



Financial Statements
June 30, 2018

Doland School District 56-2

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Independent Auditor's Report

The School Board
Doland School District 56-2
Doland, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Doland School District 56-2 (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 of these financial statements based on our audits. We conducted our audits 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 audits 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, 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.

Change in Accounting Principle

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 schedule of changes in the District's total OPEB liability, budgetary comparison schedules, schedule of employer's net pension liability (asset), schedule of employer's contributions, and notes to required supplementary information on pages 38 through 48 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 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, 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'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.

Eide Bailly LLP

Aberdeen, South Dakota
January 23, 2019

Doland School District 56-2
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,194,311	\$ 33,912	\$ 4,228,223
Taxes receivable	1,031,915	-	1,031,915
Due from other governments	118,756	-	118,756
Accounts receivable	-	10,400	10,400
Deposits	25,719	-	25,719
Inventories	-	4,552	4,552
Internal balances	10,591	(10,591)	-
Net pension asset	5,490	168	5,658
Capital assets not being depreciated:			
Land	57,627	-	57,627
Capital assets, net of accumulated depreciation:			
Improvements other than buildings	70,508	-	70,508
Buildings	692,870	-	692,870
Machinery and equipment	280,196	35,486	315,682
Total assets	<u>6,487,983</u>	<u>73,927</u>	<u>6,561,910</u>
Deferred Outflows of Resources			
Pension related deferred outflows	591,667	18,047	609,714
	<u>\$ 7,079,650</u>	<u>\$ 91,974</u>	<u>\$ 7,171,624</u>
Liabilities			
Accounts payable	\$ 12,237	\$ 7,130	\$ 19,367
Other current liabilities	181,933	5,903	187,836
Noncurrent liabilities:			
Due within one year	6,661	-	6,661
Due in more than one year	15,666	-	15,666
OPEB liability	170,969	-	170,969
Total liabilities	<u>387,466</u>	<u>13,033</u>	<u>400,499</u>
Deferred Inflows of Resources			
OPEB related deferred inflows	6,469	-	6,469
Pension related deferred inflows	124,874	3,809	128,683
Taxes levied for future period	1,136,259	-	1,136,259
Total deferred inflows of resources	<u>1,267,602</u>	<u>3,809</u>	<u>1,271,411</u>
Net Position			
Invested in capital assets	1,078,874	35,486	1,114,360
Restricted for:			
Capital Outlay	2,579,889	-	2,579,889
Special Education	672,698	-	672,698
Pension purposes	56,096	-	56,096
SDRS pension purposes	472,283	14,406	486,689
Unrestricted	564,742	25,240	589,982
Total net position	<u>5,424,582</u>	<u>75,132</u>	<u>5,499,714</u>
	<u>\$ 7,079,650</u>	<u>\$ 91,974</u>	<u>\$ 7,171,624</u>

Doland School District 56-2
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
Instruction	\$ 1,314,983	\$ -	\$ 68,196	\$ -	\$ (1,246,787)	\$ -	\$ (1,246,787)
Support services	678,879	2,497	-	-	(676,382)	-	(676,382)
Cocurricular activities	46,061	3,573	-	-	(42,488)	-	(42,488)
Total governmental activities	<u>2,039,923</u>	<u>6,070</u>	<u>68,196</u>	<u>-</u>	<u>(1,965,657)</u>	<u>-</u>	<u>(1,965,657)</u>
Business-type activities:							
Food service	131,918	30,957	105,238	-	-	4,277	4,277
Preschool	11,333	9,700	-	-	-	(1,633)	(1,633)
Total business-type activities	<u>143,251</u>	<u>40,657</u>	<u>105,238</u>	<u>-</u>	<u>-</u>	<u>2,644</u>	<u>2,644</u>
Total primary government	<u>\$ 2,183,174</u>	<u>\$ 46,727</u>	<u>\$ 173,434</u>	<u>\$ -</u>	<u>(1,965,657)</u>	<u>2,644</u>	<u>(1,963,013)</u>
General Revenues							
Property taxes					2,240,485	-	2,240,485
Gross receipts taxes					74,293	-	74,293
Revenue from state sources:							
State aid					467,679	-	467,679
Unrestricted investment earnings					8,185	-	8,185
Other general revenues					11,770	-	11,770
Gain on Sale of Surplus Property					864	-	864
Transfers					(5,000)	5,000	-
Total general revenues, gain on sale of surplus property, and transfers					<u>2,798,276</u>	<u>5,000</u>	<u>2,803,276</u>
Change in Net Position					<u>832,619</u>	<u>7,644</u>	<u>840,263</u>
Net Position - Beginning, as Previously Stated					4,725,081	67,488	4,792,569
Restatement (Note 13)					<u>(133,118)</u>	<u>-</u>	<u>(133,118)</u>
Net Position - Beginning, as Restated					<u>4,591,963</u>	<u>67,488</u>	<u>4,659,451</u>
Net Position - Ending					<u>\$ 5,424,582</u>	<u>\$ 75,132</u>	<u>\$ 5,499,714</u>

