



Financial Statements
June 30, 2018

Aberdeen School District 6-1

Board Members

Term Expiration

Duane Alm	June 30, 2019
Andrew Miller.....	June 30, 2019
Aaron Schultz.....	June 30, 2020
Brian Sharp	June 30, 2020
Kevin Burckhard.....	June 30, 2020
Mark Murphy	June 30, 2021
Brad Olson	June 30, 2021

Superintendent

Dr. Becky Guffin N/A

Director of Finance

Mr. Tom Janish N/A

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Independent Auditor's Report

The School Board
Aberdeen School District 6-1
Aberdeen, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Aberdeen School District 6-1 (the School District), as of and for the year ended June 30, 2018, 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the School District, 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.

Adoption of a New Standard

As discussed in Notes 1 and 13 to the financial statements, the School District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of net pension liability (asset), schedule of pension contributions, and schedule of changes in the School District's total OPEB liability and related ratios on pages 57 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and is also not a required part of the basic financial statements.

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

The School District Officials section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2019, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
February 12, 2019

This section of Aberdeen School District 6-1's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2018. Please read it in conjunction with the School District's financial statements, which follow this section.

Financial Highlights

- The School District's net position from government and business-type activities increased \$5,499,272. This increase was used to increase the cash position of the School District, reduce outstanding bonds payable and to purchase capital assets.
- During the year, the School District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$47,419,144. Governmental and business-type program expenditures were \$41,919,872.
- As of June 30, 2018, the School District's governmental funds reported combined ending fund balances of \$11,194,976, a decrease of \$742,268.
- The general fund reported a \$789,452 current year deficit.

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 District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status. The government-wide financial statements also include component unit financial statements.
- The remaining statements are fund financial statements that focus on individual parts of the School District government, reporting the School District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the School District operates like a business.
- Fiduciary fund statements provide information about the financial relationships, like scholarship plans for graduating students – in which the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-1
 Required Components of Aberdeen School District’s Annual Financial Report**

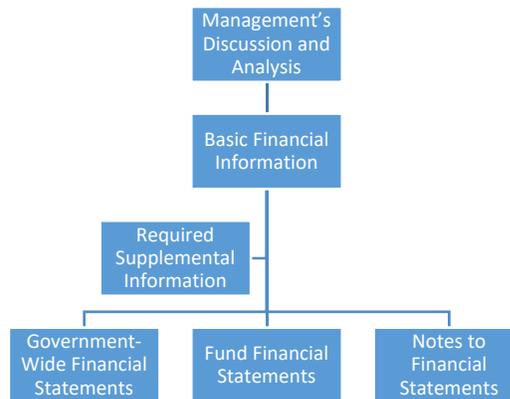


Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure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

**Figure A-2
 Major Features of Aberdeen School District’s Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District government (except fiduciary funds and the School District’s component units)	The activities of the School District that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School District operates similar to private businesses, such as the food service program and the self-insurance funds	Instances in which the School District is the trustee or agent for someone else’s resources
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	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
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and liabilities, is one way to measure the School District's financial health or position.

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

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

- **Governmental Activities** – This category includes the School District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, Board of Education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-Type Activities** – The School District charges a fee to students to help cover the costs of providing hot lunch services to all students. The food service fund and other enterprise fund are the business-type activities of the School District.
- **Discretely Presented Component Unit** – Component units are legally separated organizations for which the School District is financially accountable, or the nature and significance of the unit's relationship with the School District is such that exclusion of the unit would cause the School District's financial statements to be misleading, or incomplete. The following entity is included in the component unit column of the School District's government-wide financial statements:

- ✓ Aberdeen Public Schools Foundation, Inc.

Fund Financial Statements

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

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

The School District has four kinds of funds:

- **Governmental Funds** – Most of the School 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The food service enterprise fund and other enterprise fund (one type of proprietary fund) are the same funds as the business-type activities reported in the government-wide statement but provide more detail and additional information, such as a statement of cash flows. The self-insurance internal service fund and the unemployment internal service fund (the other type of proprietary fund) are used to report activities that provide services to the School District's other programs and activities.
- **Fiduciary Funds** – The School District is the trustee, or fiduciary, for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School District's government-wide financial statements because the School District cannot use these assets to finance its operations.

Component Unit – As mentioned above, component units are legally separate organizations for which the School District is financially accountable. Since there is only one component unit, the government-wide financial statements present information for the component unit (a) in a single column on the statement of net position and (b) in a single column on the statement of activities.

Financial Analysis of the School District as a Whole

Net Position

The School District's combined net position increased as follows:

**Table A-1
Aberdeen School District
Statement of Net Position**

	Governmental Activities 6/30/18	Business-Type Activities 6/30/18	Total 6/30/18
Current and Other Assets	\$ 29,860,444	\$ 561,978	\$ 30,422,422
Capital Assets	62,049,992	181,920	62,231,912
Total Assets	<u>\$ 91,910,436</u>	<u>\$ 743,898</u>	<u>\$ 92,654,334</u>
Deferred Outflows of Resources	11,504,846	347,940	11,852,786
Total Assets and Deferred Outflows	<u>\$ 103,415,282</u>	<u>\$ 1,091,838</u>	<u>\$ 104,507,120</u>
Long-Term Debt Outstanding	\$ 26,807,225	\$ -	\$ 26,807,225
Total OPEB Liability	1,667,478	-	1,667,478
Other Liabilities	5,254,669	22,950	5,277,619
Total Liabilities	<u>33,729,372</u>	<u>22,950</u>	<u>33,752,322</u>
Deferred Inflows of Resources	12,699,604	68,723	12,768,327
Net Position			
Net investment in capital assets	36,799,992	181,920	36,981,912
Restricted	13,477,566	282,570	13,760,136
Unrestricted	6,708,748	535,675	7,244,423
Total Net Position	<u>56,986,306</u>	<u>1,000,165</u>	<u>57,986,471</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 103,415,282</u>	<u>\$ 1,091,838</u>	<u>\$ 104,507,120</u>
Beginning Net Position	\$ 51,738,782	\$ 748,417	\$ 52,487,199
Increase (Decrease) in Net Position	<u>5,247,524</u>	<u>251,748</u>	<u>5,499,272</u>
Percentage of Increase (Decrease) in Net Position for 2018	<u>10.1%</u>	<u>33.6%</u>	<u>10.5%</u>

Aberdeen School District 6-1
Management's Discussion and Analysis
June 30, 2018

	Governmental Activities 6/30/17	Business-Type Activities 6/30/17	Total 6/30/17
Current and Other Assets	\$ 30,076,769	\$ 499,178	\$ 30,575,947
Capital Assets	63,186,841	163,690	63,350,531
Total Assets	<u>\$ 93,263,610</u>	<u>\$ 662,868</u>	<u>\$ 93,926,478</u>
Deferred outflows of Resources	9,245,622	278,922	9,524,544
Total Assets and Deferred Outflows	<u>\$ 102,509,232</u>	<u>\$ 941,790</u>	<u>\$ 103,451,022</u>
Long-Term Debt Outstanding	\$ 31,233,494	\$ -	\$ 31,233,494
Net Pension Liability	3,607,763	118,880	3,726,643
Other Liabilities	4,978,890	74,072	5,052,962
Total Liabilities	<u>39,820,147</u>	<u>192,952</u>	<u>40,013,099</u>
Deferred Inflows of Resources	10,827,222	421	10,827,643
Net Position			
Net investment in capital assets	34,896,841	163,690	35,060,531
Restricted	9,694,788	159,621	9,854,409
Unrestricted	7,270,234	425,106	7,695,340
Total Net Position	<u>51,861,863</u>	<u>748,417</u>	<u>52,610,280</u>
Total Liabilities and Net Position	<u>\$ 102,509,232</u>	<u>\$ 941,790</u>	<u>\$ 103,451,022</u>
Beginning Net Position	\$ 51,704,891	\$ 775,905	\$ 52,480,796
Increase (Decrease) in Net Position	<u>156,882</u>	<u>(27,488)</u>	<u>129,394</u>
Percentage of Increase (Decrease) in Net Position for 2017	<u>0.3%</u>	<u>-3.5%</u>	<u>0.2%</u>

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 School District, consisting of compensated absences payable, early retirement benefits payable, capital outlay certificates payable, general obligation bonds payable, financing (capital acquisition) leases payable, unamortized premium payable, and OPEB obligations payable have been reported in this manner on the statement of net position. The difference between the School District's assets and liabilities is its net position.

Changes in Net Position

The School District's total revenues totaled \$47,419,144 (see Table A-2). Approximately 47% of the School District's revenue comes from property and other taxes, with 34% coming from state aid (see Figure A-3).

The School District's total expenses totaled \$41,919,872. The School District's expenses cover a range of services, encompassing instruction, support services and food services. 53% of expenses were spent on instruction and 35% on support services (see Figure A-4).

Figure A-3, Aberdeen School District, Sources of Revenue for Fiscal Year 2017-18

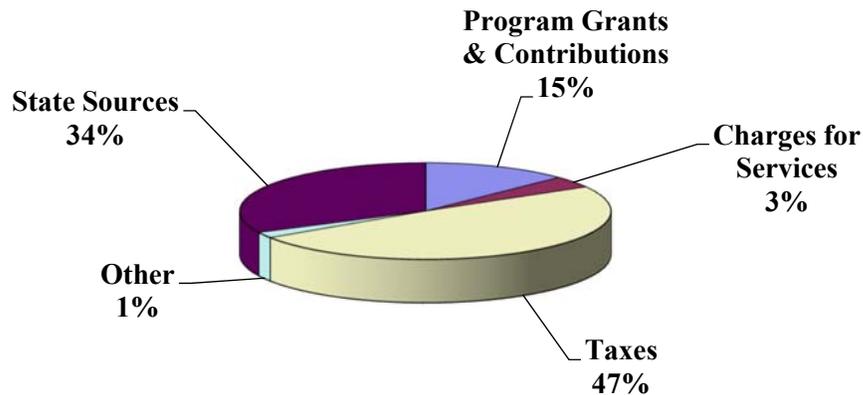
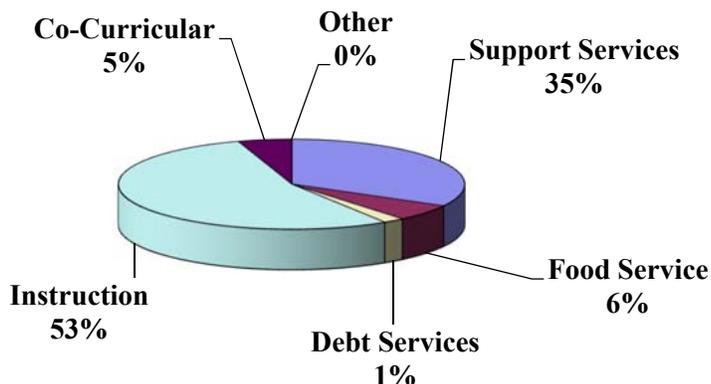


Figure A-4, Aberdeen School District, Functional Expenses for Fiscal Year 2017-18



