,000.00)</u>				<u>3,724.15</u>
<b>Net Change in Fund Balances</b>	146,012.74	371,902.51	(469.34)	1,014.04	6,407.81	524,867.76
<b>Fund Balance - Beginning</b>	<u>1,389,917.32</u>	<u>408,058.88</u>	<u>18,174.24</u>	<u>37,023.04</u>	<u>77,077.52</u>	<u>1,930,251.00</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,535,930.06</u>	<u>\$ 779,961.39</u>	<u>\$ 17,704.90</u>	<u>\$ 38,037.08</u>	<u>\$ 83,485.33</u>	<u>\$ 2,455,118.76</u>

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 524,867.76

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays expense:

Capital Outlays	\$ 201,984.43	
Donated Items	51,574.00	
Depreciation Expense	<u>(481,124.91)</u>	(227,566.48)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds	240,000.00	
Capital Outlay Certificates	<u>225,000.00</u>	465,000.00

In the statement of activities, certain operating expenses (compensated absences and early retirement benefits) are measured by the amounts earned and paid during the year. In the governmental funds, however, expenditures for these items are different than the amount of financial resources used.

Change in Compensated Absences	2,299.12	
Early Retirement Change	<u>(50,849.00)</u>	(48,549.88)

Deferred outflows of resources consisting of losses from refunding on debt, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Position. This amount represents the amount of these charges expensed during the period. (35,636.36)

Governmental funds report property taxes as revenue using the current financial resources measurement focus, but the statement of activities includes the property taxes as revenue when earned. (9,870.85)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 587,185.89

Change in Net Position of Governmental Activities \$ 1,255,430.08

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



**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 121,591.91	\$ 6,778.56	\$ 128,370.47
Accounts Receivable	4,455.94		4,455.94
Inventory of Donated Food	<u>13,933.83</u>		<u>13,933.83</u>
Total Current Assets	<u>139,981.68</u>	<u>6,778.56</u>	<u>146,760.24</u>
Capital Assets:			
Machinery and Equipment	112,004.30		112,004.30
Less: Accumulated Depreciation	<u>(67,945.45)</u>		<u>(67,945.45)</u>
Total Noncurrent Assets	<u>44,058.85</u>		<u>44,058.85</u>
<b>TOTAL ASSETS</b>	<u>184,040.53</u>	<u>6,778.56</u>	<u>190,819.09</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable		422.58	422.58
Deposits Payable	<u>9,313.57</u>		<u>9,313.57</u>
Total Current Liabilities	<u>9,313.57</u>	<u>422.58</u>	<u>9,736.15</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	44,058.85		44,058.85
Unrestricted Net Position	<u>130,668.11</u>	<u>6,355.98</u>	<u>137,024.09</u>
Total Net Position	<u>\$ 174,726.96</u>	<u>\$ 6,355.98</u>	<u>\$ 181,082.94</u>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>
<b>Operating Revenue:</b>			
Sales:			
To Pupils	\$ 127,701.90	\$	\$ 127,701.90
To Adults	9,536.40		9,536.40
A la Carte	39,763.85		39,763.85
Other	628.61	7,920.00	8,548.61
Total Operating Revenue	177,630.76	7,920.00	185,550.76
<b>Operating Expenses:</b>			
Food Service:			
Salaries	15,623.10	5,192.00	20,815.10
Employee Benefits	6,391.52	708.70	7,100.22
Purchased Services	320,690.10		320,690.10
Repairs and Maintenance Services	980.35		980.35
Supplies	6,442.96	507.45	6,950.41
Cost of Sales-Donated Food	19,452.81		19,452.81
Other	814.00		814.00
Depreciation-Local Funds	7,648.64		7,648.64
Total Operating Expenses	378,043.48	6,408.15	384,451.63
 Operating Income (Loss)	 (200,412.72)	 1,511.85	 (198,900.87)
<b>Nonoperating Revenue (Expense):</b>			
Local Sources:			
Investment Earnings	563.72		563.72
State Sources:			
Cash Reimbursements	1,442.64		1,442.64
Federal Sources:			
Cash Reimbursements	191,485.42		191,485.42
Donated Food	28,850.82		28,850.82
Total Nonoperating Revenue (Expense)	222,342.60		222,342.60
 Change in Net Position	 21,929.88	 1,511.85	 23,441.73
Net Position- Beginning	152,797.08	4,844.13	157,641.21
 NET POSITION - ENDING	 \$ 174,726.96	 \$ 6,355.98	 \$ 181,082.94