See Notes to Financial Statements

Doland School District 56-2
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 811,578	\$ 2,621,996	\$ 704,818	\$ 55,919	\$ 4,194,311
Taxes receivable - current	459,241	407,690	154,626	-	1,021,557
Taxes receivable - delinquent	6,283	2,295	1,603	177	10,358
Due from other governments	118,756	-	-	-	118,756
Deposits	25,719	-	-	-	25,719
Due from other funds	10,591	-	-	-	10,591
Total assets	\$ 1,432,168	\$ 3,031,981	\$ 861,047	\$ 56,096	\$ 5,381,292
Liabilities, Deferred Inflows and Fund Balances					
Current Liabilities					
Accounts payable	\$ 11,855	\$ -	\$ 382	\$ -	\$ 12,237
Contracts payable	143,189	-	14,310	-	157,499
Payroll deductions, withholdings, and employer matching payable	22,243	-	2,191	-	24,434
Total liabilities	177,287	-	16,883	-	194,170
Deferred Inflows of Resources					
Unavailable revenue - property taxes	6,283	2,295	1,603	177	10,358
Taxes levied for future periods	512,701	452,092	171,466	-	1,136,259
Total deferred inflows of resources	518,984	454,387	173,069	177	1,146,617
Fund Balances					
Nonspendable for:					
Advance payments	10,591	-	-	-	10,591
Deposits	25,719	-	-	-	25,719
Restricted for:					
Capital Outlay	-	2,577,594	-	-	2,577,594
Special Education	-	-	671,095	-	671,095
Pension	-	-	-	55,919	55,919
Assigned to:					
Unemployment	79,909	-	-	-	79,909
Unassigned	619,678	-	-	-	619,678
Total fund balances	735,897	2,577,594	671,095	55,919	4,040,505
	\$ 1,432,168	\$ 3,031,981	\$ 861,047	\$ 56,096	\$ 5,381,292

Doland School District 56-2
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2018

Total Fund Balances - Governmental Funds	\$ 4,040,505
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	1,101,201
Long-term liabilities, including capital lease, are not due and payable in the current period and, therefore, are not reported in the funds.	(22,327)
Property taxes become due and payable on January 1, each year, but are not collected/available soon enough to pay current period expenditures; therefore, they are reported as deferred inflows of resources in the fund financial statements. However, because the delinquent taxes are payable by the taxpayer at June 30, the delinquent taxes are reported as revenue on the government-wide financial statements.	10,358
OPEB obligations and related deferred inflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	(177,438)
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do do not represent available financial resources and, therefore, are not reported in the funds.	<u>472,283</u>
Net Position - Governmental Activities	<u><u>\$ 5,424,582</u></u>

Doland School District 56-2
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	Total Governmental Funds
Revenues					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 1,029,866	\$ 802,741	\$ 386,895	\$ -	\$ 2,219,502
Prior year's ad valorem taxes	6,395	3,824	2,456	50	12,725
Tax deed revenue	1,410	304	-	-	1,714
Gross receipts taxes	74,293	-	-	-	74,293
Penalties and interest on taxes	2,720	1,555	1,018	15	5,308
Earnings on investments and deposits	5,020	2,386	634	145	8,185
Cocurricular activities:					
Admissions	2,895	-	-	-	2,895
Other	678	-	-	-	678
Other revenue from local sources:					
Contributions and donations	6,503	7,246	-	-	13,749
Refund of prior year's expenditures	4,440	-	-	-	4,440
Charges for services	2,254	-	243	-	2,497
Judgments	1,622	-	-	-	1,622
Other	333	-	-	-	333
Revenue from intermediate sources					
County sources:					
County apportionment	6,997	-	-	-	6,997
Revenue from state sources					
Grants-in-aid:					
Unrestricted grants-in-aid	467,679	-	-	-	467,679
Restricted grants-in-aid	7,648	-	-	-	7,648
Revenue from federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from federal government through the state	88,563	-	-	-	88,563
Total revenues	1,709,316	818,056	391,246	210	2,918,828
Expenditures					
Instruction					
Regular programs:					
Elementary	622,645	51,791	-	-	674,436
Middle/junior high	88,217	10,387	-	-	98,604
High school	334,407	14,823	-	-	349,230
Special programs:					
Programs for special education	-	-	238,161	-	238,161
Educationally deprived	75,059	-	-	-	75,059
Support services					
Pupils:					
Guidance	926	-	-	-	926
Health	612	-	-	-	612
Psychological	-	-	4,095	-	4,095
Speech pathology	-	-	9,614	-	9,614
Student therapy services	-	-	23,029	-	23,029
Support services - instructional staff:					
Educational media	39,678	9,105	-	-	48,783
Support services - general administration:					
Board of education	33,281	-	-	-	33,281
Executive administration	117,633	-	-	-	117,633
Support services - school administration:					
Office of the principal	47,457	-	-	-	47,457
Support services - business:					
Fiscal services	99,810	-	-	-	99,810
Operation and maintenance of plant	196,608	1,789	-	-	198,397
Pupil transportation	86,574	-	-	-	86,574

Doland School District 56-2
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	Total Governmental Funds
Support services - special education:					
Administration costs	-	-	11,777	-	11,777
Transportation costs	-	-	365	-	365
Debt services	-	6,753	-	-	6,753
Cocurricular activities					
Male activities	5,160	-	-	-	5,160
Female activities	3,046	-	-	-	3,046
Transportation	11,527	-	-	-	11,527
Combined activities	16,590	-	-	-	16,590
Capital outlay	7,980	35,000	-	-	42,980
Total expenditures	<u>1,787,210</u>	<u>129,648</u>	<u>287,041</u>	<u>-</u>	<u>2,203,899</u>
Excess of Revenue over (under) Expenditures	<u>(77,894)</u>	<u>688,408</u>	<u>104,205</u>	<u>210</u>	<u>714,929</u>
Other Financing Sources (Uses)					
Transfers in	71,843	-	-	-	71,843
Transfers out	(5,000)	-	-	(71,843)	(76,843)
Sale of surplus property	315	549	-	-	864
Total other financing sources (uses)	<u>67,158</u>	<u>549</u>	<u>-</u>	<u>(71,843)</u>	<u>(4,136)</u>
Net Change in Fund Balance	(10,736)	688,957	104,205	(71,633)	710,793
Fund Balance - Beginning	<u>746,633</u>	<u>1,888,637</u>	<u>566,890</u>	<u>127,552</u>	<u>3,329,712</u>
Fund Balance - Ending	<u>\$ 735,897</u>	<u>\$ 2,577,594</u>	<u>\$ 671,095</u>	<u>\$ 55,919</u>	<u>\$ 4,040,505</u>