Governmental Activities

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

	Total Governmental Activities 2017-18	Changes in Net Position Total Business-Type Activities 2017-18	Total 2017-18
Revenues			
Program Revenues:			
Charges for Services	\$ 252,891	\$ 1,281,248	\$ 1,534,139
Operating Grants and Contributions	5,737,792	1,288,234	7,026,026
Capital Grants and Contributions	-	47,334	47,334
General Revenues:			
Taxes	22,304,366	-	22,304,366
Revenue State Sources	15,958,941	-	15,958,941
Revenue Federal Sources	19,255	-	19,255
Revenue Intermediate Sources	516,996	-	516,996
Unrestricted Investment Earnings	12,087	-	12,087
Total Revenues	44,802,328	2,616,816	47,419,144
Expenses			
Instruction	22,067,834	-	22,067,834
Support Services	14,784,469	-	14,784,469
Community Services	27,916	-	27,916
Debt Service	623,283	-	623,283
Cocurricular Activities	2,051,302	-	2,051,302
Other enterprise fund	-	51,435	51,435
Food Service	-	2,313,633	2,313,633
Total Expenses	39,554,804	2,365,068	41,919,872
Changes in Net Position	5,247,524	251,748	5,499,272
Net Position - Beginning	51,861,863	748,417	52,610,280
Restatement - GASB 75	(123,081)	-	(123,081)
Net Position, End of Period	\$ 56,986,306	\$ 1,000,165	\$ 57,986,471

	Changes in Net Position		Total 2016-17
	Total Governmental Activities 2016-17	Total Business-Type Activities 2016-17	
Revenues			
Program Revenues:			
Charges for Services	\$ 291,770	\$ 1,295,868	\$ 1,587,638
Operating Grants and Contributions	5,413,850	1,197,706	6,611,556
General Revenues:			
Taxes	22,568,913	-	22,568,913
Revenue State Sources	14,915,452	-	14,915,452
Revenue Federal Sources	40,081	-	40,081
Revenue Intermediate Sources	476,999	-	476,999
Unrestricted Investment Earnings	32,736	-	32,736
Total Revenues	<u>43,739,801</u>	<u>2,493,574</u>	<u>46,233,375</u>
Expenses			
Instruction	24,648,590	-	24,648,590
Support Services	16,248,211	-	16,248,211
Community Services	19,431	-	19,431
Debt Service	642,872	-	642,872
Cocurricular Activities	2,023,815	-	2,023,815
Other enterprise	-	63,605	63,605
Food Service	-	2,457,457	2,457,457
Total Expenses	<u>43,582,919</u>	<u>2,521,062</u>	<u>46,103,981</u>
Changes in Net Position	<u>156,882</u>	<u>(27,488)</u>	<u>129,394</u>
Net Position, Beginning of Period	<u>51,704,981</u>	<u>775,905</u>	<u>52,480,886</u>
Net Position, End of Period	<u>\$ 51,861,863</u>	<u>\$ 748,417</u>	<u>\$ 52,610,280</u>

Revenues of the School District's governmental activities increased by approximately 2.4% to \$44,802,328 and expenses decreased by 9.2% to \$39,554,804. Factors contributing to these results included:

- The increase in revenue was due primarily to increases in taxes and state revenue.
- The decrease in expenditures was due to a significant increase in the pension benefit net position.

Business-Type Activities

Revenues of the School District's business-type activities increased by approximately 4.9% to \$2,616,816 and expenses decreased by 6.2% to \$2,365,068. Factors contributing to these results included:

- The increase in revenue was due to increases in charges for services and federal reimbursement rates.
- The decrease in expenses was due to a significant increase in the pension benefit net position.

Financial Analysis of the School District's Funds

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$11,194,976, a decrease of \$742,268, compared to the prior year. Approximately 99.4% of this total amount (\$11,131,729) constitutes spendable fund balances, which are available for spending at the School District's discretion. The remainder of the fund balances is nonspendable to indicate that the amounts are not available for new spending because they have already been committed for inventory of \$63,247.

The general fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned and assigned fund balances of the general fund was \$6,687,837, while total fund balance was \$6,751,084. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.8% of total general fund expenditures, while total fund balance represents 23.0% of that same amount.

The fund balance of the School District's general fund decreased by \$789,452 during the current fiscal year. The School District had budgeted for a decrease in the general fund balance of \$881,350. Key factors in this decrease are as follows:

- The budgeted revenues exceeded actual revenues and other financing sources by \$506,788. Budgeted revenues and other financing sources were \$29,101,796 and actual revenues and other financing sources were \$28,595,008.
- The School District expended 98.0% of the 2017-18 general fund budget providing an unexpended budget of \$598,686.

The capital outlay fund had a decrease in fund balance of \$246,312. The School District had budgeted for a decrease in the capital outlay fund balance of \$849,506. Budgeted revenues and other financing sources exceeded actual revenues and other financing sources by \$5,536 and the School District had an unexpended capital outlay budget of \$603,194. The key factor in the unexpended budget was the School District did not complete a transfer to the general fund of \$500,000.

The special education fund had an increase in fund balance of \$463,830. The School District had budgeted for an increase in the special education fund balance of \$190,023. This is due to budgeted revenues and other financing sources exceeding actual revenue and other financing sources by \$78,064 and the School District expending 95.5% of the special education budget providing an unexpended budget of \$351,871.

The pension fund had a decrease in fund balance of \$210,010 due to the change which no longer allows the School District to levy taxes in this fund. The arena fund had an increase in fund balance of \$7,193. The bond redemption fund had an increase in fund balance of \$32,483.

Proprietary Funds

The School District's enterprise fund includes the food service fund and the other enterprise fund. The food service fund showed an increase in net position of \$252,753. The other enterprise fund showed a decrease in net position of \$1,005. The School District's internal service funds saw an increase in net position of \$269,586.

Budgetary Highlights

Over the course of the year, the School Board revised the School District's budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Capital Asset Administration

By the end of 2017-18, the School District had invested \$62,231,912 in a broad range of capital assets, including land, buildings, construction in progress and various machinery and equipment (see Table A-3). This amount represents a net decrease (including additions and deductions) of \$1,118,619 or 1.8%.

**Table A-3
Aberdeen School District 6-1 Capital Assets**

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2018	2017	2018	2017	2017-18	2017-18
Land	\$ 879,982	\$ 879,982	\$ -	\$ -	\$ -	0.0%
Construction Work in Progress	456,636	-	-	-	456,636	100.0%
Buildings	59,719,151	61,291,868	-	-	(1,572,717)	-2.6%
Machinery and Equipment	994,223	1,014,991	181,920	163,690	(2,538)	-0.2%
Total Capital Assets	<u>\$ 62,049,992</u>	<u>\$ 63,186,841</u>	<u>\$ 181,920</u>	<u>\$ 163,690</u>	<u>\$ (1,118,619)</u>	-1.8%

Additional information on the School District's capital assets can be found in Note 3.

Long-Term Debt

At year-end, the School District had \$26,807,225 in long-term debt. This is a decrease of 10.7% as shown on Table A-4 below.

Table A-4
Aberdeen School District 6-1
Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change 2017-18	Total % Change 2017-18
	2018	2017	2018	2017		
General Obligation Bonds	\$ 9,940,000	\$ 11,345,000	\$ -	\$ -	\$ (1,405,000)	-12.4%
Early Retirement	1,182,071	1,339,022	-	-	(156,951)	-11.7%
Capital Outlay Certificates	15,310,000	16,945,000	-	-	(1,635,000)	-9.6%
Compensated Absences	158,239	145,776	-	-	12,463	8.5%
Financing (Capital Acquisition)						
Leases	28,062	41,288	-	-	(13,226)	-23.4%
Unamortized Premium	188,853	208,955	-	-	(20,102)	-8.8%
Total Outstanding Debt and Obligations	\$ 26,807,225	\$ 30,025,041	\$ -	\$ -	\$ (3,217,816)	-10.7%

The School District is liable for the accrued vacation leave payable for all full-time twelve (12) month employees.

The School District also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive either 80% or 60% of their last year's salary in equal payments spread over the next six years. This plan allows the School District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

The School District also allows retirees to remain on the health insurance plan if certain eligibility requirements. As a result of this, the School District reports a total OPEB liability of \$1,667,478 and \$1,208,452 as of June 30, 2018 and 2017, respectively. Additional information on this plan can be found in Note 9.

Additional information on the School District's long-term debt can be found in Note 4.

Economic Factors and Next Year's Budgets and Rates

The School District experienced an increase in total property valuation of approximately \$80,772,403, or 3.6%, from the prior year.

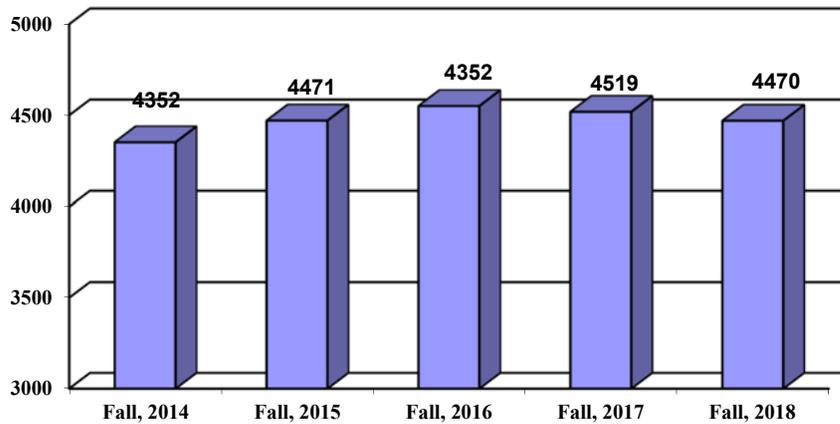
With the exception of the general fund and special education fund, the increase in property valuation allows the School District the ability to increase the amount of revenue generated from property taxes; however, the total amount which can be levied is limited by the State of South Dakota.

The State of South Dakota increased the funding formula for the general fund in 2017-18 fiscal year to approximately \$5,482.08, which is a .30% increase from the prior year.

The general fund funding formula is based on a per-student allocation received from the State of South Dakota. This per-student allocation is based on the fall enrollment (see Figure A-5) and will increase each year by the lesser of the rate of inflation or 3%. The state aid formula for fiscal year 2017-18 ensures that property taxes plus state aid will equal the per student allocation.

The School District's enrollment for the past five years has been as follows in Figure A-5.

**Figure A-5, Aberdeen School District Fall Enrollment
For the Last Five Years**



Contacting the School District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Aberdeen School District's Finance Office, 1224 S 3 St, Aberdeen, SD 57401.

The School District's discretely presented component unit issues its own separate financial statements. These statements may be obtained by directly contacting the individual component unit.