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2018**

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 184,153.07	\$ 7,920.00	\$ 192,073.07
Payments to Suppliers	(328,215.40)	(428.78)	(328,644.18)
Payments to Employees	(22,014.62)	(5,900.70)	(27,915.32)
Other Operating Cash Payments	(814.00)		(814.00)
Net Cash Provided (Used) by Operating Activities	<u>(166,890.95)</u>	<u>1,590.52</u>	<u>(165,300.43)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Subsidies	<u>192,928.06</u>		<u>192,928.06</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of Capital Assets	<u>(18,535.04)</u>		<u>(18,535.04)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	<u>563.72</u>		<u>563.72</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 8,065.79</u>	<u>\$ 1,590.52</u>	<u>\$ 9,656.31</u>
Cash and Cash Equivalents at Beginning of Year	\$ 113,526.12	\$ 5,188.04	\$ 118,714.16
Cash and Cash Equivalents at End of Year	<u>121,591.91</u>	<u>6,778.56</u>	<u>128,370.47</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 8,065.79</u>	<u>\$ 1,590.52</u>	<u>\$ 9,656.31</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (200,412.72)	\$ 1,511.85	\$ (198,900.87)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	7,648.64		7,648.64
Value of Commodities Used	19,452.81		19,452.81
Change in Assets and Liabilities:			
Accounts and Other Receivables	3,495.19		
Accounts Payable	(101.99)	78.67	(23.32)
Deposits Payable	<u>3,027.12</u>		<u>3,027.12</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (166,890.95)</u>	<u>\$ 1,590.52</u>	<u>\$ (165,300.43)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 28,850.82		

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 211,801.42	\$ 88,005.60
Investments-Certificates of Deposit	230,000.00	5,000.00
Accounts Receivable	500.00	
<b>TOTAL ASSETS</b>	<b>442,301.42</b>	<b>93,005.60</b>
 <b>LIABILITIES:</b>		
Amounts Held for Others		93,005.60
<b>Total Liabilities</b>		<b>\$ 93,005.60</b>
 <b>NET POSITION</b>		
Held in Trust for Scholarships	<b>\$ 442,301.42</b>	

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2018**

	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Contributions and Donations	<u>\$ 224,491.72</u>
Total Additions	<u>225,746.89</u>
<b>DEDUCTIONS:</b>	
Other Deductions	<u>25,678.38</u>
Total Deductions	<u>25,678.38</u>
Change in Net Position	200,068.51
Net Position - Beginning	<u>242,232.91</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 442,301.42</u></u>

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 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 Flandreau School District No. 50-3, 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 several 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 and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position is 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 the 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 program revenues, including all taxes, are presented as general revenues.

*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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 a major fund.

*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.*

The 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. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is 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.

The Other Enterprise Fund is an enterprise fund maintained by the School District for the benefit of students. This fund is financed by user charges. This is a major fund.

## Fiduciary Funds:

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

*Private Purpose Trust Funds* – Private Purpose Trust Funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments. The School District maintains the following private-purpose trust funds:

The Wm & Olive Jellife Scholarship Fund, The Fuller Scholarship Fund, The Rice Scholarship Fund, The Bechen Scholarship Fund, The Rusch Scholarship Fund, The Dakota Layers Scholarship Fund, The FFA Scholarship Fund, The F A Wittern Scholarship Fund, The General School Scholarship Fund, The Masonic Scholarship Fund, Gordan Jones Scholarship Fund, The Vernon and Elizabeth Lee Scholarship Fund and Sutton-Ackerman Scholarship Fund.

They are used for the purpose of providing scholarships to students.

*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 for the following purposes: Student Class Funds, Student Club Funds 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 funds 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 Flandreau School District is 60 days. The revenues, accrued at June 30, 2018, are amounts due from other governments for grants and taxes.

Under the modified 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. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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 funds 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. Interfund Eliminations and Reclassifications**

### *Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund

receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. 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.

f. 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 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 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 2.41% for which costs were determined by estimates of the original costs. 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:

	Threshold	Method	Life
Land	ALL	NA	NA
Buildings	\$ 15,000.00	Straight Line	5-50 yrs
Improvements other than Buildings	15,000.00	Straight Line	5-50 yrs
Machinery and Equipment	5,000.00	Straight Line	5-50 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	10 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.

### **g. 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, capital outlay certificates payable, early retirement benefits payable, and general obligation bonds 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 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.

### **h. 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.

### **i. Proprietary Funds Revenue and Expense Classifications:**

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position, 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.

### **j. Deferred Inflows and Outflows of Resources:**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

k. 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.

i. 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.
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 may distinguish between Nonspendable, Restricted, Committed, and 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.

m. 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.

n. 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.
- 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 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 district 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.

A schedule of fund balances is provided as follows:

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>						
<i>Restricted for:</i>						
Capital Outlay	\$	\$ 779,961.39				\$ 779,961.39
Special Education			17,704.90			17,704.90
Pension				38,037.08		38,037.08
Bond Redemption					83,485.33	83,485.33
<i>Assigned to:</i>						
Subsequent Year's Budget	72,794.00					72,794.00
<i>Unassigned</i>	<u>1,463,136.06</u>					<u>1,463,136.06</u>
<b>Total Fund Balances</b>	<u>\$ 1,535,930.06</u>	<u>\$ 779,961.39</u>	<u>\$ 17,704.90</u>	<u>\$ 38,037.08</u>	<u>\$ 83,485.33</u>	<u>\$ 2,455,118.76</u>

**o. Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (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.

**NOTE 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.

As of June 30, 2018, the School District did not have any investments. The investments reported in the financial statements consist entirely of certificates of deposit.

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.