Doland School District 56-2

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

Net Change in Fund Balances - Total Governmental Funds	\$ 710,793
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures; however, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$97,526) exceeded capital outlays (\$42,980).	(54,546)
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.	6,629
The accrual of OPEB costs are not reflected in governmental funds, but the statements of activities reflects the changes in this liability and related deferred inflows of resources from one year to the next.	6,246
The fund financial statement governmental fund property tax and grant accruals differ from the government-wide statement property tax and grant accruals in that the fund financial statements require the amounts to be "available."	(42,150)
Changes in the pension related deferred outflows/inflows are direct components of the pension liability (asset) and are not reflected in the governmental funds.	<u>205,647</u>
Change in Net Position of Governmental Activities	<u>\$ 832,619</u>

Doland School District 56-2
Statement of Net Position – Proprietary Funds
June 30, 2018

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 27,416	\$ 6,496	\$ 33,912
Accounts receivable	10,400	-	10,400
Inventory of supplies	416	-	416
Inventory of stores purchased for resale	459	-	459
Inventory of donated food	3,677	-	3,677
Total current assets	<u>42,368</u>	<u>6,496</u>	<u>48,864</u>
Noncurrent Assets			
Net pension asset	102	66	168
Capital assets:			
Machinery and equipment	68,592	-	68,592
Less accumulated depreciation	<u>(33,106)</u>	<u>-</u>	<u>(33,106)</u>
Total noncurrent assets	<u>35,588</u>	<u>66</u>	<u>35,654</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>10,975</u>	<u>7,072</u>	<u>18,047</u>
	<u>\$ 88,931</u>	<u>\$ 13,634</u>	<u>\$ 102,565</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Accounts payable	\$ 7,130	\$ -	\$ 7,130
Contracts payable	3,793	-	3,793
Payroll deductions	731	-	731
Deposits payable	1,379	-	1,379
Due to general fund	<u>-</u>	<u>10,591</u>	<u>10,591</u>
Total liabilities	<u>13,033</u>	<u>10,591</u>	<u>23,624</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>2,316</u>	<u>1,493</u>	<u>3,809</u>
Net Position			
Invested in capital assets	35,486	-	35,486
Restricted for SDRS pension purposes	8,761	5,645	14,406
Unrestricted net position (deficit)	<u>29,335</u>	<u>(4,095)</u>	<u>25,240</u>
Total net position	<u>73,582</u>	<u>1,550</u>	<u>75,132</u>
	<u>\$ 88,931</u>	<u>\$ 13,634</u>	<u>\$ 102,565</u>

Doland School District 56-2
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2018

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue			
Food sales	\$ 30,957	\$ -	\$ 30,957
Preschool tuition	-	9,700	9,700
Total operating revenue	<u>30,957</u>	<u>9,700</u>	<u>40,657</u>
Operating Expenses			
Salaries	37,759	-	37,759
Employee benefits	2,067	10,689	12,756
Purchased services	52,285	-	52,285
Supplies	2,536	644	3,180
Cost of sales - purchased	25,668	-	25,668
Cost of sales - donated	7,673	-	7,673
Depreciation	3,930	-	3,930
Total operating expenses	<u>131,918</u>	<u>11,333</u>	<u>143,251</u>
Operating Loss	<u>(100,961)</u>	<u>(1,633)</u>	<u>(102,594)</u>
Nonoperating Revenue			
State sources:			
Cash reimbursements	328	-	328
Federal sources:			
Cash reimbursements	97,224	-	97,224
Donated food	7,686	-	7,686
Total nonoperating revenue	<u>105,238</u>	<u>-</u>	<u>105,238</u>
Other Financing Sources			
Transfers in	-	5,000	5,000
Total other financing sources	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Change in Net Position	4,277	3,367	7,644
Net Position (Deficit) - Beginning	<u>69,305</u>	<u>(1,817)</u>	<u>67,488</u>
Net Position - Ending	<u>\$ 73,582</u>	<u>\$ 1,550</u>	<u>\$ 75,132</u>

Doland School District 56-2
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2018

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	\$ 30,957	\$ 9,700	\$ 40,657
Cash payments to employees	(42,095)	(13,606)	(55,701)
Cash payments to suppliers	(80,656)	(644)	(81,300)
Net Cash used for Operating Activities	<u>(91,794)</u>	<u>(4,550)</u>	<u>(96,344)</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	-	5,000	5,000
Cash reimbursements - state sources	328	-	328
Cash reimbursements - federal sources	99,102	-	99,102
Net Cash from Noncapital Financing Activities	<u>99,430</u>	<u>5,000</u>	<u>104,430</u>
Net Change in Cash and Cash Equivalents	7,636	450	8,086
Cash and Cash Equivalents Beginning of Year	<u>19,780</u>	<u>6,046</u>	<u>25,826</u>
Cash and Cash Equivalents End of Year	<u>\$ 27,416</u>	<u>\$ 6,496</u>	<u>\$ 33,912</u>
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities			
Operating loss	\$ (100,961)	\$ (1,633)	\$ (102,594)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:			
Value of donated commodities used	7,673	-	7,673
Depreciation expense	3,930	-	3,930
Change in assets and liabilities:			
Inventories	60	-	60
Pension assets and deferred outflows	(1,428)	(628)	(2,056)
Pension liabilities and deferred inflows	(1,763)	(2,289)	(4,052)
Accounts payable	(227)	-	(227)
Contracts payable	37	-	37
Payroll deductions	5	-	5
Deposits payable	880	-	880
Net Cash used for Operating Activities	<u>\$ (91,794)</u>	<u>\$ (4,550)</u>	<u>\$ (96,344)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 7,686	\$ -	\$ 7,686