Aberdeen School District 6-1
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit Aberdeen Public Schools Foundation, Inc.
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 17,968,121	\$ 517,125	\$ 18,485,246	\$ 279,122
Investments	-	-	-	878,653
Taxes receivable	10,362,223	-	10,362,223	-
Other receivables	1,299,746	-	1,299,746	-
Interfund balances	66,321	(66,321)	-	-
Inventories	63,247	107,821	171,068	11,070
Net pension asset	100,786	3,353	104,139	-
Capital assets				
Land, improvements and construction in progress	1,336,618	-	1,336,618	-
Other capital assets, net of depreciation	60,713,374	181,920	60,895,294	-
	<u>91,910,436</u>	<u>743,898</u>	<u>92,654,334</u>	<u>1,168,845</u>
Deferred Outflows of Resources				
OPEB related deferred outflows	283,447	-	283,447	-
Pension related deferred outflows	10,866,726	347,940	11,214,666	-
Other deferred outflows of resources	354,673	-	354,673	-
	<u>11,504,846</u>	<u>347,940</u>	<u>11,852,786</u>	<u>-</u>
	<u>\$ 103,415,282</u>	<u>\$ 1,091,838</u>	<u>\$ 104,507,120</u>	<u>\$ 1,168,845</u>
Liabilities				
Accounts payable	\$ 1,168,961	\$ 5,179	\$ 1,174,140	\$ -
Other current liabilities	4,085,708	17,771	4,103,479	8,000
Noncurrent liabilities:				
Due within one year	3,510,183	-	3,510,183	-
Due in more than one year	23,297,042	-	23,297,042	-
Total OPEB liability	1,667,478	-	1,667,478	-
	<u>33,729,372</u>	<u>22,950</u>	<u>33,752,322</u>	<u>8,000</u>
Deferred Inflows of Resources				
Pension related deferred inflows	2,065,672	68,723	2,134,395	-
Taxes levied for future period	10,633,932	-	10,633,932	-
	<u>12,699,604</u>	<u>68,723</u>	<u>12,768,327</u>	<u>-</u>
Net Position				
Net investment in capital assets	36,799,992	181,920	36,981,912	-
Restricted for:				
Capital Outlay	2,043,271	-	2,043,271	-
Special Education	1,312,288	-	1,312,288	-
Pension Benefit	8,901,840	282,570	9,184,410	-
Arena	57,490	-	57,490	-
Bond Redemption	1,162,677	-	1,162,677	-
Foundation	-	-	-	878,653
Unrestricted	6,708,748	535,675	7,244,423	282,192
	<u>56,986,306</u>	<u>1,000,165</u>	<u>57,986,471</u>	<u>1,160,845</u>
	<u>\$ 103,415,282</u>	<u>\$ 1,091,838</u>	<u>\$ 104,507,120</u>	<u>\$ 1,168,845</u>

Aberdeen School District 6-1
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Aberdeen Public Schools Foundation, Inc.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
Instruction	\$ 22,067,834	\$ 22,697	\$ 5,665,474	\$ -	\$ (16,379,663)	\$ -	\$ (16,379,663)	\$ -
Support services	14,784,469	140,892	-	-	(14,643,577)	-	(14,643,577)	-
Community services	27,916	-	-	-	(27,916)	-	(27,916)	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
*Interest on long-term debt	623,283	-	-	-	(623,283)	-	(623,283)	-
Cocurricular activities	2,051,302	89,302	72,318	-	(1,889,682)	-	(1,889,682)	-
Total governmental activities	<u>39,554,804</u>	<u>252,891</u>	<u>5,737,792</u>	<u>-</u>	<u>(33,564,121)</u>	<u>-</u>	<u>(33,564,121)</u>	<u>-</u>
Business-type activities:								
Food service	2,313,633	1,230,818	1,288,234	47,334	-	252,753	252,753	-
Preschool	7,085	7,100	-	-	-	15	15	-
Drivers education	41,085	43,330	-	-	-	2,245	2,245	-
ACT preparation	3,265	-	-	-	-	(3,265)	(3,265)	-
Total business-type activities	<u>2,365,068</u>	<u>1,281,248</u>	<u>1,288,234</u>	<u>47,334</u>	<u>-</u>	<u>251,748</u>	<u>251,748</u>	<u>-</u>
Total primary government	<u>\$ 41,919,872</u>	<u>\$ 1,534,139</u>	<u>\$ 7,026,026</u>	<u>\$ 47,334</u>	<u>(33,564,121)</u>	<u>251,748</u>	<u>(33,312,373)</u>	<u>-</u>
Component Unit	<u>\$ 267,242</u>	<u>\$ 143,733</u>	<u>\$ 169,914</u>					<u>46,405</u>
General Revenues								
Taxes:								
Property taxes					21,541,578	-	21,541,578	-
Gross receipts tax					762,788	-	762,788	-
Revenue from state sources:								
State aid					15,958,941	-	15,958,941	-
Revenue from federal sources					19,255	-	19,255	-
Unrestricted investment earnings					12,087	-	12,087	768
Other general revenues					516,996	-	516,996	-
Total general revenues					<u>38,811,645</u>	<u>-</u>	<u>38,811,645</u>	<u>768</u>
Change in Net Position					<u>5,247,524</u>	<u>251,748</u>	<u>5,499,272</u>	<u>47,173</u>
Net Position - Beginning, as Previously Stated					51,861,863	748,417	52,610,280	1,113,672
Restatement (Note 13)					(123,081)	-	(123,081)	-
Net Position - Beginning, as Restated					<u>51,738,782</u>	<u>748,417</u>	<u>52,487,199</u>	<u>1,113,672</u>
Net Position - Ending					<u>\$ 56,986,306</u>	<u>\$ 1,000,165</u>	<u>\$ 57,986,471</u>	<u>\$ 1,160,845</u>

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

Aberdeen School District 6-1
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Assets							
101 Cash and cash equivalents	\$ 8,886,383	\$ 2,811,130	\$ 1,942,319	\$ -	\$ 57,490	\$ 1,180,138	\$ 14,877,460
110 Taxes receivable - current	4,480,531	3,153,264	1,635,963	-	-	798,754	10,068,512
112 Taxes receivable - delinquent	161,877	74,197	37,923	-	-	19,714	293,711
120 Accounts receivable	18,265	-	-	-	-	-	18,265
132 Due from other fund	66,321	-	-	-	-	-	66,321
140 Due from other government	982,441	32,384	261,869	-	-	-	1,276,694
162 Interest receivable on investments and deposits	4,787	-	-	-	-	-	4,787
170 Inventory of supplies	63,247	-	-	-	-	-	63,247
	<u>\$ 14,663,852</u>	<u>\$ 6,070,975</u>	<u>\$ 3,878,074</u>	<u>\$ -</u>	<u>\$ 57,490</u>	<u>\$ 1,998,606</u>	<u>\$ 26,668,997</u>
Liabilities							
402 Accounts payable	\$ 158,662	\$ 727,682	\$ 116,356	\$ -	\$ -	\$ -	\$ 1,002,700
403 Accrued salaries payable	170,709	-	75,772	-	-	-	246,481
404 Contracts payable	2,095,610	-	522,370	-	-	-	2,617,980
410 Due to agency fund	4,447	-	-	-	-	-	4,447
450 Payroll deductions and withholdings and employer matching payable	535,585	-	139,185	-	-	-	674,770
Total liabilities	<u>2,965,013</u>	<u>727,682</u>	<u>853,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,546,378</u>
Deferred Inflows of Resources							
551 Taxes levied for future period	4,785,878	3,300,022	1,712,103	-	-	835,929	10,633,932
551 Unavailable revenue- delinquent property taxes	161,877	74,197	37,923	-	-	19,714	293,711
Total deferred inflows of resources	<u>4,947,755</u>	<u>3,374,219</u>	<u>1,750,026</u>	<u>-</u>	<u>-</u>	<u>855,643</u>	<u>10,927,643</u>
Fund Balances							
710 Nonspendable for: Inventory	63,247	-	-	-	-	-	63,247
720 Restricted for: Capital Outlay	-	1,969,074	-	-	-	-	1,969,074
Special Education	-	-	1,274,365	-	-	-	1,274,365
Arena	-	-	-	-	57,490	-	57,490
Bond Redemption	-	-	-	-	-	1,142,963	1,142,963
750 Assigned to: Next year's budget	763,967	-	-	-	-	-	763,967
760 Unassigned	5,923,870	-	-	-	-	-	5,923,870
Total fund balances	<u>6,751,084</u>	<u>1,969,074</u>	<u>1,274,365</u>	<u>-</u>	<u>57,490</u>	<u>1,142,963</u>	<u>11,194,976</u>
	<u>\$ 14,663,852</u>	<u>\$ 6,070,975</u>	<u>\$ 3,878,074</u>	<u>\$ -</u>	<u>\$ 57,490</u>	<u>\$ 1,998,606</u>	<u>\$ 26,668,997</u>

Aberdeen School District 6-1
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2018

Total Fund Balances - Governmental Funds	\$ 11,194,976
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. The cost of the assets is \$86,978,674 and the accumulated depreciation is \$24,928,682.	62,049,992
Long-term liabilities, including bonds payable, OPEB liabilities, and accrued leave payable are not due and payable in the current period and, therefore, are not reported in the funds. The cost of the liabilities is \$26,618,372 less the cost of deferred charges of \$354,673.	(26,263,699)
Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds.	(188,853)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	293,711
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	2,516,400
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.	(134,030)
OPEB obligations and related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	(1,384,031)
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	8,901,840
Net Position - Governmental Funds	<u>\$ 56,986,306</u>

Aberdeen School District 6-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Revenues							
1000 Revenue from local sources							
1100 Taxes:							
1110 Ad valorem taxes	\$ 9,732,780	\$ 6,449,863	\$ 3,377,241	\$ -	\$ -	\$ 1,651,193	\$ 21,211,077
1120 Prior year's ad valorem taxes	106,855	64,037	32,817	990	-	17,074	221,773
1130 Tax deed revenue	16,123	6,063	3,192	-	-	1,562	26,940
1140 Gross receipts taxes	762,788	-	-	-	-	-	762,788
1190 Penalties and interest on taxes	26,164	16,103	8,279	-	-	4,360	54,906
1300 Tuition and fees:							
1310 Regular day school tuition	6,076	-	16,621	-	-	-	22,697
1500 Earnings on investments and deposits	12,087	-	-	-	-	-	12,087
1700 Cocurricular activities:							
1710 Admissions	67,500	-	-	-	8,837	-	76,337
1790 Other student activity income	12,965	-	-	-	-	-	12,965
1900 Other revenue from local sources:							
1910 Rentals	4,300	-	-	-	-	-	4,300
1920 Contributions and donations	112,318	-	-	-	-	-	112,318
1940 Services provided other school districts	12,125	-	-	-	-	-	12,125
1970 Charges for service	72,053	-	65,813	-	-	-	137,866
1990 Other	32,534	-	-	-	-	-	32,534
2000 Revenue from intermediate sources							
2100 County sources:							
2110 County apportionment	386,852	-	-	-	-	-	386,852
2200 Revenue in lieu of taxes	17,518	-	-	-	-	-	17,518
3000 Revenue from state sources							
3100 Grants-in-aid:							
3110 Unrestricted grants-in-aid	15,958,941	-	-	-	-	-	15,958,941
3120 Restricted grants-in-aid	44,200	-	3,187,644	-	-	-	3,231,844
3300 Tuition:							
3320 Regular	37,924	-	-	-	-	-	37,924
4000 Revenue from federal sources							
4100 Grants-in-aid:							
4140 Restricted grants-in-aid received directly from federal government	43,850	-	-	-	-	-	43,850
4150-4199 Restricted grants-in-aid received from federal government through the state	1,108,210	45,800	1,157,846	-	-	-	2,311,856
4400 Johnson O'Malley funds	19,255	-	-	-	-	-	19,255
4900 Other Federal revenue	1,590	-	-	-	-	-	1,590
Total revenues	<u>28,595,008</u>	<u>6,581,866</u>	<u>7,849,453</u>	<u>990</u>	<u>8,837</u>	<u>1,674,189</u>	<u>44,710,343</u>