As of June 30, 2018, the School District had the following investments:

External Investment Pools:

SDFIT - Government Cash Reserves	Unrated	<u>\$ 2,508,099.99</u>
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The South Dakota Public Funds Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

**Concentration of Credit Risk** – The School District places no limit on the amount that may be invested in any one issuer. More than 5% of the School District's investments are in South Dakota Public Funds Investment Trust.

**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 investments.

### NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all significant receivables to be collected within one year. No allowance for estimated uncollectible receivables has been established, as the District believes all receivables are collectible.

#### NOTE 4 - INVENTORY

Inventory of the proprietary fund is valued at the lower of cost or market. The cost valuation method is the first in, first out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide and proprietary 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 an immaterial balance of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand in the governmental funds as of June 30, 2018.

#### NOTE 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 not 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.

**NOTE 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		Balance	
	June 30, 2017	Increases	Decreases	June 30, 2018
<b>Governmental Activities:</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 339,431.79	\$	\$	\$ 339,431.79
Construction in Work in Progress	279,064.10	53,787.70	332,851.80	
<b>Total, not being depreciated</b>	<b>618,495.89</b>	<b>53,787.70</b>	<b>332,851.80</b>	<b>339,431.79</b>
<b>Capital Assets, being depreciated:</b>				
Buildings	13,934,652.94	\$ 332,851.80		14,267,504.74
Improvements Other than Buildings	1,268,963.65	58,034.00		1,326,997.65
Machinery and Equipment	1,226,480.31	141,736.72		1,368,217.03
<b>Total, being depreciated</b>	<b>16,430,096.90</b>	<b>532,622.52</b>		<b>16,962,719.42</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	(2,615,025.01)	(295,488.13)		(2,910,513.14)
Improvements Other than Buildings	(765,431.33)	(78,430.71)		(843,862.04)
Machinery and Equipment	(636,590.28)	(107,206.07)		(743,796.35)
<b>Total Accumulated Depreciation</b>	<b>(4,017,046.62)</b>	<b>(481,124.91)</b>		<b>(4,498,171.53)</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>12,413,050.28</b>	<b>51,497.61</b>		<b>12,464,547.89</b>
<b>Total</b>	<b>\$ 13,031,546.17</b>	<b>\$ 105,285.31</b>	<b>\$ 332,851.80</b>	<b>\$ 12,803,979.68</b>

Depreciation expense was charged to functions as follows:

**Governmental Activities:**

Instruction	\$ 150,766.03
Support Services	164,179.42
Cocurricular	166,179.46
<b>Total depreciation expense - governmental activities</b>	<b>\$ 481,124.91</b>

**Business - Type Activity:**

	Balance		Balance	
	June 30, 2017	Increases	Decreases	June 30, 2018
<b>Capital Assets, being depreciated:</b>				
Machinery and Equipment	\$ 93,469.26	\$ 18,535.04	\$	\$ 112,004.30
<b>Accumulated Depreciation:</b>				
Machinery and Equipment	(60,296.81)	(7,648.64)		(67,945.45)
<b>Business-type activity capital assets, net</b>	<b>\$ 33,172.45</b>	<b>\$ 10,886.40</b>	<b>\$</b>	<b>\$ 44,058.85</b>

**\*\*Depreciation expense was charged to functions as follows:**

**Business-type Activity**

Food Service

<b>Total Depreciation expense - business-type activities</b>	<b>\$ 7,648.64</b>
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**NOTE 7 - LONG -TERM LIABILITIES**

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

<u>Governmental Activities</u>	<u>General Obligation Bonds</u>	<u>Capital Outlay Certificates</u>	<u>Early Retirement</u>	<u>Compensated Absences</u>	<u>SDRS Pension Liability</u>	<u>Totals</u>
Long-Term Liabilities Payable, June 30, 2017	\$ 1,010,000.00	\$ 4,965,000.00	\$	\$ 9,459.05	\$ 578,670.38	\$ 6,563,129.43
Additions			50,849.00	2,727.60		53,576.60
Deletions	<u>240,000.00</u>	<u>225,000.00</u>		<u>5,026.72</u>	<u>578,670.38</u>	<u>1,048,697.10</u>
Long-Term Liabilities Payable, June 30, 2018	<u>\$ 770,000.00</u>	<u>\$ 4,740,000.00</u>	<u>\$ 50,849.00</u>	<u>\$ 7,159.93</u>	<u>\$</u>	<u>\$ 5,568,008.93</u>
Due within One Year	<u>\$ 250,000.00</u>	<u>\$ 275,000.00</u>	<u>\$ 50,849.00</u>	<u>\$ 2,727.60</u>	<u>\$</u>	<u>\$ 578,576.60</u>

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

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

**General Obligation Bonds:**

Series 2015 General Obligation Refunding Bonds issued April 7, 2015, maturing June 30, 2022, with annual interest rate of 2.0%. Semi-annual payments from Debt Service Fund. \$ 770,000.00

**Capital Outlay Certificates:**

Series 2015 Capital Outlay Refunding Certificates issued April 7, 2015, maturing June 30, 2022, interest rate of 2.0%. Semi-annual payments made from the Capital Outlay Fund. 585,000.00