Doland School District 56-2
Statement of Fiduciary Net Position
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 68,481</u>
Total assets	<u><u>\$ 68,481</u></u>
Liabilities	
Amounts held for others	<u>\$ 68,481</u>
Total liabilities	<u><u>\$ 68,481</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Doland School District 56-2 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of the Doland School District 56-2 (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 School District); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the School District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

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

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

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

The statement of net position reports all financial and capital resources in a net position form (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources equals net position). Net position is displayed in three components, as applicable, including net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as 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 constitutes its assets, deferred outflows, liabilities, deferred inflows, 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 and deferred inflows of resources, 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 and deferred inflows of resources, 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 – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding capital outlay fund and special education fund expenditures. The general fund is always a major fund.

Special Revenue Fund Types – 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, and pension funds are the special revenue funds maintained by the School District.

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

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

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District’s share of retirement plan contributions and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

Proprietary Funds

Enterprise Fund Types – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

Other Enterprise Fund – A fund used to record financial transactions related to the pre-school operations. This fund is financed by tuition charges. This is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency Fund Types – Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for student funds generated within the School District by the students or other School District organizations.

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

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

Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2018 are:

	2018
General Fund	
Due from State government	\$ 67,328
Due from counties	51,427
Total due to general fund	\$ 118,755
Food Service	
Due from State government	\$ 10,400

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

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

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.

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.

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.

Inventory

Inventory is stated at the lower of cost or market value. The cost valuation method is first-in, first out (FIFO). Donated commodities are valued based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the fund financial statements, inventories in the general fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The School District did not have any material amounts of inventory in the general fund or special revenue funds.

Capital Assets

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

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

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

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

The June 30, 2018 balance of capital assets for governmental activities and for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All land values	N/A	N/A
Improvements	\$ 4,000	Straight-line	30 years
Buildings	10,000	Straight-line	65 years
Equipment	2,500	Straight-line	5-20 years
Library books	All values	Straight-line	10-30 years
Food service equipment	500	Straight-line	5-12 years

**Land is an inexhaustible capital asset and it 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 School District has long-term liabilities of capital leases.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

Program Revenues

In the government-wide statements 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.

Property Taxes

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

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

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 statements 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.

Cash and Cash Equivalents

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

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 assets 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 assets that do not meet the definition of “restricted” or “net invested 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.

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.

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 they are not in spendable form or because of legal or contractual restraints. Includes fund balance amounts related to noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts).
- 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 considered neither restricted nor 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 government does not have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Pension Fund	Property taxes

Deferred Outflows and 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 two 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 and changes in the net pension liability (asset) not included in pension revenue/expense reported in the government-wide statement of net position.

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 three 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 items are changes in the net pension liability (asset) included in pension revenue/expense and changes in the total OPEB liability included in health insurance revenue/expense reported in the government-wide statement of net position.

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 pay dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Rounding

Computer generated rounding variances may exist in the basic financial statements and supplementary information. The variances result from values being entered with cents rather than as whole numbers.

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

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

Deposits

The School District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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.

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 Federal Depository Insurance Corporation (FDIC) maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2018, one of the financial institutions that holds the School District’s deposits was not properly collateralized, and the deposits at that institution were exposed to custodial credit risk as follows:

Depository Name	Percent Under-Collateralized	At-Risk Amount
Farmers State Bank of Turton	7.30%	\$ 282,928

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

Insured (FDIC/NCUA)	\$ 466,500
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution.	<u>3,875,730</u>
Total deposits	<u><u>\$ 4,342,230</u></u>

Reconciliation of the carrying amounts of deposits to government-wide statement of net position at June 30, 2018 is as follows:

Cash and cash equivalents	\$ 4,228,223
Add: Agency fund cash (not included in government-wide statement of net position)	<u>68,481</u>
Total carrying amounts of deposits	<u><u>\$ 4,296,704</u></u>

Investments

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

There were no investments held by the school district as of June 30, 2018.

Custodial Credit Risk

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 has adopted a policy for custodial credit risk, but the adopted policy is no more restrictive than existing South Dakota Codified Law.

Interest Rate Risk

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

Credit Risk

State law limits eligible investments for the School District, as discussed above. The School District's investment policy does not further limit its investment choices.

Concentration of Credit Risk

The School District places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income

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

Note 3 - Receivables and Payables

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables to be collected within one year.