Aberdeen School District 6-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures							
1000 Instruction							
1100 Regular programs:							
1110 Elementary schools	7,893,466	24,443	-	-	-	-	7,917,909
1120 Middle/junior high schools	4,007,850	16,585	-	-	-	-	4,024,435
1130 High school	4,680,530	23,253	-	-	-	-	4,703,783
1200 Special programs:							
1220 Programs for special education	-	-	4,950,905	-	-	-	4,950,905
1250 Culturally different	413,558	-	-	-	-	-	413,558
1270 Educationally deprived	975,530	-	-	-	-	-	975,530
2000 Support services							
2100 Pupils:							
2120 Guidance	753,928	-	-	-	-	-	753,928
2130 Health	211,016	-	193,154	-	-	-	404,170
2140 Psychological	-	-	416,368	-	-	-	416,368
2150 Speech pathology	-	-	697,276	-	-	-	697,276
2170 Student therapy services	-	-	316,736	-	-	-	316,736
2200 Support services - instructional staff:							
2210 Improvement of instruction	311,194	721,591	1,914	-	-	-	1,034,699
2220 Educational media	994,113	896,632	-	-	-	-	1,890,745
2300 Support services - general administration:							
2310 Board of education	112,619	-	-	-	-	-	112,619
2320 Executive administration	254,412	-	-	-	-	-	254,412
2400 Support services - school administration:							
2410 Office of the principal	2,109,951	-	-	-	-	-	2,109,951
2440 Title I program administration	21,441	-	-	-	-	-	21,441
2490 Other support services	7,364	-	-	-	-	-	7,364
2500 Support services - business:							
2520 Fiscal services	386,184	12,893	-	-	-	-	399,077
2540 Operation and maintenance of plant	3,830,709	2,288,402	-	-	1,644	-	6,120,755
2550 Pupil transportation	267,575	-	-	-	-	-	267,575
2560 Food services	-	32,696	-	-	-	-	32,696
2570 Internal services	76,029	-	-	-	-	-	76,029
2600 Support services - central:							
2640 Staff	207,436	-	-	-	-	-	207,436

Aberdeen School District 6-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
2700 Support services - special education:							
2710 Administrative costs	-	-	306,922	-	-	-	306,922
2730 Transportation costs	-	-	361,749	-	-	-	361,749
2750 Other special education costs	-	-	91,204	-	-	-	91,204
3000 Community services							
3700 Nonpublic School	27,916	-	-	-	-	-	27,916
4000 Nonprogrammed charges							
4500 Early retirement payments	84,643	-	49,395	211,000	-	-	345,038
5000 Debt services	-	6,267,165	-	-	-	1,641,706	7,908,871
6000 Cocurricular activities							
6100 Male activities	409,849	-	-	-	-	-	409,849
6200 Female activities	370,498	-	-	-	-	-	370,498
6900 Combined activities	976,649	37,793	-	-	-	-	1,014,442
7500 Capital outlay	-	631,725	-	-	-	-	631,725
Total expenditures	<u>29,384,460</u>	<u>10,953,178</u>	<u>7,385,623</u>	<u>211,000</u>	<u>1,644</u>	<u>1,641,706</u>	<u>49,577,611</u>
Excess of Revenue over (under) Expenditures	<u>(789,452)</u>	<u>(4,371,312)</u>	<u>463,830</u>	<u>(210,010)</u>	<u>7,193</u>	<u>32,483</u>	<u>(4,867,268)</u>
Other Financing Sources (Uses)							
5120 Proceeds from long-term debt	-	4,125,000	-	-	-	-	4,125,000
Total other financing sources (uses)	<u>-</u>	<u>4,125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,125,000</u>
Net Change in Fund Balances	(789,452)	(246,312)	463,830	(210,010)	7,193	32,483	(742,268)
Fund Balance - Beginning	<u>7,540,536</u>	<u>2,215,386</u>	<u>810,535</u>	<u>210,010</u>	<u>50,297</u>	<u>1,110,480</u>	<u>11,937,244</u>
Fund Balance - Ending	<u>\$ 6,751,084</u>	<u>\$ 1,969,074</u>	<u>\$ 1,274,365</u>	<u>\$ -</u>	<u>\$ 57,490</u>	<u>\$ 1,142,963</u>	<u>\$ 11,194,976</u>

Net Change in Fund Balances - Total Governmental Funds	\$ (742,268)
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 capital outlay (\$631,725) was exceeded by depreciation (\$1,813,574) in the current period.	(1,181,849)
The receipt of donated capital assets is not reported on the fund statements but is reported as a program revenue on the government-wide statements.	45,000
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	7,178,226
Bond \$ 1,405,000	
CO Certificate 5,760,000	
Capital Lease 13,226	
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	(4,125,000)
CO Certificate \$ (4,125,000)	
In the statement of activities, certain operating expenses (early retirement) are measured by the amounts earned during the year. In the governmental funds expenditures, these items are measured by the amount actually paid. Early retirement paid during the period exceeded the amount earned.	156,949
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statement differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	26,877
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(12,463)
Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.	33,402

Aberdeen School District 6-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-
Wide Statement of Activities
Year Ended June 30, 2018

Deferred charges from refunding bonds are not recorded on the fund statements. The annual amortization of these deferred charges are reported as deferred charges and reported as interest expense in the statement of activities.	(98,607)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service is reported with governmental activities.	269,586
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the change in this liability and related deferred outflows of resources from one year to the next.	(52,497)
Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This is the amount of premiums amortized in the current period.	20,102
Changes in the pension related deferred outflows/inflows are direct components of pension liability (assets) and are not reflected in the governmental funds.	3,730,066
Change in Net Position of Governmental Activities	<u>\$ 5,247,524</u>

Aberdeen School District 6-1
Statement of Net Position – Proprietary Funds
June 30, 2018

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 517,125	\$ -	\$ 517,125	\$ 3,090,661
170 Inventory of supplies	16,005	-	16,005	-
171 Inventory of stores purchased for resale	32,978	-	32,978	-
172 Inventory of donated food	58,838	-	58,838	-
Total current assets	<u>624,946</u>	<u>-</u>	<u>624,946</u>	<u>3,090,661</u>
Noncurrent assets				
196 Net pension asset	3,145	208	3,353	-
200 Capital assets				
204 Machinery and equipment - local funds	630,943	-	630,943	-
Less accumulated depreciation	<u>(449,023)</u>	<u>-</u>	<u>(449,023)</u>	<u>-</u>
Total noncurrent assets	<u>185,065</u>	<u>208</u>	<u>185,273</u>	<u>-</u>
Deferred outflows of resources				
252 Pension related deferred outflows	<u>332,568</u>	<u>15,372</u>	<u>347,940</u>	<u>-</u>
	<u>\$ 1,142,579</u>	<u>\$ 15,580</u>	<u>\$ 1,158,159</u>	<u>\$ 3,090,661</u>
Liabilities and Net Position				
Liabilities				
400 Current liabilities:				
402 Accounts payable	\$ 3,971	\$ 1,208	\$ 5,179	\$ 166,261
403 Accrued salaries payable	10,739	7,032	17,771	-
409 Incurred but not reported claims	-	-	-	408,000
410 Due to other funds	<u>65,852</u>	<u>469</u>	<u>66,321</u>	<u>-</u>
Total current liabilities	<u>80,562</u>	<u>8,709</u>	<u>89,271</u>	<u>574,261</u>
Deferred inflows of resources				
554 Pension related deferred inflows	<u>64,456</u>	<u>4,267</u>	<u>68,723</u>	<u>-</u>
Net Position				
706 Net investment in capital assets	181,920	-	181,920	-
707.2 Restricted for pension benefits	271,257	11,313	282,570	-
708 Unrestricted net position (deficit)	<u>544,384</u>	<u>(8,709)</u>	<u>535,675</u>	<u>2,516,400</u>
Total net position	<u>997,561</u>	<u>2,604</u>	<u>1,000,165</u>	<u>2,516,400</u>
	<u>\$ 1,142,579</u>	<u>\$ 15,580</u>	<u>\$ 1,158,159</u>	<u>\$ 3,090,661</u>

Aberdeen School District 6-1
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Total	
Operating Revenues				
Sales				
1610 To pupils	\$ 902,940	\$ -	\$ 902,940	\$ -
1620 To adults	7,886	-	7,886	-
1660 Other	319,992	-	319,992	-
1970 Self-insurance premiums	-	-	-	4,479,999
1979 Other charges for services	-	50,430	50,430	17,858
Total operating revenues	<u>1,230,818</u>	<u>50,430</u>	<u>1,281,248</u>	<u>4,497,857</u>
Operating Expenses				
100 Salaries	781,938	46,902	828,840	-
200 Employee benefits	210,529	1,938	212,467	-
300 Purchased services	45,599	-	45,599	-
400 Supplies	43,170	2,595	45,765	-
461 Cost of sales - purchased food	931,672	-	931,672	-
462 Cost of sales - donated food	271,371	-	271,371	-
690 Miscellaneous	250	-	250	-
910 Depreciation - local funds	29,104	-	29,104	-
4620 Self-insurance costs	-	-	-	4,228,271
Total operating expenses	<u>2,313,633</u>	<u>51,435</u>	<u>2,365,068</u>	<u>4,228,271</u>
Operating Income (Loss)	<u>(1,082,815)</u>	<u>(1,005)</u>	<u>(1,083,820)</u>	<u>269,586</u>
Nonoperating Revenue				
State sources:				
3810 Cash reimbursements	8,074	-	8,074	-
Federal sources:				
4810 Cash reimbursements	1,007,222	-	1,007,222	-
4820 Donated food	272,938	-	272,938	-
Total nonoperating revenue	<u>1,288,234</u>	<u>-</u>	<u>1,288,234</u>	<u>-</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	205,419	(1,005)	204,414	269,586
5170 Capital contributions	47,334	-	47,334	-
Change in Net Position	<u>252,753</u>	<u>(1,005)</u>	<u>251,748</u>	<u>269,586</u>
Net Position - Beginning	<u>744,808</u>	<u>3,609</u>	<u>748,417</u>	<u>2,246,814</u>
Net Position - Ending	<u>\$ 997,561</u>	<u>\$ 2,604</u>	<u>\$ 1,000,165</u>	<u>\$ 2,516,400</u>