Series 2013 Limited Tax Obligation Certificates, issued December 5, 2013, maturing June 1, 2033, interest rates from 1.60 to 4.30%, depending on length to maturity of the individual certificate, Semi-annual payments made from the Capital Outlay Fund. 85,000.00

Series 2017 Limited Tax Capital Outlay Refunding Certificates, issued May 11, 2017, maturing June 1, 2032, interest rates from 1.60 to 3.00%, depending on length to maturity of the individual certificate, annual payments made from the Capital Outlay Fund. 4,070,000.00

**Compensated Absences:**

Vacation pay which is payable from the General Fund. 7,159.93

**Early Retirement Payable:**

Obligation to individuals who fall under the early retirement plan of the Flandreau School District. Payments are made to the retiree in the year following retirement. Payments are made from the Pension and General Fund. 50,849.00

The annual debt service requirements to maturity for all debt outstanding, other than compensated absences, as of June 30, 2018 are as follows:

Year	General Obligation Bonds		Capital Outlay Certificates		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 250,000.00	\$ 15,400.00	\$ 275,000.00	\$ 120,503.76	\$ 525,000.00	\$ 135,903.76
2020	255,000.00	10,400.00	285,000.00	114,902.50	540,000.00	125,302.50
2021	265,000.00	5,300.00	285,000.00	109,132.50	550,000.00	114,432.50
2022			315,000.00	103,772.50	315,000.00	103,772.50
2023			320,000.00	97,472.50	320,000.00	97,472.50
2024-28			1,710,000.00	378,630.00	1,710,000.00	378,630.00
2029-33			1,550,000.00	119,180.00	1,550,000.00	119,180.00
Total	\$ 770,000.00	\$ 31,100.00	\$ 4,740,000.00	\$ 1,043,593.76	\$ 5,510,000.00	\$ 1,074,693.76

## NOTE 8 – RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

<u>Major Purposes</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 788,904.94
Special Education	Law	22,568.15
Pension Purposes	Law	38,456.00
SDRS Pension Purposes	Law	1,412,890.17
Debt Service Purposes	Debt Covenants	85,483.35
Total Restricted Net Position		<u>\$ 2,348,302.61</u>

## NOTE 9 - 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 public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO 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 the SDRS benefits payable one each July 1 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 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.

**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 percent for any compensation exceeding the maximum taxable amount for the social security for general employees only. The School District’s share of contributions to the SDRS for the fiscal years ended June 30, 2018, 2017, and 2016 were \$226,473.63, \$213,543.66, and \$195,448.35, respectively, equal to the required contributions each year.

**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 shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2018 are as follows:

Proportionate share of pension benefits	\$ 20,380,814.31
Less proportionate share of net pension restricted for pension benefits	<u>20,396,711.05</u>
Proportionate share of net pension benefits	<u>\$ (15,896.74)</u>

At June 30, 2018, the School District reported a liability (asset) of (\$15,896.74) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School’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 .17516870%, which is an increase (decrease) of .0038581% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense (a reduction of pension expense) of (\$587,185.89). 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	\$ 254,709.49	\$
Changes in assumption	1,234,283.03	
Net difference between projected and actual earnings on pension plan investments		305,630.61
Changes in proportion and difference between District contributions and proportionate share of contribution:	7,789.55	20,631.66
District contributions subsequent to the measurement date	<u>226,473.63</u>	
<b>TOTAL</b>	<u>\$ 1,723,255.70</u>	<u>\$ 326,262.27</u>

\$226,473.63 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	\$ 320,960.06
2020	538,820.55
2021	396,167.28
2022	<u>(72,585.97)</u>
<b>TOTAL</b>	<u>\$ 1,183,361.92</u>

**Actuarial Assumptions:**

The total pension liability (asset) 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%
Investment Rate of Return	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.

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, 2017 (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	<u>2.0%</u>	0.7%
Total	<u>100.0%</u>	

**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.50. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from 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 asset (asset) calculated using the discount rate of 6.50 as well as what the School'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)	\$ 2,911,485.18	\$ (15,896.74)	\$ (2,399,737.61)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 10 - JOINT VENTURES**

The School District participates in the Prairie Lake Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing educational 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
<b>Flandreau</b>	<b>15</b>
Garretson	6
Howard	8
Madison Central	15
Oldham-Ramona	4
Rutland	3
Tri-Valley	15

The co-op'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 co-op'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 co-op, but does have a responsibility to fund deficits of the co-op 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 net position of \$55,842.82.

#### NOTE 11 - 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 purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Liability Insurance

The School District purchases liability insurance for risks related to torts; theft of, or damage to property; and errors and omissions of public officials, injuries to employees and natural disasters 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 purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Unemployment Benefits

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

During the year ended June 30, 2018, one claim was filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$1,174.82. At June 30, 2018, no claims had

been filed and were outstanding for unemployment benefits. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

**NOTE 12 – FLANDREAU SCHOOL DISTRICT EDUCATION FOUNDATION**

The Flandreau School District Education Foundation is a nonprofit organization formed April 30, 1999 by members of the community to accept contributions to be used for the benefit of the School District. The Foundation is a Component Unit of the Primary Government but is not reported as a Component Unit due to the following:

The Foundation had no assets at June 30, 2018. However, the organization will continue to exist, in case donations are made in the future. The Foundation's Board of Directors is made up of members of the school board.