Note 4 - Changes in Capital Assets

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

Primary Government Governmental Activities	Balance 7/1/17	Increases	Decreases	Balance 6/30/18
Capital assets, not being depreciated:				
Land	\$ 22,627	\$ 35,000	\$ -	\$ 57,627
Total capital assets not being depreciated	<u>22,627</u>	<u>35,000</u>	<u>-</u>	<u>57,627</u>
Capital assets being depreciated:				
Improvements other than buildings	134,971	-	-	134,971
Buildings	1,408,446	-	-	1,408,446
Machinery and equipment	771,766	7,980	4,824	774,922
Total capital assets being depreciated	<u>2,315,183</u>	<u>7,980</u>	<u>4,824</u>	<u>2,318,339</u>
Less accumulated depreciation for:				
Improvements other than buildings	61,428	3,035	-	64,463
Buildings	689,766	25,810	-	715,576
Machinery and equipment	430,869	68,681	4,824	494,726
Total accumulated depreciation	<u>1,182,063</u>	<u>97,526</u>	<u>4,824</u>	<u>1,274,765</u>
Total capital assets being depreciated, net	<u>1,133,120</u>	<u>(89,546)</u>	<u>-</u>	<u>1,043,574</u>
Governmental activity capital assets, net	<u>\$ 1,155,747</u>	<u>\$ (54,546)</u>	<u>\$ -</u>	<u>\$ 1,101,201</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 19,950
Support services	64,959
Cocurricular	<u>12,617</u>
Total depreciation expense - governmental activities	<u>\$ 97,526</u>

Doland School District 56-2
Notes to Financial Statements
June 30, 2018

Business-Type Activities	Balance 7/1/17	Increases	Decreases	Balance 6/30/18
Capital assets being depreciated:				
Machinery and equipment	\$ 68,592	\$ -	\$ -	\$ 68,592
Totals	68,592	-	-	68,592
Less accumulated depreciation for:				
Machinery and equipment	29,175	3,931	-	33,106
Total accumulated depreciation	29,175	3,931	-	33,106
Total capital assets being depreciated, net	39,417	(3,931)	-	35,486
Business-type activities capital assets, net	<u>\$ 39,417</u>	<u>\$ (3,931)</u>	<u>\$ -</u>	<u>\$ 35,486</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food services	\$ 3,931
Total depreciation expense - business-type activities	<u>\$ 3,931</u>

Note 5 - Long-Term Debt

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

Purpose	Amounts Outstanding 7/1/17	Issued	Retired	Amounts Outstanding 6/30/18	Due in One Year
Capital Lease	\$ 28,956	\$ -	\$ 6,629	\$ 22,327	\$ 6,661
	<u>\$ 28,956</u>	<u>\$ -</u>	<u>\$ 6,629</u>	<u>\$ 22,327</u>	<u>\$ 6,661</u>

The capital lease payable at June 30, 2018 has the following terms:

A&B Business, printers and copiers, matures October 15, 2021, 0.477% interest, monthly payments of \$562.73, paid by the Capital Outlay Fund.	<u>\$ 22,327</u>
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The purchase price at the commencement of the capital lease was:

Principal	\$ 35,000
Interest	452
	<u>\$ 35,452</u>

Scheduled payments on the capital lease are as follows:

Year	Amount
2019	\$ 6,753
2020	6,753
2021	6,753
2022	2,251
2023	-
Total	22,510
Less amount representing interest	(183)
	\$ 22,327

Note 6 - 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	\$ 2,579,889
Special Education	Law	672,698
Pension	Law	56,096
SDRS Pension Purposes	Pension Plan	486,689
Total restricted net position		\$ 3,795,372

Note 7 - Joint Ventures

The School District participates in the North Central Special Education Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing special education and other services to the member school districts.

All members participate equally, members of the Co-op are as follows:

Doland School District	Frederick Area School District
Groton Area School District	Hitchcock-Tulare School District
Langford School District	Northwestern Area School District
Warner School District	Leola School District
Edmunds Central School District	

The North Central Special Education Cooperative's governing board is composed of one representative from each school district, who is the Superintendent. The Board oversees adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity interest in the net assets of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the North Central Special Education Cooperative.

At June 30, 2018, this joint venture had total assets and fund equity of \$314,701.

The School District participates in the Great Lakes Consortium for the purpose of providing educational services to the member School Districts. The members of the consortium are as follows with each member district having a determined allocation:

Clark School District	Doland School District
Hitchcock-Tulare School District	Redfield School District
Webster Area School District	Wolsey-Wessington School District

The vocational instructors from each participating School District request funds which are approved by the state. Any allocation of and spending of funds is also approved by the state. Doland School District 56-2 acts as the fiscal agent for this consortium.

Financial data for this venture is available from Doland School District 56-2. At June 30, 2018, this venture had no fund equity and no long-term debt.

Note 8 - 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 is a member of the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

The School District does not carry additional health insurance coverage to pay claims in excess of the upper limit. 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 or damage to property; and errors and omission of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool, which provides workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage to obtain lower costs for that coverage and to develop a comprehensive loss control program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation coverage for its employees, under a retrospectively rated policy, and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the year ended June 30, 2018, the pool's retained risk was \$500,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$500,000 for total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to the pool members for the year ended June 30, 2018.

Unemployment Benefits

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

The School District has assigned equity in the general fund in the amount of \$79,909 for the payment of future unemployment benefits.

No unemployment benefits were paid during the years ended June 30, 2018 and 2017. At June 30, 2018, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 9 - Postemployment Healthcare Plan

Plan Description

Doland 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 district certified staff and the governing board. A teacher or administrator, who retires from the School District on or after the age of 55 and with at least 3 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. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

Employees Covered by Benefit Terms

At the valuation date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	38
	43

Total OPEB Liability

The Districts total OPEB liability of \$170,969 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	See SDRS Actuarial Assumptions
Salary increases	See SDRS Actuarial Assumptions
Discount rate	3.58 percent*
Healthcare cost trend rates - Medical	6.10% as of 7/1/17 grading to 4.90% over 45 years
Healthcare cost trend rates - Dental	5.00% as of 7/1/17 grading to 4.60% over 45 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	97% of RP-2014 White Collar Mortality Tables for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2017	
Disability	RP-2014 Disabled Mortality Table adjusted to 2016 and projected generationally with MP-2017.	
Withdrawal	See sample rates	
Retirement	SDRS retirement rates	
Age Difference	Spouses same age as participants	
Retiree Plan Participation	Future Retirees Electing Coverage:	25%
	Current Retirees Electing Coverage:	Actual
Percent of Retirees Electing Family Coverage	Future Retirees Electing Coverage:	25%
	Current Retirees Electing Coverage:	Actual