Aberdeen School District 6-1
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Totals	
Cash Flows from (used for) Operating Activities				
Cash receipts from customers	\$ 1,230,818	\$ 50,430	\$ 1,281,248	\$ -
Cash receipts from interfund services provided	-	-	-	4,497,857
Payments to employees	(1,084,283)	(64,772)	(1,149,055)	-
Payments to suppliers	(1,018,356)	(2,595)	(1,020,951)	-
Claims paid	-	-	-	(4,045,888)
Net Cash from (used for) Operating Activities	<u>(871,821)</u>	<u>(16,937)</u>	<u>(888,758)</u>	<u>451,969</u>
Cash Flows from Noncapital Financing Activities				
Operating Subsidies	<u>1,015,295</u>	<u>-</u>	<u>1,015,295</u>	<u>-</u>
Net Cash from Noncapital Financing Activities	<u>1,015,295</u>	<u>-</u>	<u>1,015,295</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	143,474	(16,937)	126,537	451,969
Cash and Cash Equivalents Beginning of Year	<u>373,651</u>	<u>16,937</u>	<u>390,588</u>	<u>2,638,692</u>
Cash and Cash Equivalents End of Year	<u>\$ 517,125</u>	<u>\$ -</u>	<u>\$ 517,125</u>	<u>\$ 3,090,661</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities				
Operating income (loss)	\$ (1,082,815)	\$ (1,005)	\$ (1,083,820)	\$ 269,586
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:				
Depreciation expense	29,104	-	29,104	-
Value of donated commodities used	271,371	-	271,371	-
Change in assets and liabilities:				
Inventories	2,335	-	2,335	-
Pension asset and deferred outflows	(67,876)	(4,495)	(72,371)	-
Accounts and other payables	22,638	64	22,702	182,383
Accrued wages payable	1,161	(8,662)	(7,501)	-
Pension liability and deferred inflows	(47,739)	(2,839)	(50,578)	-
Net Cash from (used for) Operating Activities	<u>\$ (871,821)</u>	<u>\$ (16,937)</u>	<u>\$ (888,758)</u>	<u>\$ 451,969</u>
Noncash Investing, Capital and Financing Activities				
Value of commodities received	\$ 272,938	\$ -	\$ 272,938	\$ -
Capital contributions	47,334	-	47,334	-

Aberdeen School District 6-1
Statement of Fiduciary Net Position
June 30, 2018

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 479,498
Due from general fund	4,447
	<u>\$ 483,945</u>
Liabilities and Net Position	
Liabilities	
Accounts payable	\$ 4,854
Amounts held for others	479,091
	<u>\$ 483,945</u>

Note 1 - Summary of Significant Accounting Policies

The Aberdeen School District 6-1's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

The reporting entity of the Aberdeen School District 6-1 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); its discretely presented component unit; and those organizations for which the primary government is financially accountable.

Discretely presented component units are entities that are legally separate from the School District for which the School District is considered to be financially accountable or for which the nature and significance of the relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Aberdeen Public Schools Foundation, Inc. meets this definition of a discretely presented component unit. This component unit is displayed in a separate column in the government-wide financial statements to emphasize its legal separateness from the School District. Separate financial statements are available for the component unit. The financial statements are available upon request from the School District.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and component units. Eliminations to the various funds have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities and discretely presented component units of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described above, and may be classified as either governmental or business-type activities. See the discussion of individual component units above.

The statement of net position reports all financial and capital resources in a net position form (assets plus deferred outflows of resources minus liabilities minus 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 the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The funds of the School District are described below within their respective fund types.

Governmental Funds

General Fund: The general fund is the general operating fund of the School District. It is used to account for all financial resources of the general government except those required to be accounted for in another 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. The capital outlay, special education, pension and arena funds are the special revenue funds, maintained by the School District.

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.

Proprietary Funds

Enterprise Funds: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods and services be financed or recovered primarily through user charges. The enterprise fund is used to account for the operations of the food service program for the students and faculty of the School District, financed primarily through meal sales and federal reimbursement. The other enterprise fund is used to account for the operations of the other enterprise functions such as driver’s education, child care, and ACT test preparation. It is financed primarily through tuition charges to the families of the children participating in these classes.

Internal Service Funds: Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The self-insurance fund and the unemployment fund are the internal funds maintained by the School District with the primary purpose of the funds to account for self-funded health and unemployment insurance.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency Fund: The student activity fund is used to account for student funds generated within the various schools by the students or other School District organizations. The School District holds the student activity fund’s assets in a custodial capacity. Agency funds are accounted for using the accrual basis of accounting. Because agency funds are custodial in nature, they do not measure results of operations or have a measurement focus.

The School District reports the following major funds:

<u>Funds</u>	<u>Brief Description</u>
General Fund	See above description
Special Revenue Funds:	
Special Education Fund	A fund established by South Dakota Codified Law (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.
Capital Outlay Fund	A fund established by SDCL 13-16-6 to meet expenditures that result in the acquisition of or additions to real property, plant, or equipment. This fund is financed by property taxes.
Pension Fund	A fund established by SDCL 13-10-6 for the purpose of continuing a fund for the payment of pensions to retired employees of school districts, which have established such systems. This fund is financed by property taxes.
Arena Fund	A fund established by SDCL 6-4-1 to provide funding for improvements at the Central High School arena and theater. This fund is financed by 10% of the admission revenues at events held in these facilities.

<u>Funds</u>	<u>Brief Description</u>
Debt Service Fund: Bond Redemption Fund	A fund established by SDCL 13-16-13 to account for the payment of principal and interest on all bonded indebtedness. This fund is financed by property taxes.
Enterprise Fund: Food Service Fund	A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants.
Other Enterprise Fund	A fund used to record financial transactions related to other enterprise fund operations. This fund is financed by user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources, measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 bills of the current period. The accrual period does not exceed one bill paying cycle, which for the School District is 60 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other post-employment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the School District funds certain grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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.
2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged in this manner, expense reductions occur in the respective funds so that expenses are reported only in the function to which they relate.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed, or assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

Deposits and Investments

For the purpose of financial reporting, “cash and cash equivalents” for the School District includes all demand and savings accounts and certificates of deposit (as early redemption costs would be insignificant). For the Aberdeen Public School Foundation, “cash and cash equivalents” includes all demand and savings accounts. Investments held by the Aberdeen Public School Foundation include money market funds, corporate obligations, fixed mutual funds, equity mutual funds, equities, and brokered certificates of deposits.

Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

The School District follows the practice of aggregating some of 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 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% 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.

Deposits are reported at cost plus interest if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the general fund or the fund making the investments. The School District's policy is to credit income from pooled accounts to the General Fund and interest on accounts held solely by one fund to the fund making the investment.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in one financial institution.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized. All financial institutions which hold the School District's deposits, pledges securities in the amount over \$250,000 for all public School District funds. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2018 all of the School District's deposits were covered by insurance or collateral in accordance with the deposit policy.

The actual School District bank balances at June 30, 2018 were as follows:

	Book Balance
Insured (FDIC/NCUA)	\$ 1,000,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	18,666,809
	\$ 19,666,809
 The School District's carrying amount of deposits at June 30, 2018	 \$ 18,964,744
 Reconciliation of deposits to government-wide statement of net assets:	
Cash and cash equivalents	\$ 18,485,246
Add: Agency fund cash (not included in government-wide statement of net assets)	479,498
Total reconciled deposits	\$ 18,964,744

Investments: In general, SDCL 4-5-6 permits School District funds to be invested 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); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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 does not hold any investments.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial risk.

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The School District has a formal investment policy that limits investment maturities to a maximum of 5 years.

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. It is the investment policy of the School District to limit the purchase of investments of direct U.S. Government obligations and U.S. Government and Federal Agency issues.

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

The Aberdeen School District Foundation does not have any formal policies over deposits and investments that address custodial credit risk, interest rate risk, credit risk, or concentration of credit risk. The Foundations deposits are fully FDIC insured as of June 30, 2018.

Receivables

Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

All accounts and property tax receivables are shown net of an allowance for uncollectibles of zero. No valuation allowance has been established based upon the School District’s estimate that uncollectible receivables, if any, would be immaterial.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. Approximately 50% is considered to be applied to finance the budget of the current fiscal year and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent year. 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. Current year property taxes receivable which is not available as a resource that can be used to finance the current year’s appropriations and, therefore, are not susceptible to accrual have been reported as deferred inflows of resources in both fund financial statements and the government-wide financial statements.

Inventory

Inventory is stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased they are recorded as assets. When they are consumed they are recorded as expenditures in governmental funds or expenses in proprietary funds. Although classified as current assets, these inventory balances are offset by nonspendable fund balance amounts which indicate that they do not constitute “available spendable resources” even though they are a component of net current assets. Inventories purchased by the food service fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA’s assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when consumed.

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 where 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.

Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

The total June 30, 2018 balance of capital assets for governmental activities includes approximately 8% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. The total June 30, 2018 balance of capital assets for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land**	Any Amount	**	**
Buildings	\$ 5,000	Straight-Line	10-50 years
Equipment	5,000	Straight-Line	3-20 years

***Land, an inexhaustible capital asset, 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.

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 consist primarily of compensated absences, early retirement benefits payable, general obligation bonds, capital outlay certificates payable, and capital leases.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

Cash and Cash Equivalents

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

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.

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

Equity Classifications

Government-Wide 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 is distinguished between nonspendable, restricted, committed, assigned, or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance 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 restraints.
- 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 which is the School Board and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The 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 grant agreements requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund

Capital Outlay Fund
Special Education Fund
Pension Fund
Arena Fund

Revenue Source

Property taxes
Grants and property taxes
Property taxes
Cocurricular admissions

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.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has four items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position, changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position, and deferred charges relating to debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position.

Implementation of GASB Statement No. 75

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the Total OPEB Liability, deferred outflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard is included in Note 9.

Note 2 - Due from Other Governments

As of June 30, 2018, amounts due from other governments are as follows:

General Fund		
Due from state sources	\$	528,943
Due from local sources		453,498
Capital Outlay Fund		
Due from state sources		32,384
Special Education		
Due from federal sources		261,869
		261,869
Total due from other governments	\$	1,276,694

Note 3 - Changes in Capital Assets

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

Primary Government	Balance 6/30/17	Increases	Decreases	Balance 6/30/18
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 879,982	\$ -	\$ -	\$ 879,982
Construction work in process	-	456,636	-	456,636
Total not being depreciated	879,982	456,636	-	1,336,618
Capital assets, being depreciated:				
Buildings	82,601,836	-	-	82,601,836
Machinery and equipment	2,820,131	220,089	-	3,040,220
Total being depreciated	85,421,967	220,089	-	85,642,056
Less accumulated depreciation for:				
Buildings	21,309,968	1,572,717	-	22,882,685
Machinery and equipment	1,805,140	240,857	-	2,045,997
Total accumulated depreciation	23,115,108	1,813,574	-	24,928,682
Total capital assets being depreciated, net	62,306,859	(1,593,485)	-	60,713,374
Governmental activity capital assets, net	\$ 63,186,841	\$ (1,136,849)	\$ -	\$ 62,049,992
Governmental activities:				
Instruction				\$ 1,382,236
Support services				152,826
Co-curricular activities				278,512
Total depreciation expense - governmental activities				\$ 1,813,574

Aberdeen School District 6-1
Notes to Financial Statements
June 30, 2018

<u>Business-Type Activities</u>	<u>Balance 6/30/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/18</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 583,609	\$ 47,334	\$ -	\$ 630,943
Total being depreciated	<u>583,609</u>	<u>47,334</u>	<u>-</u>	<u>630,943</u>
Total accumulated depreciation	<u>419,919</u>	<u>29,104</u>	<u>-</u>	<u>449,023</u>
Total capital assets being depreciated, net	<u>163,690</u>	<u>18,230</u>	<u>-</u>	<u>181,920</u>
Business-type activity capital assets, net	<u>\$ 163,690</u>	<u>\$ 18,230</u>	<u>\$ -</u>	<u>\$ 181,920</u>
Business-type activities:				
Food service				<u>\$ 29,104</u>
Total depreciation expense - business-type activities				<u>\$ 29,104</u>

As of June 30, 2018 the School District has committed approximately for \$975,514 for a new turf field and new scoreboard, of which \$456,636 in payments had been made or accrued as accounts payable at year-end. Additionally, the School District committed approximately \$786,850 for repairs and maintenance, of which \$777,335 in payments had been made or accrued as accounts payable at year-end.