**NOTE 13- EARLY RETIREMENT PLAN**

The School District maintains an early retirement plan for certified teachers. The plan is available to employees who choose early retirement after age 55 and have at least twenty years of continuous service with the District. Under the plan, the District will pay 75% of the current salary contract. Such amounts are payable in one installment, paid in September of the following year. There were no payments made for early retirement during the 2018 fiscal year. There is \$50,849 in early retirement payments expected to be paid in the 2019 fiscal year.

**NOTE 14 - INTERFUND TRANSFERS**

Interfund transfer for the year ended June 30, 2018 were as follows:

<b><u>Transfers From:</u></b>	<b><u>Transfers to:</u></b>
Major Funds:	General Fund
Capital Outlay	\$ 170,000.00

A transfer of \$170,000.00 was made to the General Fund from Capital Outlay Fund to help with utility costs.

**NOTE 15 – SIGNIFICANT CONTINGENCIES - LITIGATION**

At June 30, 2018, the School District was not involved in any litigation.

**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDING JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary	Variance Positive
	Original	Final	Basis)	(Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,108,469.00	\$ 1,108,469.00	\$ 1,101,248.68	\$ (7,220.32)
Prior Years' Ad Valorem Taxes	16,000.00	16,000.00	23,870.81	7,870.81
Utility Taxes	86,000.00	86,000.00	85,177.72	(822.28)
Penalties and Interest on Taxes	5,000.00	5,000.00	5,814.04	814.04
Earnings on Investments and Deposits	2,000.00	2,000.00	4,165.91	2,165.91
Cocurricular Activities:				
Admissions	24,000.00	24,000.00	22,004.77	(1,995.23)
Pupil Organization Membership	3,200.00	3,200.00	2,565.00	(635.00)
Rentals	1,000.00	1,000.00	990.00	(10.00)
Other Pupil Activity Income	1,000.00	1,000.00	225.00	(775.00)
Other Revenue from Local Sources:				
Rentals	1,000.00	1,000.00	850.00	(150.00)
Contributions and Donations			3,645.00	3,645.00
Refund of Prior Years' Expenditures			1,635.76	1,635.76
Medicaid Indirect Services	14,000.00	14,000.00	12,735.67	(1,264.33)
Other	32,197.00	32,197.00	27,084.81	(5,112.19)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	115,000.00	115,000.00	104,116.89	(10,883.11)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,765,405.00	2,765,405.00	2,769,299.20	3,894.20
Restricted Grants-in-Aid	5,000.00	14,100.00	10,553.12	(3,546.88)
Other State Revenue				
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received				
Directly from Federal Government	43,185.00	43,185.00	43,408.00	223.00
Restricted Grants-in-Aid Received from Federal Government through the Sta	188,760.00	234,461.00	241,859.93	7,398.93
<b>Total Revenues</b>	<b>4,411,216.00</b>	<b>4,466,017.00</b>	<b>4,461,250.31</b>	<b>(4,766.69)</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary School	1,217,567.00	1,217,567.00	1,165,377.34	52,189.66
Middle/Junior High	499,483.00	503,483.00	501,433.52	2,049.48
High School	830,058.00	834,058.00	831,518.47	2,539.53