Changes in the Total OPEB Liability

Balance at June 30, 2017	\$ 183,684
Changes from the Prior Year:	
Service cost	11,536
Interest cost	5,249
Effect of assumption changes or inputs	(7,211)
Benefit payments	(22,289)
Total Changes	(12,715)
Balance at June 30, 2018	\$ 170,969

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 District, as well as what the 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	2.58%	3.58%	4.58%
Total OPEB Liability	\$ 181,009	\$ 170,969	\$ 162,027

The following presents the total OPEB liability of the District, as well as what the 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
Total OPEB liability	\$ 160,137	\$ 170,969	\$ 184,050
Medical trend rate	5.10% decreasing to 3.9% over 45 years	6.10% decreasing to 4.9% over 45 years	7.10% decreasing to 5.9% over 45 years
Dental trend rate	4.00% decreasing to 3.6% over 45 years	5.00% decreasing to 4.6% over 45 years	6.00% decreasing to 5.6% over 45 years

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

For the year ended June 30, 2018, the District recognized a reduction of health insurance expense of \$6,246 due to OPEB. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 6,469

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

Years Ended June 30,	OPEB Expense
2019	\$ (742)
2020	(742)
2021	(742)
2022	(742)
2023	(742)
Thereafter	(2,759)
	\$ (6,469)

Note 10 - 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://www.sdrs.sd.gov/publications/asp> 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 3.73% for service prior to 2008 and 3.33% 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 1 is indexed to the consumer price index (CPI) based on SDRS funded status:

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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 \$77,563, \$75,850 and \$69,413, respectively, equal to the required contributions each year.

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

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

Proportionate share of total pension liability	\$ 7,254,167
Less proportionate share of net position restricted for pension benefits	<u>7,259,825</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (5,658)</u></u>

At June 30, 2018, the School District reported a liability (asset) of (\$5,658) 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 0.062348%, which is an increase of 0.0015078% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized an expense (reduction of pension expense) of (\$134,190). 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	\$ 90,659	\$ -
Changes in assumption	439,320	-
Net difference between projected and actual earnings on pension plan investments	-	108,783
Changes in proportion and difference between School District contributions and proportionate share of contributions	2,172	19,900
School District contributions subsequent to the measurement date	<u>77,563</u>	<u>-</u>
	<u><u>\$ 609,714</u></u>	<u><u>\$ 128,683</u></u>

There is \$77,563 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	Amount
2019	\$ 107,935
2020	184,634
2021	137,290
2022	(26,391)
	\$ 403,468

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%
Investment rate of return	6.50% of net 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 1,036,288	\$ (5,658)	\$ (854,141)

Pension Plan Fiduciary Net Position

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

Note 11 - Interfund Transactions and Balances

During the year ended June 30, 2018, the general fund transferred \$5,000 to the other enterprise fund to supplement operations, and the pension fund transferred \$71,843 to the general fund for retirement contributions. Additionally, as of June 30, 2018, there was an interfund payable of \$10,591 owed from the Other Enterprise Fund to the General Fund. The purpose of this interfund balance is to provide additional working capital to the Other Enterprise Fund, and it is not expected to be repaid within one year.

Note 12 - Litigation

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

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 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	\$ 4,725,081
Remove previously reported OPEB asset previously reported under GASB Statement No. 45	50,566
Add total OPEB liability under GASB Statement No 75 at June 30, 2017	<u>(183,684)</u>
Net Position - July 1, 2017, as restated	<u><u>\$ 4,591,963</u></u>

Note 14 - Related Party Transactions

During the year ended June 30, 2018, the School District held funds at a financial institution in which a board member holds a minority interest. Interest revenue received from this institution during 2018 totaled \$8,185, and the balance held at the financial institution at June 30, 2018 was approximately \$4,246,000.

Note 15 - Subsequent Event

Subsequent to year end, the District entered into contracts totaling \$124,100 relating to architectural services for an upcoming building project. A total estimated cost of the project is not currently available; however, it is expected be financed with Capital Outlay cash balances on hand.



Required Supplementary Information
June 30, 2018

Doland School District 56-2

Doland School District 56-2
 Schedule of Changes in the District's Total OPEB Liability and Related Ratios
 Year Ended June 30, 2018

	2018
Service cost	\$ 11,536
Interest	5,249
Effect of assumption changes or inputs	(7,211)
Benefit payments	(22,289)
Net change in total OPEB liability	(12,715)
Total OPEB liability - beginning	183,684
Total OPEB liability - ending	\$ 170,969
Covered-employee payroll	N/A
District's total OPEB liability as a percentage of covered-employee payroll	N/A

*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

The demographic assumptions have been updated based upon the most recent SDRS valuation report. Estimated claim costs were updated to reflect anticipated experience pursuant to a review of the medical provisions and current premiums. The medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application.