Note 4 - Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Amounts Outstanding 6/30/17</u>	<u>Issued</u>	<u>Retired</u>	<u>Refunded</u>	<u>Amounts Outstanding 6/30/18</u>	<u>Due in One Year</u>
Governmental activities:						
General obligation bonds	\$ 11,345,000	\$ -	\$ (1,405,000)	\$ -	\$ 9,940,000	\$ 1,430,000
Capital outlay certificates	16,945,000	4,125,000	(1,300,000)	(4,460,000)	15,310,000	1,560,000
Early retirement	1,339,022	188,086	(345,037)	-	1,182,071	327,988
Financing (capital acquisition) leases	41,288	-	(13,226)	-	28,062	13,854
Compensated absences	145,776	198,256	(185,793)	-	158,239	158,239
Unamortized premium	208,955	-	(20,102)	-	188,853	20,102
	<u>\$ 30,025,041</u>	<u>\$ 4,511,342</u>	<u>\$ (3,269,158)</u>	<u>\$ (4,460,000)</u>	<u>\$ 26,807,225</u>	<u>\$ 3,510,183</u>

No anticipated reduction in compensated absences is foreseen for next year. Compensated absences for governmental activities typically have been liquidated from the general fund and special education fund. Early retirement benefits payable for governmental activities typically have been liquidated from the general fund, special education fund, and the pension fund.

A summary of deferred charges on various bond refundings as of June 30, 2018, follows:

	<u>Original Cost</u>	<u>2018 Amortization</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
2012 Refunding	\$ 123,423	\$ 12,342	\$ 74,052	\$ 49,371
2013 Refunding	372,797	62,133	310,666	62,131
2016 Refunding	217,191	24,132	48,264	168,927
2017 Refunding	74,244	-	-	74,244
	<u>\$ 787,655</u>	<u>\$ 98,607</u>	<u>\$ 432,982</u>	<u>\$ 354,673</u>

Debt payable at June 30, 2018 is comprised of the following individual issues:

General Obligation Bonds

General Obligation Refunding Bonds

General obligation refunding bonds, series 2016, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2016, with final installment due January 1, 2025; interest rates range from .85% to 2.5%, paid from the debt service fund. \$ 7,575,000

General obligation refunding bonds, series 2013, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2015, with final installment due January 1, 2020; interest rates range from .6% to 2.25%, paid from the debt service fund. 2,365,000

Capital Outlay Certificates

Capital Outlay Certificates, series 2009A (QSCB), subject to semi-annual sinking fund requirements in June and December beginning June 16, 2010, with final installment due December 16, 2024, interest rate of 2%, paid from the capital outlay fund. 1,310,000

Capital outlay certificates, series 2016, subject to semi-annual sinking fund requirements in July and January beginning January 15, 2016, with final installment due January 15, 2035, interest rate ranges from 0.9% to 4.0%, paid from the capital outlay fund. 7,395,000

Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2012, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2012, with final installment due January 15, 2023, interest rate range from 0.75% to 2.20%, paid from the capital outlay fund. 2,480,000

Capital outlay refunding certificates, series 2017, subject to semi-annual sinking fund requirements in July and January beginning July 15, 2018, with final installment due July 15, 2025, interest rate range from 1.10% to 1.95%, paid from the capital outlay fund. 4,125,000

Financing (Capital Acquisition) Leases

Marco Inc. copier, matures October 20, 2020, 3.308% interest, monthly payments of \$512.81, paid by the capital outlay fund. 12,850

Marco Inc. copiers, matures August 14, 2020, 4.194% interest, monthly payments of \$493.63, paid by the capital outlay fund. 12,248

Century Business Products copier, matures August 7, 2019, 8.822% interest, monthly payments of \$223.60, paid by the capital outlay fund. 2,964

Early Retirement	Requires annual payments of not more than \$182,333 from special education fund and pension fund; final payment July 2021.	1,182,071
Plus unamortized premiums		188,853
		\$ 26,648,986

The purchase price at the commencement of the financing (capital acquisition) leases was:

Principal		\$ 64,016
Interest		7,104
		\$ 71,120

The annual requirements to maturity for all debt outstanding for governmental activities as of June 30, 2018, excluding compensated absences, but including sinking fund installments, are as follows:

Year Ending June 30,	General Obligation Bonds		C.O. Certificates		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,430,000	\$ 212,469	\$ 1,560,000	\$ 351,012	\$ 13,854	\$ 907
2020	1,455,000	183,819	1,605,000	322,380	12,203	320
2021	1,485,000	149,988	1,630,000	296,458	2,005	9
2022	1,520,000	112,425	1,655,000	267,519	-	-
2023	1,560,000	73,925	1,695,000	235,818	-	-
2024-2028	2,490,000	47,238	3,680,000	843,033	-	-
2029-2033	-	-	2,395,000	471,050	-	-
2034-2035	-	-	1,090,000	57,575	-	-
	\$ 9,940,000	\$ 779,864	\$ 15,310,000	\$ 2,844,845	\$ 28,062	\$ 1,236

Year Ending June 30,	Early Retirement	Total	
	Principal	Principal	Interest
2019	\$ 327,988	\$ 3,331,842	\$ 564,388
2020	275,432	3,347,635	506,519
2021	240,627	3,357,632	446,455
2022	199,265	3,374,265	379,944
2023	107,412	3,362,412	309,743
2024-2028	31,347	6,201,347	890,271
2029-2033	-	2,395,000	471,050
2034-2035	-	1,090,000	57,575
	\$ 1,182,071	\$ 26,460,133	\$ 3,625,945

Note 5 - Fair Value

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the School has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District has negotiated certificates of deposit which are included in cash and cash equivalents. The negotiated certificates of deposit are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions, and are classified within Level 2.

The following table presents the School District's deposits measured at fair value on a recurring basis at June 30, 2018:

	Total	Level 1	Level 2	Level 3
Negotiated certificates of deposit	\$ 1,100,000	\$ -	\$ 1,100,000	\$ -

The Aberdeen Public School Foundation invests in money markets, corporate obligations, mutual funds, equities and negotiated certificates of deposit. The money markets, mutual funds and equities are valued at the quoted market price and are classified within Level 1. The negotiated certificates of deposit and corporate obligations are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions, and are classified within Level 2.

The following table presents the endowments held for the Aberdeen Public School Foundation measured at fair value as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
Investments - endowment pool				
Money market funds	\$ 25,177	\$ 25,177	\$ -	\$ -
Corporate obligations	202,387	-	202,387	-
Fixed mutual funds	107,454	107,454	-	-
Equity mutual funds	233,591	233,591	-	-
Equities	285,104	285,104	-	-
Negotiated certificates of deposit	24,940	-	24,940	-
	<u>\$ 878,653</u>	<u>\$ 651,326</u>	<u>\$ 227,327</u>	<u>\$ -</u>
Total Investments by fair value level	<u>\$ 878,653</u>	<u>\$ 651,326</u>	<u>\$ 227,327</u>	<u>\$ -</u>

Note 6 - Leases

The School District leases several copier machines with varying payments from \$71 to \$284 per month. These leases all terminate on September 15, 2018. All items are paid from the capital outlay fund.

The following are the minimum payments on existing operating leases:

Year	Amount
2019	\$ 2,982
	<u>\$ 2,982</u>

Note 7 - Restricted Net Position

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 2,043,271
Special Education	Law	1,312,288
SDRS pension benefits	Law	9,184,410
Arena	Law	57,490
Bond Redemption	Law	1,162,677
		<u>\$ 13,760,136</u>
Total restricted net position		<u>\$ 13,760,136</u>

Note 8 - Early Retirement

Each employee who accepts retirement after the age of 55 and prior to the age of 63, with at least 20 years of service in the School District, will receive incentive pay equal to 80% of their current annual salary for employees with 30 or more years of service, and 60% of their current annual salary for employees with 20 to 29 years of service, paid out in 6 equal, annual installments. The liability is recorded based upon the specified annual payments that are due and have not been discounted as the School District has determined the discount to not be material.

Note 9 - Post-Employment Healthcare Plan

Plan Description

Aberdeen School District Healthcare Plan is a single-employer defined benefit healthcare plan administered by the School District. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Benefits Provided

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between the School District’s insurance committee and insurance provider. An employee or administrator, who retires from the School District on or after the age of 55 and with at least 15 years of consecutive service with the School District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65 with the exception of at the time the retiree participant becomes eligible for Medicare (age 65) and he/she had dependent(s) not eligible for Medicare, coverage for those dependent(s) may be continued under the plan until the spouse reaches age 65 and dependent(s) reach the age of 23 or age 25 if a full-time student. The retiree is responsible for 100% of the premiums for both the retiree and the retiree plus spouse coverage.

Employees Covered by Benefit Terms

At the valuation date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	23
Active employees	533
	556

Total OPEB Liability

The School District’s total OPEB liability of \$1,667,478 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date. The School District’s obligation is unfunded at June 30, 2018. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per year
Salary increases	3.0% per year
Discount rate	3.87 percent*
Healthcare cost trend rates	5.0% for all years

*Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

The plan has not had a formal actuarial experience study performed.

Other Assumptions

Mortality	RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement.	
Future Retiree Participation Rate	50%	
Initial Spouse Participation Rate	Male Employees	20%
	Female Employees	20%
Age Difference	Husbands are assumed to be three years older than wives	
Turnover	Rates based on Scale T-10 of the Actuary's Pension Handbook.	
Disability	None	

Changes in the Total OPEB Liability

Balance at June 30, 2017, as restated	\$ 1,331,534
Service cost	41,225
Interest cost	59,831
Difference between expected and actual experience	38,960
Changes of assumptions	282,280
Benefit payments	(86,352)
	335,944
Total Changes	335,944
Balance at June 30, 2018	\$ 1,667,478

Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.87%	3.87%	4.87%
Total OPEB Liability	\$ 1,804,871	\$ 1,667,478	\$ 1,545,610

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Healthcare trend rate	4.0%	5.0%	6.0%
Total OPEB Liability	\$ 1,526,115	\$ 1,667,478	\$ 1,829,828

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School District recognized an increase of health insurance expense of \$138,849 due to OPEB. At June 30, 2018, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,376	\$ -
Changes of assumptions	249,071	-
Total	\$ 283,447	\$ -

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	OPEB Expense
2019	\$ 37,793
2020	37,793
2021	37,793
2022	37,793
2023	37,793
Thereafter	94,482
	\$ 283,447

Note 10 - Litigation

The School District could be subject to various claims or proceedings that arise in the ordinary course of its activities. Subsequent to year-end, the School District was named in a lawsuit related to treatment of students. As of February 12, 2019, no reasonable estimate of a claim liability was able to be determined, and the School District intends to defend the allegations.