**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDING JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive  (Negative)</b>
	<u>Original</u>	<u>Final</u>		
Special Programs:				
Educationally Deprived	259,525.00	284,625.00	263,103.65	21,521.35
Support Services - Pupils:				
Attendance and Social Work	43,750.00	44,750.00	44,621.50	128.50
Guidance	104,810.00	104,810.00	90,054.73	14,755.27
Health	5,100.00	5,100.00	4,562.90	537.10
Support Services - Instructional Staff:				
Improvement of Instruction	33,616.00	67,317.00	62,695.95	4,621.05
Educational Media	194,542.00	194,542.00	177,965.41	16,576.59
Support Services - General Administration:				
Board of Education	57,580.00	58,680.00	53,794.07	4,885.93
Executive Administration	134,870.00	134,870.00	132,144.71	2,725.29
Support Services - School Administration:				
Office of the Principal	318,200.00	318,200.00	314,310.67	3,889.33
Other	2,000.00	2,000.00	1,977.71	22.29
Support Services - Business:				
Fiscal Services	155,295.00	155,295.00	150,114.80	5,180.20
Operation and Maintenance of Plant	660,950.00	689,950.00	658,410.40	31,539.60
Pupil Transportation	185,000.00	185,000.00	175,461.76	9,538.24
Food Service	19,000.00	19,000.00	16,054.40	2,945.60
Cocurricular Activities:				
Male Activities	59,910.00	59,910.00	59,026.45	883.55
Female Activities	39,390.00	39,390.00	39,069.02	320.98
Transportation	46,000.00	46,000.00	35,788.97	10,211.03
Combined Activities	82,780.00	82,780.00	82,177.99	602.01
Contingencies	25,000.00	6,900.00		6,900.00
<b>Total Expenditures</b>	<u>4,974,426.00</u>	<u>5,054,227.00</u>	<u>4,859,664.42</u>	<u>194,562.58</u>
Excess of Revenue Over (Under)				
Expenditures	(563,210.00)	(588,210.00)	(398,414.11)	189,795.89
Other Financing Sources (Uses)				
Transfer In	545,163.00	545,163.00	430,160.00	(115,003.00)
Compensation for Sale of General Capital Assets			3,724.15	3,724.15
Total Other Financing Sources (Uses)	<u>545,163.00</u>	<u>545,163.00</u>	<u>433,884.15</u>	<u>(111,278.85)</u>
Net Change in Fund Balances	(18,047.00)	(43,047.00)	35,470.04	78,517.04
FUND BALANCE - JULY 1, 2017	<u>1,021,481.82</u>	<u>1,021,481.82</u>	<u>1,021,481.82</u>	
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ 1,003,434.82</u>	<u>\$ 978,434.82</u>	<u>\$ 1,056,951.86</u>	<u>\$ 78,517.04</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDING JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<b>(Budgetary Basis)</b>	<b>Positive (Negative)</b>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,445,900.00	\$ 1,445,900.00	\$ 1,434,877.78	\$ (11,022.22)
Prior Years' Ad Valorem Taxes	6,000.00	6,000.00	15,219.42	9,219.42
Penalties and Interest on Taxes	500.00	500.00	2,031.94	1,531.94
Earnings on Investments and Deposits	200.00	200.00	2,359.52	2,159.52
Other Revenue from Local Sources:				
Contributions and Donations			5,000.00	5,000.00
<b>Total Revenue</b>	<u>1,452,600.00</u>	<u>1,452,600.00</u>	<u>1,459,488.66</u>	<u>6,888.66</u>
<b>Expenditures:</b>				
Instruction:				
Regular programs:				
Elementary	124,400.00	124,400.00	73,638.37	50,761.63
Middle/Junior High	88,800.00	88,800.00	45,414.33	43,385.67
High School	113,200.00	113,200.00	61,430.56	51,769.44
Support Services - Instructional Staff:				
Educational Media	52,000.00	52,000.00	28,101.08	23,898.92
Support Services - General Administration				
Executive Administration	1,800.00	1,800.00	1,505.11	294.89
Support Services - School Administration:				
Office of the Principal	4,000.00	4,000.00	2,322.78	1,677.22
Support Services - Business:				
Fiscal Services	12,900.00	12,900.00	8,588.26	4,311.74
Facilities Acquisition and Construction	68,000.00	68,000.00	53,787.70	14,212.30
Operation and Maintenance of Plant	201,000.00	201,000.00	200,125.61	874.39
Pupil Transportation	59,000.00	59,000.00	45,675.00	13,325.00
Debt Services	357,300.00	357,300.00	357,905.70	(605.70)
Cocurricular Activities:				
Male Activities	16,700.00	16,700.00	17,445.44	(745.44)
Female Activities	9,000.00	9,000.00	4,363.50	4,636.50
Combined Activities	59,500.00	59,500.00	17,282.71	42,217.29
<b>Total Expenditures</b>	<u>1,167,600.00</u>	<u>1,167,600.00</u>	<u>917,586.15</u>	<u>250,013.85</u>
Excess of Revenue Over (Under)				
Expenditures		285,000.00	541,902.51	256,902.51
Other Financing Sources (Uses):				
Transfer In/(Out)			(170,000.00)	(170,000.00)
Net Change in Fund Balances				
		285,000.00	371,902.51	86,902.51
FUND BALANCE - JULY 1, 2017	<u>408,058.88</u>	<u>408,058.88</u>	<u>408,058.88</u>	
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ 408,058.88</u>	<u>\$ 693,058.88</u>	<u>\$ 779,961.39</u>	<u>\$ 86,902.51</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDING JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 645,667.00	\$ 645,667.00	\$ 744,339.62	\$ 98,672.62
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	8,531.78	4,531.78
Penalties and Interest on Taxes	700.00	700.00	1,119.71	419.71
Earnings on Investment and Deposits	50.00	50.00	140.62	90.62
Tuition and Fees:				
Services Provided by Other LEA's	55,000.00	55,000.00		(55,000.00)
Medicaid Direct Services	4,000.00	4,000.00	4,786.93	786.93
Medicaid Indirect Services	3,000.00	3,000.00	3,047.00	47.00
Other Local Revenue			346.32	346.32
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	762,803.00	762,803.00	485,910.00	(276,893.00)
Other State Aid			180.60	180.60
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received				
Directly from Federal Government	12,000.00	12,000.00	10,592.65	(1,407.35)
Restricted Grants-in-Aid Received from Federal Government through State	<u>160,580.00</u>	<u>160,580.00</u>	<u>160,580.00</u>	
<b>Total Revenue</b>	<u>1,647,800.00</u>	<u>1,647,800.00</u>	<u>1,419,575.23</u>	<u>(228,224.77)</u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	921,800.00	921,800.00	812,016.23	109,783.77
Support Services				
Pupils:				
Health	32,000.00	32,000.00	22,831.00	9,169.00
Psychological	50,000.00	50,000.00	50,341.44	(341.44)
Speech Pathology	240,200.00	240,200.00	224,208.75	15,991.25
Student Therapy Services	127,000.00	127,000.00	91,557.31	35,442.69
Support Services - Instructional Staff:				
Improvement of Instruction	1,500.00	5,500.00	8,358.20	(2,858.20)
Support Services - Special Education:				
Administrative Costs	138,300.00	138,300.00	85,903.98	52,396.02
Transportation Costs	92,000.00	92,000.00	89,050.89	2,949.11
Other Special Education Costs	<u>45,000.00</u>	<u>45,000.00</u>	<u>35,776.77</u>	<u>9,223.23</u>
<b>Total Expenditures</b>	<u>1,647,800.00</u>	<u>1,651,800.00</u>	<u>1,420,044.57</u>	<u>231,755.43</u>
Net Change in Fund Balances	0.00	(4,000.00)	(469.34)	3,530.66
FUND BALANCE - JULY 1, 2017	<u>18,174.24</u>	<u>18,174.24</u>	<u>18,174.24</u>	
<b>FUND BALANCE - JUNE 30, 2018</b>	<u>\$ 18,174.24</u>	<u>\$ 14,174.24</u>	<u>\$ 17,704.90</u>	<u>\$ 3,530.66</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
FLANDREAU SCHOOL DISTRICT NO. 50-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
PENSION FUND  
FOR THE YEAR ENDING JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	\$ 600.00	\$ 600.00	\$ 875.51	\$ 275.51
Penalties and Interest on Taxes			138.53	138.53
<b>Total Revenue</b>	<u>600.00</u>	<u>600.00</u>	<u>1,014.04</u>	<u>414.04</u>
<b>Expenditures</b>				
Nonprogrammed Charges:				
Early Retirement Payments	<u>600.00</u>	<u>600.00</u>		<u>600.00</u>
<b>Total Expenditures</b>	<u>600.00</u>	<u>600.00</u>		<u>600.00</u>
 Net Change in Fund Balances			1,014.04	1,014.04
 FUND BALANCE - JULY 1, 2017	<u>37,023.04</u>	<u>37,023.04</u>	<u>37,023.04</u>	
 FUND BALANCE - JUNE 30, 2018	<u>\$ 37,023.04</u>	<u>\$ 37,023.04</u>	<u>\$ 38,037.08</u>	<u>\$ 1,014.04</u>