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 878,195	\$ 878,195	\$ 1,029,866	\$ 151,671
Prior year's ad valorem taxes	1,000	1,000	6,395	5,395
Tax deed revenue	-	-	1,410	1,410
Gross receipts taxes	-	-	74,293	74,293
Penalties and interest on taxes	-	-	2,720	2,720
Earnings on investments and deposits	-	-	5,020	5,020
Cocurricular activities:				
Admissions	-	-	2,895	2,895
Other pupil activity income	-	-	678	678
Other revenue from local sources:				
Contributions and donations	-	-	6,503	6,503
Refund of prior period expenditures	-	-	4,440	4,440
Judgements	-	-	1,622	1,622
Charges for services	-	-	2,254	2,254
Other	-	-	333	333
Revenue from intermediate sources				
County sources:				
County apportionment	5,000	5,000	6,997	1,997
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	275,831	275,831	467,679	191,848
Restricted grants-in-aid	-	-	7,648	7,648
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	41,497	41,497	88,563	47,066
Total revenues	1,201,523	1,201,523	1,709,316	507,793
Expenditures				
Instruction				
Regular programs:				
Elementary	733,466	737,516	630,625	106,891
Middle/junior high	115,482	115,482	88,217	27,265
High school	298,360	337,725	334,407	3,318
Special programs:				
Educationally deprived	99,526	99,526	75,059	24,467
Support services				
Pupils:				
Guidance	800	935	926	9
Health	595	615	612	3
Support services - instructional staff:				
Educational media	38,758	39,783	39,678	105
Support services - general administration:				
Board of education	27,389	33,045	33,281	(236)
Executive administration	116,894	117,134	117,633	(499)
Support services - school administration:				
Office of the principal	85,382	85,382	47,457	37,925
Other	500	500	-	500

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Support services - business:				
Fiscal services	95,620	96,095	99,810	(3,715)
Operation and maintenance of plant	238,854	238,854	196,608	42,246
Pupil transportation	97,397	97,397	86,574	10,823
Cocurricular activities:				
Male activities	6,535	6,535	5,160	1,375
Female activities	4,795	4,795	3,046	1,749
Transportation	11,100	12,353	11,527	826
Combined activities	19,690	20,130	16,590	3,540
Contingencies	60,000	60,000	-	60,000
Amount transferred	-	(52,659)	-	(52,659)
Total expenditures	<u>2,051,143</u>	<u>2,051,143</u>	<u>1,787,210</u>	<u>263,933</u>
Excess of Revenue over (under) Expenditures	<u>(849,620)</u>	<u>(849,620)</u>	<u>(77,894)</u>	<u>771,726</u>
Other Financing Sources (Uses)				
Transfers in	-	-	71,843	71,843
Transfers out	(380)	(380)	(5,000)	(4,620)
Sale of surplus property	-	-	315	315
Total other financing sources (uses)	<u>(380)</u>	<u>(380)</u>	<u>67,158</u>	<u>67,538</u>
Net Change in Fund Balances	(850,000)	(850,000)	(10,736)	839,264
Fund Balance - Beginning	<u>746,633</u>	<u>746,633</u>	<u>746,633</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (103,367)</u>	<u>\$ (103,367)</u>	<u>\$ 735,897</u>	<u>\$ 839,264</u>

Doland School District 56-2
Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 760,000	\$ 760,000	\$ 802,741	\$ 42,741
Prior year's ad valorem taxes	1,000	1,000	3,824	2,824
Tax deed revenue	-	-	304	304
Penalties and interest on taxes	151	151	1,555	1,404
Earnings on investments and deposits	-	-	2,386	2,386
Other revenue from local sources:				
Contributions and donations	-	-	7,246	7,246
Total revenues	761,151	761,151	818,056	56,905
Expenditures				
Instruction				
Regular programs:				
Elementary	18,400	60,685	51,791	8,894
Middle/junior high	107,779	107,779	10,387	97,392
High school	-	12,700	14,823	(2,123)
Special programs:				
Programs for special education	5,000	5,000	-	5,000
Support services				
Support services - instructional staff:				
Educational media	1,500	10,542	9,105	1,437
Support services - business:				
Fiscal services	-	4,000	-	4,000
Operation and maintenance of plant	260,000	270,583	36,789	233,794
Pupil transportation	664,420	664,420	-	664,420
Debt Services	-	-	6,753	(6,753)
Cocurricular activities:				
Male activities	35,000	35,000	-	35,000
Total expenditures	1,092,099	1,170,709	129,648	1,041,061
Excess of Revenue over (under) Expenditures	(330,948)	(409,558)	688,408	1,097,966
Other Financing Sources				
Sale of surplus property	-	-	549	549
Total other financing sources	-	-	549	549
Net Change in Fund Balance	(330,948)	(409,558)	688,957	1,098,515
Fund Balance - Beginning	1,888,637	1,888,637	1,888,637	-
Fund Balance - Ending	\$ 1,557,689	\$ 1,479,079	\$ 2,577,594	\$ 1,098,515

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 362,635	\$ 362,635	\$ 386,895	\$ 24,260
Prior year's ad valorem taxes	3,000	3,000	2,456	(544)
Penalties and interest on taxes	400	400	1,018	618
Earnings on investments and deposits	-	-	634	634
Other revenue from local sources				
Charges for services	2,400	2,400	243	(2,157)
Total revenues	<u>368,435</u>	<u>368,435</u>	<u>391,246</u>	<u>22,811</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	288,830	309,205	238,161	71,044
Support services				
Pupils:				
Psychological	38,535	38,535	4,095	34,440
Speech pathology	45,535	45,535	9,614	35,921
Student therapy services	77,535	77,535	23,029	54,506
Support services - instructional staff:				
Educational media	-	900	-	900
Support services - special education:				
Administrative costs	17,500	17,500	11,777	5,723
Transportation costs	500	500	365	135
Total expenditures	<u>468,435</u>	<u>489,710</u>	<u>287,041</u>	<u>202,669</u>
Excess of Revenue over (under) Expenditures	<u>(100,000)</u>	<u>(121,275)</u>	<u>104,205</u>	<u>225,480</u>
Net Change in Fund Balance	(100,000)	(121,275)	104,205	225,480
Fund Balance - Beginning	<u>566,890</u>	<u>566,890</u>	<u>566,890</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 466,890</u>	<u>\$ 445,615</u>	<u>\$ 671,095</u>	<u>\$ 225,480</u>