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 year ended June 30, 2018, the School District managed its risks as follows:

Employee Health Insurance

The School District has established a self-insurance fund for the purpose of paying claims of the employee group health care benefit plan. Premiums are paid by both the School District and the School District's employees and are charged against the appropriate fund. Excess loss insurance is provided through private insurance carriers for claims exceeding \$100,000 per individual and \$4,228,271 or 125% of expected paid claims in aggregate losses for each plan year. At June 30, 2018, an estimated liability of \$408,000 was accrued for incurred but not reported claims. This estimate was based on information obtained from the plan's third-party administrator. The self-insurance fund is reported as an internal service fund in these financial statements. The School District is responsible for deficiencies, if any, resulting from claims paid in excess of premiums received. At June 30, 2018, the health insurance internal service fund had a net position balance of \$2,516,400.

The following is a history of the claims activity for the fund for the years ended June 30, 2018, 2017, and 2016, respectively.

	2018	2017	2016
Amount of claim liabilities, beginning of year	\$ 391,878	\$ 423,759	\$ 256,000
Incurred claims	4,228,271	4,047,572	4,103,456
Claims paid	(4,045,888)	(4,079,453)	(3,935,697)
Amount of claim liabilities, end of year	\$ 574,261	\$ 391,878	\$ 423,759

Worker's Compensation Insurance

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.

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 from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefit

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2018, no claims were filed for unemployment benefits and none were paid. At June 30, 2018, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 12 - Pension Plan

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and 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 at <http://sdrs.sd.gov/publications.aspx> or 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% prior to 2008 and 1.55% 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% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733% for service prior to 2008 and 3.333% 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 on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

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

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary, Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$1,460,339, \$1,396,568 and \$1,257,213, respectively, equal to the required contributions each year.

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

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

Proportionate share of total pension liability	\$ 133,513,847
Less proportionate share of net position restricted for pension benefits	<u>133,617,986</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (104,139)</u></u>

At June 30, 2018, the School District reported a liability (asset) of (\$104,139) 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 District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the School District’s proportion was 1.14752270% which is an increase of 0.0442808% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized a reduction of pension expense of (\$3,853,014). At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,668,591	\$ -
Changes in assumption	8,085,736	-
Net difference between projected and actual earnings on pension plan investments	-	2,002,173
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	132,222
School District contributions subsequent to the measurement date	1,460,339	-
Total	\$ 11,214,666	\$ 2,134,395

There is \$1,460,339 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date. This will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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:	Amount
2019	\$ 2,063,130
2020	3,490,372
2021	2,558,281
2022	(491,851)
Total	\$ 7,619,932

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%
Salary increases	Graded by years of service, from 6.50% at entry to 3.00%
Discount rate	6.50% net of plan investment expense

Mortality rates are 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 weighting 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	2.0%	0.7%
Total	100.0%	

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 will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) to Changes in the Discount Rate

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the School'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)	\$ 19,073,016	\$ (104,139)	\$ (15,720,579)

Pension Plan Fiduciary Net Position

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

Note 13 - Adoption of a New Standard

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to retroactively remove the prior OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability as follows:

Net Position - June 30, 2017, as previously reported	\$ 51,861,863
Remove previously reported OPEB liability previously reported under GASB Statement No. 45	1,208,453
Add total OPEB liability under GASB Statement No 75 at June 30, 2017	<u>(1,331,534)</u>
Net Position - July 1, 2017, as restated	<u><u>\$ 51,738,782</u></u>

Note 14 - Interfund Balances

At June 30, 2018, the following funds had interfund balances:

- The food service fund has a due to the general fund of \$65,852,
- The other enterprise fund has a due to the general fund of \$469,
- And the general fund has a due to the fiduciary funds of \$4,447.

The purpose of the interfund balances is for reimbursement of expenses that were incurred during 2018 but not reimbursed until July 2018.



Required Supplementary Information
June 30, 2018

Aberdeen School District 6-1

Aberdeen School District 6-1
 Schedule of Changes in the District's Total OPEB Liability and Related Ratios
 Year Ended June 30, 2018

	2018
Service cost	\$ 41,225
Interest	59,831
Difference between expected and actual experience	38,960
Changes of assumptions	282,280
Benefit payments	(86,352)
Net change in total OPEB liability	335,944
Total OPEB liability - beginning	1,331,534
Total OPEB liability - ending	\$ 1,667,478
Covered-employee payroll	\$ 22,362,266
District's total OPEB liability as a percentage of covered-employee payroll	7.46%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Plan Assets

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Changes in Benefits

None

Changes in Assumptions

Discount rates were changed from 4.5% to 3.87% and the mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2017 generational projection of future mortality improvement.

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 9,742,212	\$ 9,742,212	\$ 9,732,780	\$ (9,432)
1120 Prior year's ad valorem taxes	121,000	121,000	106,855	(14,145)
1130 Tax deed revenue	-	-	16,123	16,123
1140 Gross receipts taxes	754,000	754,000	762,788	8,788
1190 Penalties and interest on taxes	30,000	30,000	26,164	(3,836)
1300 Tuition and fees:				
1310 Regular day school tuition	12,000	12,000	6,076	(5,924)
1500 Earnings on investments and deposits	25,000	25,000	12,087	(12,913)
1700 Cocurricular activities:				
1710 Admissions	68,000	68,000	67,500	(500)
1790 Other student activity income	17,000	17,000	12,965	(4,035)
1900 Other revenue from local sources:				
1910 Rentals	4,000	4,000	4,300	300
1921 Contributions and donations	40,000	80,000	112,318	32,318
1940 Services provided other school districts	8,000	8,000	12,125	4,125
1970 Charges for services	80,000	80,000	72,053	(7,947)
1990 Other	33,500	33,500	32,534	(966)
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	356,000	356,000	386,852	30,852
2200 Revenue in lieu of taxes	17,000	17,000	17,518	518
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	15,922,971	15,922,971	15,958,941	35,970
3120 Restricted grants-in-aid	-	40,000	44,200	4,200
3300 Tuition:				
3320 Regular	72,494	72,494	37,924	(34,570)
3900 Other state revenue	5,000	5,000	-	(5,000)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4140 Restricted grants-in-aid received directly from federal government	77,550	77,550	43,850	(33,700)
4150-4199 Restricted grants-in-aid received from Federal government through the State	1,115,864	1,115,864	1,108,210	(7,654)
4400 Johnson O'Malley funds	19,205	19,205	19,255	50
4900 Other federal revenue	1,000	1,000	1,590	590
Total revenues	<u>28,521,796</u>	<u>28,601,796</u>	<u>28,595,008</u>	<u>(6,788)</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	7,793,691	7,893,691	7,893,466	225
1120 Middle/junior high schools	4,052,717	4,052,717	4,007,850	44,867
1130 High school	4,709,688	4,749,688	4,680,530	69,158
1200 Special programs:				
1250 Culturally different	418,402	418,402	413,558	4,844
1270 Educationally deprived	1,033,114	1,033,114	975,530	57,584
2000 Support services				
2100 Pupils:				
2120 Guidance	778,871	778,871	753,928	24,943
2130 Health	201,292	211,292	211,016	276
2200 Support services - instructional staff:				
2210 Improvement of instruction	310,039	350,039	311,194	38,845
2220 Educational media	1,025,442	1,025,442	994,113	31,329
2300 Support services - general administration:				
2310 Board of education	138,224	138,224	112,619	25,605
2320 Executive administration	255,784	255,784	254,412	1,372
2400 Support services - school administration:				
2410 Office of the principal	2,132,350	2,132,350	2,109,951	22,399
2440 Title I program administration	20,952	20,952	21,441	(489)
2490 Other support services	-	8,000	7,364	636
2500 Support services - business:				
2520 Fiscal services	403,698	403,698	386,184	17,514
2540 Operation and maintenance of plant	4,044,776	4,044,776	3,830,709	214,067
2550 Pupil transportation	268,000	268,000	267,575	425
2570 Internal services	84,430	84,430	76,029	8,401
2600 Support services - central:				
2640 Staff	222,997	222,997	207,436	15,561
3000 Community services				
3700 Nonpublic school	29,640	29,640	27,916	1,724
4000 Nonprogrammed costs				
4500 Early retirement payments	84,643	84,643	84,643	-
6000 Cocurricular activities				
6100 Male activities	497,850	497,850	409,849	88,001
6200 Female activities	453,157	453,157	370,498	82,659
6900 Combined activities	743,389	778,389	976,649	(198,260)
7000 Contingencies	200,000	200,000	-	200,000
Amount transferred	-	(153,000)	-	(153,000)
Total expenditures	<u>29,903,146</u>	<u>29,983,146</u>	<u>29,384,460</u>	<u>598,686</u>
Excess of Revenue over (under) Expenditures	<u>(1,381,350)</u>	<u>(1,381,350)</u>	<u>(789,452)</u>	<u>591,898</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources				
5110 Transfers in	500,000	500,000	-	500,000
Total other financing sources	500,000	500,000	-	500,000
Net Change in Fund Balances	(881,350)	(881,350)	(789,452)	91,898
Fund Balance - Beginning	7,540,536	7,540,536	7,540,536	-
Fund Balance - Ending	<u>\$ 6,659,186</u>	<u>\$ 6,659,186</u>	<u>\$ 6,751,084</u>	<u>\$ 91,898</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 6,466,694	\$ 6,466,694	\$ 6,449,863	\$ (16,831)
1120 Prior year's ad valorem taxes	60,000	60,000	64,037	4,037
1130 Tax deed revenue	-	-	6,063	6,063
1190 Penalties and interest on taxes	16,000	16,000	16,103	103
4000 Revenue from federal sources				
4150-4199 Restricted grants-in-aid received from Federal Government through the state	44,708	44,708	45,800	1,092
Total revenues	<u>6,587,402</u>	<u>6,587,402</u>	<u>6,581,866</u>	<u>(5,536)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	42,600	42,600	24,443	18,157
1120 Middle/junior high schools	18,900	18,900	16,585	2,315
1130 High school	102,408	102,408	57,257	45,151
1200 Special programs:				
1220 Programs for special education	5,000	5,000	-	5,000
2000 Support services				
2200 Support services - instructional staff:				
2210 Improvement of instruction	748,000	748,000	730,662	17,338
2220 Educational media	900,000	912,000	902,746	9,254
2500 Support services - business:				
2520 Fiscal services	30,000	30,000	12,893	17,107
2540 Operation and maintenance of plant	2,478,000	2,828,000	2,842,061	(14,061)
2560 Food services	35,000	35,000	32,696	2,304
2570 Internal services	13,000	13,000	-	13,000
5000 Debt services	2,132,000	6,257,000	6,267,165	(10,165)
6000 Cocurricular activities				
6900 Combined activities	70,000	70,000	66,670	3,330
Total expenditures	<u>6,574,908</u>	<u>11,061,908</u>	<u>10,953,178</u>	<u>108,730</u>
Excess of Revenue over (under) Expenditures	<u>12,494</u>	<u>(4,474,506)</u>	<u>(4,371,312)</u>	<u>103,194</u>
Other Financing Sources				
8110 Transfers out	(500,000)	(500,000)	-	500,000
5120 Proceeds from long-term debt	-	4,125,000	4,125,000	-
Total other financing sources	<u>(500,000)</u>	<u>3,625,000</u>	<u>4,125,000</u>	<u>500,000</u>
Net Change in Fund Balances	(487,506)	(849,506)	(246,312)	603,194
Fund Balance - Beginning	<u>2,215,386</u>	<u>2,215,386</u>	<u>2,215,386</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,727,880</u>	<u>\$ 1,365,880</u>	<u>\$ 1,969,074</u>	<u>\$ 603,194</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 3,388,460	\$ 3,388,460	\$ 3,377,241	\$ (11,219)
1120 Prior year's ad valorem taxes	29,000	29,000	32,817	3,817
1130 Tax deed revenue	-	-	3,192	3,192
1190 Penalties and interest on taxes	8,000	8,000	8,279	279
1300 Tuition and fees:				
1310 Regular day school tuition	70,000	70,000	16,621	(53,379)
1900 Other revenue from local sources:				
1970 Charges for services	84,000	84,000	65,813	(18,187)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	3,187,316	3,187,316	3,187,644	328
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	1,160,741	1,160,741	1,157,846	(2,895)
Total revenues	<u>7,927,517</u>	<u>7,927,517</u>	<u>7,849,453</u>	<u>(78,064)</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	4,991,696	5,111,696	4,950,905	160,791
2000 Support services				
2100 Pupils:				
2130 Health	200,704	200,704	193,154	7,550
2140 Psychological	489,599	491,599	416,368	75,231
2150 Speech pathology	724,016	724,016	697,276	26,740
2170 Student therapy services	369,276	369,276	316,736	52,540
2200 Support services - instructional staff:				
2210 Improvement of instruction	27,968	27,968	1,914	26,054
2700 Support services - special education:				
2710 Administrative costs	307,840	307,840	306,922	918
2730 Transportation costs	323,000	363,000	361,749	1,251
2750 Other special education costs	42,000	92,000	91,204	796
4000 Nonprogrammed costs				
4500 Early retirement	49,395	49,395	49,395	-
Total expenditures	<u>7,525,494</u>	<u>7,737,494</u>	<u>7,385,623</u>	<u>351,871</u>
Net Change in Fund Balances	402,023	190,023	463,830	273,807
Fund Balance - Beginning	<u>810,535</u>	<u>810,535</u>	<u>810,535</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,212,558</u>	<u>\$ 1,000,558</u>	<u>\$ 1,274,365</u>	<u>\$ 273,807</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Pension Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1120 Prior year's ad valorem taxes	\$ -	\$ -	\$ 990	\$ 990
Total revenues	-	-	990	990
Expenditures				
4000 Nonprogrammed charges				
4500 Early retirement payments	211,000	211,000	211,000	-
Total expenditures	211,000	211,000	211,000	-
Net Change in Fund Balances	(211,000)	(211,000)	(210,010)	990
Fund Balance - Beginning	210,011	210,010	210,010	-
Fund Balance - Ending	\$ (989)	\$ (990)	\$ -	\$ 990