**Schedule of Required Supplementary Information**  
**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**(ASSET)**

**South Dakota Retirement System**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability (asset)	0.1732669%	0.1675114%	17.13106%	17.51687%
District's proportionate share of net pension liability (asset)	\$(1,248,317)	\$ (710,464)	\$ 578,670	\$ (15,897)
District's covered-employee payroll	\$ 3,029,960	\$ 3,058,271	\$ 3,257,454	\$ 3,559,045
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%	-23.23%	17.76%	-0.45%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%

\* 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 the previous fiscal year.

**Schedule of Required Supplementary Information**  
**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**South Dakota Retirement System**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	<u>\$ 181,798</u>	<u>\$ 183,497</u>	<u>\$ 195,448</u>	<u>\$ 213,544</u>	<u>\$ 226,474</u>
Contributions in relation to the contractually required contribution	<u>\$ 181,798</u>	<u>\$ 183,497</u>	<u>\$ 195,448</u>	<u>\$ 213,544</u>	<u>\$ 226,474</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
District's covered-employee payroll	\$3,029,960	\$3,058,271	\$3,257,454	\$3,559,045	\$3,774,556
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

FLANDREAU SCHOOL DISTRICT NO. 50-3  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
And for each major Special Revenue Fund with a legally required budget

**NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING**

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

1. Prior to the first regular board meeting in May of each year the 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 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 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 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 the 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 board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	Year Ended <u>6/30/2018</u>
<u>General Fund:</u>	
<b>USGAAP Basis Fund Balance</b>	\$ 1,535,930.06
Reconciling Items:	
Impact Aid Fund Balance	\$ 478,978.20
Net Adjustment to GAAP Basis Fund Balance	<u>478,978.20</u>
<b>Budgetary Basis Fund Balance</b>	<u><u>\$ 1,056,951.86</u></u>

**NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES**

1. 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.
2. The budgetary basis comparison schedule for the General Fund includes only the budgeted amounts for the General Fund, and does not include any amounts for the blended Impact Aid Fund.