Doland School District 56-2
 Budgetary Comparison Schedule – Budgetary Basis – Pension Fund
 Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 46	\$ 46	\$ -	\$ (46)
Prior year's ad valorem taxes	-	-	50	50
Penalties and interest on taxes	-	-	15	15
Earnings on investments and deposits	-	-	145	145
Total revenues	<u>46</u>	<u>46</u>	<u>210</u>	<u>164</u>
Excess of Revenue over Expenditures	<u>46</u>	<u>46</u>	<u>210</u>	<u>164</u>
Other Financing Uses				
Transfers out	-	-	(71,843)	(71,843)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(71,843)</u>	<u>(71,843)</u>
Net Change in Fund Balance	46	46	(71,633)	(71,679)
Fund Balance - Beginning	<u>127,552</u>	<u>127,552</u>	<u>127,552</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 127,598</u>	<u>\$ 127,598</u>	<u>\$ 55,919</u>	<u>\$ (71,679)</u>

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function, while the governmental funds statement of revenues, expenditures and changes in fund balance presents capital outlay expenditures as a separate function.

Note 2 - Budgetary Legal Requirements

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 moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the general fund, capital project funds and special revenue funds.

Doland School District 56-2
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	0.0623%	\$ (5,658)	\$ 1,264,159	-0.4%	100.10%
SDRS	6/30/2017	0.0608%	205,513	1,156,881	17.8%	96.89%
SDRS	6/30/2016	0.0548%	(232,517)	1,000,901	-23.2%	104.1%
SDRS	6/30/2015	0.0564%	(406,533)	986,748	-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 which is June 30 of the preceding fiscal year.

Doland School District 56-2
 Schedule of Employer's Contributions
 Year Ended June 30, 2018

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2018	\$ 77,563	\$ 77,563	\$ -	\$ 1,289,231	6.0%
SDRS	6/30/2017	75,850	75,850	-	1,264,159	6.0%
SDRS	6/30/2016	69,413	69,413	-	1,156,881	6.0%
SDRS	6/30/2015	60,054	60,054	-	1,000,901	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 of 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 into SDRS.

The changes in benefit provisions reduced the Actuarial Accrued Liability by \$567 million, or 5.0% of the initial Actuarial Accrued Liability, before considering the reduction in maximum COLA payable in 2018 and assumed to be payable for future years. Based on the Fair Value of Assets at June 30, 2017, the maximum 2018 SDRS COLA will be limited to 1.89%. Future years' COLAs are assumed to equal the current maximum limitation. The change in Actuarial Accrued Liability caused by assuming the current restricted maximum COLA remains in effect is reflected in the impact of the actuarial assumption changes.

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 this 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
Doland School District 56-2
Doland, 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 and each major fund of Doland School District 56-2 (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 January 23, 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, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings as 2018-A, 2018-B, and 2018-C to be material weaknesses.

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*.

Doland School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



Aberdeen, South Dakota
January 23, 2019

Status of Prior Audit Recommendations**Finding 2017-A Lack of Segregation of Duties**

Initial Fiscal Year Finding Occurred: 2008

Finding Summary: Doland School District 56-2 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties.

Status: This has not been corrected and is restated as current audit finding 2018-A.

Finding 2017-B Preparation of Financial Statements, Footnotes and Material Journal Entries

Initial Fiscal Year Finding Occurred: 2008

Finding Summary: Doland School District 56-2 does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

Status: This has not been corrected and is restated as current audit finding 2018-B.

Finding 2017-C Reconciliation of Bank Deposits

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: The Business Manager, when preparing the monthly bank reconciliations, did not balance the reconciled amount to the general ledger, resulting in misstatements that were corrected though adjusting journal entries.

Status: This has not been corrected and is restated as current audit finding 2018-C.

Current Audit Findings and Recommendations**Finding 2018-A Lack of Segregation of Duties**

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and that reconciliation procedures are performed on a timely basis.

Condition: Doland School District 56-2 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties.

Cause: The School District has insufficient number of staff to adequately separate duties.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected.

Recommendation: Although it is recognized that number of office staff may not be large enough to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.

Finding 2018-B Preparation of Financial Statements, Footnotes and Material Journal Entries, Including a Restatement

Criteria: An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: Doland School District 56-2 does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

Cause: The School District does not have adequate staff trained to prepare the financial statements and footnotes.

Effect: This condition may affect the School District's ability to report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.

Finding 2018-C Reconciliation of Bank Deposits

Criteria: A good system of internal controls provides that the bank accounts are reconciled to the amounts recorded in the general ledger at the end of each month and differences are reviewed and corrected in a timely manner.

Condition: The Business Manager, when preparing the month bank reconciliations, did not balance the reconciled amount to the general ledger, resulting in misstatements that were corrected though adjusting journal entries.

Cause: The Business Manager, when performing the monthly bank reconciliations process, did not compare the reconciled balance to the general ledger and review and correct any differences in a timely manner.

Effect: This condition increases the risk that the report amount of cash, revenues, and expenditures could be misstated.

Recommendation: We recommend that the Business Manager reconcile all checking and savings accounts to the general ledger at the end of the month and post correcting entries as needed to bring the general ledger balances into agreement with the reconciled balances. We also recommend that someone other than the preparer review the reconciliations for accuracy, propriety, and agreement to the general ledger.

Views of Responsible Officials: Management agrees with the finding.