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Arena Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1700 Cocurricular activities:				
1710 Admissions	\$ 8,000	\$ 8,000	\$ 8,837	\$ 837
Total revenues	8,000	8,000	8,837	837
Expenditures				
2000 Support services				
2500 Support services - business:				
2540 Operation and maintenance of plant	-	2,000	1,644	356
Total expenditures	-	2,000	1,644	356
Net Change in Fund Balances	8,000	6,000	7,193	1,193
Fund Balance - Beginning	50,297	50,297	50,297	-
Fund Balance - Ending	\$ 58,297	\$ 56,297	\$ 57,490	\$ 1,193

Note 1 - Budgets 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 School Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency 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% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, State statute allows adoption of supplemental budgets when money is available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2 - Budget Reconciliation

The School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, while the budgetary comparison schedules are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes. There is no effect on the net change in fund balance.

Aberdeen School District 6-1
 Schedule of Employer's Share of Net Pension Liability (Asset)
 Year Ended June 30, 2018

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2018	1.1475%	\$ (104,139)	\$ 23,276,255	-0.4%	100.10%
SDRS	6/30/2017	1.1032%	3,726,643	20,951,710	17.8%	96.89%
SDRS	6/30/2016	1.0997%	(4,664,272)	20,072,700	-23.2%	104.1%
SDRS	6/30/2015	1.0996%	(7,922,469)	19,229,717	-41.2%	107.3%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability (asset) which is June 30 of the preceding fiscal year.

Aberdeen School District 6-1
 Schedule of Employer's Contributions
 Year Ended June 30, 2018

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions Percentage of Covered- Employee Payroll (b/d)
SDRS	6/30/2018	\$ 1,460,339	\$ 1,460,339	-	\$ 24,338,937	6.0%
SDRS	6/30/2017	1,396,568	1,396,568	-	23,276,255	6.0%
SDRS	6/30/2016	1,257,213	1,257,213	-	20,951,710	6.0%
SDRS	6/30/2015	1,204,362	1,204,362	-	20,072,700	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Changes in Benefit Terms:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition exists this year and limits the maximum COLA payable in 2018 to 1.89%.

Legislation was also enacted in 2017 to:

- Modify the definition of Compensation to clarify included and excluded items,
- Expand the caps on increases in Compensation considered in Final Average Compensation,
- Extend the Final Average Compensation period from the current three years to five years for Foundation Members after a phase-in period, and
- Limit Compensation to the Internal Revenue Code Section 401(a)(17) limits for all Members, regardless of date of entry to SDRS.

Changes of Assumptions:

As a result of an experience analysis covering the period from July 1, 2011 to June 30, 2016, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for the June 30, 2017 Actuarial Valuation. The changes to economic assumptions were very significant and included reducing the inflation assumption to 2.25%, reducing the investment return assumption to 6.5%, and reducing the payroll growth assumption to 3.00%. The demographic assumption changes were less impactful. Among those changes were new mortality assumptions, updated retirement, termination and disability rates, and updated salary increase assumptions.

The Actuarial Asset Valuation Method was changed to the Fair Value of Assets. In addition, the Funding Method was changed from the Frozen Entry Age Actuarial Cost Method to the Entry Age Actuarial Cost Method, which was in use for GASB Statement Nos. 67 and 68 purposes.



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*

The School Board
Aberdeen School District 6-1
Aberdeen, 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, the discretely presented component unit, and each major fund of Aberdeen School District 6-1 (the School District) as of and for the year ended June 30, 2018, 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 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2018-A.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Response to Finding

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

Purpose of this Report

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



Aberdeen, South Dakota
February 12, 2019



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance

To the Board of Directors
Aberdeen School District 6-1
Aberdeen, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Aberdeen School District 6-1's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's 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 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 the compliance for each of Aberdeen School District 6-1'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 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 of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District 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 the School District is responsible for establishing and maintaining effective internal control over compliance with the 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 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.

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 purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Aberdeen, South Dakota
February 12, 2019



Supplementary Information
June 30, 2018

Aberdeen School District 6-1

Aberdeen School District 6-1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

<u>Federal Grantor/Pass -Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	N/A	\$ 302,409
Cash Assistance:			
School Breakfast Program	10.553	N/A	175,420
National School Lunch Program	10.555	N/A	<u>831,802</u>
Total for Child Nutrition Cluster			<u>1,309,631</u>
Total U.S. Department of Agriculture			<u>1,309,631</u>
U.S. Department of the Interior			
Direct Federal Funding:			
477 Cluster:			
Indian Education - Assistance to Schools	15.130	N/A	<u>19,255</u>
Total for 477 Cluster:			<u>19,255</u>
Total U.S. Department of the Interior			<u>19,255</u>
U.S. Department of Education			
Direct Federal Funding:			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	43,850
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	T1ba-18-001	971,520
Title I Program for Neglected and Delinquent Children	84.013	T1D-18-001	63,988
Career and Technical Education - Basic Grants to States	84.048	PRPI-18-001	51,390
Improving Teacher Quality State Grants	84.367	18-T2A-001	67,112
Special Education Cluster:			
Special Education - Grants to States	84.027	18-611-001	1,120,158
Special Education - Preschool Grants	84.173	18-619-001	<u>32,813</u>
Total for Special Education Cluster			<u>1,152,971</u>
Special Education - Grants for Infants and Families	84.181	N/A	<u>4,875</u>
Total U.S. Department of Education			<u>2,355,706</u>
Grand Total			<u>\$ 3,684,592</u>

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Aberdeen School District 6-1 (the School District) under programs of the federal government for the year ended June 30, 2018. The information 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 fund balance, or cash flows of the School District.

Note 2— Summary of Significant Accounting Policies

Expenditures reported in 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 allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3—Indirect Cost Rate

The School District has not elected to use the 10% de minimus cost rate.

Note 4 — Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the School District had food commodities totaling \$58,838 in inventory.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Title I Grants to Local Educational Agencies	84.010
Dollar threshold used to distinguish between type A and type B programs:	
	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2018-A Material Adjusting Entries

Criteria: The School District’s internal control structure should be designed to provide for the recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: During the course of our audit field work we proposed a material audit adjustment to the capital outlay fund to record accounts payable, retainage payable, and expense related to construction work performed at year-end.

Cause: The School District recorded accounts payable and retainage payable related to construction based on the date of the invoice rather than when the actual work was performed.

Effect: This caused the capital outlay fund accounts payable, retainage payable, and expense to be understated.

Recommendation: We would recommend a review of all invoices and applications for payments related to construction work performed near year-end be reviewed to ensure all amounts are properly recorded.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None

Aberdeen School District 6-1

Tom Janish, Director of Finance

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Aberdeen, SD 57401
(605) 725.7103
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Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2018

Prepared by Management of
Aberdeen School District 6-1

Finding 2017-A – Material Audit Adjustments

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: The School District budgeted for 50% of property tax revenue to be collected during the year but actual collections were significantly higher. Property tax revenue actually collected over the budgeted amount should have been recorded as a reduction of revenue and an increase in deferred revenue. Also a transfer back to the general fund for June expenses was not made before year-end and needed to be recorded as a due to/from.

Status: This finding has not been resolved in fiscal year 2017-18. See Finding 2018-A.

Finding 2017-B – Compliance with South Dakota Codified Law (SDCL)

Immaterial Instance of Noncompliance

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: The School District holds negotiable certificates of deposit that are FDIC insured, however are not held in banks within South Dakota as required by SDCL 13-16-15 and 4-5-6.1.

Status: This finding has been resolved in fiscal year 2017-18.

Finding 2018-A Material Adjusting Entries

Finding Summary: The School District recorded accounts payable and retainage payable related to construction based on the date of the invoice rather than when the actual work was performed.

Responsible Individual: Tom Janish, Director of Finance

Corrective Action Plan: The Director of Finance will review all invoices and applications for payments related to construction work performed near year-end to ensure all amounts are properly recorded.

Anticipated Completion Date: Ongoing