**FLANDREAU SCHOOL DISTRICT NO. 50-3  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2018**

	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditure Amount 2018</u>
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education			
Child Nutrition Cluster: (Note 4)			
Non-cash Assistance: (Commodities)			
National School Lunch Program	10.555	NSLP-18-308	\$ 19,452.81
Cash Assistance: (Note 3)			
School Breakfast Program	10.553	N/A	35,100.76
National School Lunch Program	10.555	NSLP-18-308	<u>156,384.66</u>
Total Child Nutrition Cluster			<u>210,938.23</u>
Fresh Fruit and Vegetable Program	10.582	N/A	<u>16,133.93</u>
Total U.S. Department of Agriculture			<u>227,072.16</u>
 National Foundations on the Arts and Humanities			
Promotion of the Arts	45.025		<u>167.00</u>
 U.S. Department of Education:			
Direct Federal Funding:			
Impact Aid	84.041	N/A	270,752.65
Indian Education - Grants to Local Educational Agencies	84.060	N/A	43,408.00
Pass-Through the SD Department of Education			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	T1ba-18-132	179,095.00
Improving Teacher Quality Grants	84.367	18-T2A-132	36,467.00
Special Education Cluster:			
Special Education - Grants to States	84.027	18-611-085	155,716.00
Special Education - Preschool Grants	84.173	18-619-080	<u>4,864.00</u>
Total Special Education Cluster:			<u>160,580.00</u>
School Support and Academic Enrichment Grants	84.424		<u>10,000.00</u>
Total U.S. Department of Education			<u>386,142.00</u>
GRAND TOTAL			<u>\$ 927,541.81</u>

**FLANDREAU SCHOOL DISTRICT NO. 50-3**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDING JUNE 30, 2018**  
**(continued)**

**Note 1: *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**Note 2: *Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: *Federal Reimbursement***

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

**Note 4: *Major Federal Financial Assistance Program***

This represents a major federal financial assistance program.

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## 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  
Flandreau School District No. 50-3  
Moody 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 Flandreau School District No. 50-3, Moody County, 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 February 28, 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 Flandreau 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs that we consider to be a significant deficiency. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item number 2018-001 to be a significant deficiency.

## **Compliance and Other Matters**

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

## **School District's Response to Findings**

The Flandreau School District's response to the findings identified in our audit is described in the accompanying Corrective Plan of Action. 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**

This 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 School District'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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam, Berglin & Post, P.C.  
Certified Public Accountants

February 28, 2019

# QUAM, BERGLIN & POST, P.C.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

School Board  
Flandreau School District No. 50-3  
Moody County, South Dakota

### Report on Compliance for Each Major Federal Program

We have audited Flandreau School District No. 50-3, Moody County, South Dakota (School District) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Flandreau School District's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, Flandreau School District No. 50-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control Over Compliance**

Management of Flandreau School District No. 50-3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Flandreau School District's internal control over compliance.

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

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

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

*Quam, Berglin & Post P.C.*

Quam, Berglin & Post, P.C.  
Certified Public Accountants

February 28, 2019

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:**

There were no prior federal audit findings.

**PRIOR OTHER AUDIT FINDINGS:**

**Prior Finding Number 2017-001:**

A significant deficiency in internal controls was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control.

**Corrective Action Plan:**

This prior audit comment has not been corrected and is being restated as a significant deficiency under finding number 2018-001.

**FLANDREAU SCHOOL DISTRICT NO. 50-3  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:**

***Financial Statements***

- a. An unmodified opinion was issued on the financial statements.
- b. A significant deficiency was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues, as discussed in finding number 2018-001.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

***Federal Awards***

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Uniform Guidance.
- f. The federal awards tested as major programs included:

	<u>CFDA #</u>
NSLP Cluster:	
School Breakfast Program	10.553
National Lunch Program	10.555
Fresh Fruit and Vegetables	10.582

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.00.
- h. Flandreau School District qualified as a low-risk entity.



**FLANDREAU SCHOOL DISTRICT NO. 50-3  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CURRENT FEDERAL AUDIT FINDINGS:**

***Federal Compliance-Related Audit Findings and Questioned Costs***

There are no compliance-related audit findings and questioned costs.

**CURRENT OTHER AUDIT FINDINGS:**

***Internal Control-Related Finding – Significant Deficiency:***

**Finding Number 2018-001:**

**Criteria:**

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

**Condition Found:**

A significant deficiency in internal control was reported due to lack of proper segregation of duties for revenues, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

**Recommendations:**

We recommend that the Board of Education be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls, whenever and wherever possible and practical.

**Response:**

The Board of Education of this entity is aware of this problem, which is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on the following page.

# FLANDREAU PUBLIC SCHOOLS

*Empowering all students to become learners and leaders in a diverse and dynamic world.*

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Business Manager  
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## CORRECTIVE PLAN OF ACTION JUNE 30, 2018

Flandreau School District No. 50-3 has considered the lack of segregation of duties for revenues. At this time, it is not cost effective for Flandreau School District No. 50-3 to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Flandreau School District to decrease the likelihood that financial data is adversely affected.

Flandreau School District's Board will continue to monitor the necessity to have segregation of duties for revenues and to implement such segregation as budget dollars and board authority allow.

  
\_\_\_\_\_  
Business Manager

  
\_\_\_\_\_  
Superintendent

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Jay Swatek  
Elementary School  
Principal  
605-997-2780

Brian Relf  
Middle School  
Principal  
605-997-2705

Nichole Herzog  
High School  
Principal  
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Marie Ivers  
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Director  
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Board of Education: Tom Stenger-President • Brian Johnson-Vice President  
Kari Burggraaf • Kevin Christenson • Darren Hamilton • Jamie Hemmer • Kelly Kontz