

***IROQUOIS SCHOOL DISTRICT NO. 2-3  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2018***

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2018*

**Board Members:**

**Greg Blue – Board President  
Greg Bich – Vice President  
Rex Geyer  
Jeannie Keating  
Greg Schortzmann**

**Superintendent:**

**Mike Ruth**

**Business Manager:**

**Jill Cundy**

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***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

**School Board  
Iroquois School District No. 2-3  
Kingsbury County, South Dakota**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iroquois School District No. 2-3, Kingsbury County, South Dakota, as of and for the year ended June 30, 2018, which collectively comprise Iroquois School District's basic financial statements and have issued our report thereon dated February 16, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Iroquois School District's internal control over financial reporting (internal control) to determine the auditing 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 Iroquois School District's internal control.

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

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

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*Compliance and Other Matters*

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

*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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota  
February 16, 2019

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2018**

**PRIOR AUDIT FINDINGS**

**Finding Number 2017-01:**

A significant deficiency in internal control was disclosed by our audit for a lack of proper segregation of duties for the revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2018-01.

**CURRENT AUDIT FINDINGS**

**Finding Number 2018-01:**

A significant deficiency in internal control was disclosed by our audit for a lack of proper segregation of duties for revenues and expenditures.

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

***Criteria:*** The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

***Condition:*** The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

***Effect:*** As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

***Recommendation:*** We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible and practical.

***Management's Response:*** Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.



## ***INDEPENDENT AUDITOR'S REPORT***

**School Board  
Iroquois School District No. 2-3  
Iroquois, 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 Iroquois School District No. 2-3, Iroquois, South Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Iroquois 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Iroquois School District No. 2-3 as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

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

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2019 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



Huron, South Dakota  
February 16, 2019



***IROQUOIS SCHOOL DISTRICT NO. 2-3  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018***

This section of Iroquois School District No. 2-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2018. Please read it in conjunction with the School's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- During the year, the School's revenues of \$3,029,491 generated from taxes and other revenues of the governmental and business-type programs were \$44,274 more than the \$2,985,217 in governmental and business-type program expenditures. Mainly due to the change in the net pension liability (asset) of \$187,447.
- The total cost of the School's programs decreased by 7.82%. Almost entirely due to the change in the net pension asset.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Operation (Fund 51), and After School program and Drivers Education (Fund 53).
  - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018**

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

Figure A-1

**Major Features of Iroquois School's Government-wide and Fund Financial Statements**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers' education program	Instances in which the School is the trustee or agent for someone else's resources.
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/Liability Information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018**

***Government-Wide Statements***

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

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

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

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

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, and federal grants finance most of these activities.
- **Business-type Activities** – The School charges a fee to students to help cover the costs of providing breakfast and hot lunch services to all students. The Food Service Fund and the Other Enterprise Funds (Drivers Ed, and FAST program) are the only business-type activities of the School.

***Fund Financial Statements***

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

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

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018**

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

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

*Net Position*

The School's combined net position increased as follows:

Table A-1  
Iroquois School District No. 2-3  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2017	2018	2017	2018	2017	2018	Change 2017-2018
Current and Other Assets	\$ 4,343,547	\$ 3,924,215	\$ 7,328	\$ 19,533	\$ 4,350,875	\$ 3,943,748	-9.36%
Capital Assets (Net of Depreciation)	1,612,791	1,539,053	–	33,957	1,612,791	1,573,010	-2.47%
Total Assets	5,956,338	5,463,268	7,328	53,490	5,963,666	5,516,758	-7.49%
Pension Related Deferred Outflows	394,758	528,185	–	–	394,758	528,185	33.80%
Total Deferred Outflows of Resources	394,758	528,185	–	–	394,758	528,185	33.80%
Long-Term Liabilities Outstanding	424,559	172,091	–	–	424,559	172,091	-59.47%
Other Liabilities	252,741	254,061	–	–	252,741	254,061	0.52%
Total Liabilities	677,300	426,152	–	–	677,300	426,152	-37.08%
Taxes Levied for Future Period	1,080,694	772,381	–	–	1,080,694	772,381	-28.53%
Pension Related Deferred Inflows	–	115,296	–	–	–	115,296	100.00%
OPEB related deferred inflows	–	4,322	–	–	–	4,322	100.00%
Total Deferred Inflows of Resources	1,080,694	891,999	–	–	1,080,694	891,999	-17.46%
Net Position							
Net Investment in Capital Assets	1,612,791	1,539,053	–	33,957	1,612,791	1,573,010	-2.47%
Restricted	1,426,216	2,105,755	–	–	1,426,216	2,105,755	47.65%
Unrestricted	1,554,145	1,028,494	7,328	19,533	1,561,473	1,048,027	-32.88%
Total Net Position	4,593,152	4,673,302	7,328	53,490	4,600,480	4,726,792	2.75%
Beginning Net Position Restated	4,341,257	4,675,190	9,891	7,328	4,351,148	4,682,518	7.62%
Increase (Decrease) in Net Position	\$ 251,895	\$ (1,888)	\$ (2,563)	\$ 46,162	\$ 249,332	\$ 44,274	
Percentage of Increase (Decrease) in Net Position	5.80%	-0.04%	-25.91%	629.94%	5.73%	0.95%	

The District's combined net position of approximately \$4.7 million relatively the same as on June 30, 2017 with on a .95% increase.

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2018**

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

*Changes in Net Position*

The District's revenues totaled \$3,029,491 (See Table A-4.) This was an approximately 13.14% decrease. Approximately 74.75% of the District's revenue comes from property and other taxes, with another 13.12% from state aid. (See Table A-2.)

**Table A-2**  
**Iroquois School District No. 2-3**  
**Sources of Revenues**  
**Fiscal Year 2017-2018**

Taxes	\$ 2,264,504	75.66%
State sources	397,355	13.28%
Operating grants & contributions	210,813	7.04%
Charges for services	78,724	2.63%
Other revenues	30,475	1.02%
Unrestricted investment earnings	11,238	36.00%
<i>Total Revenue</i>	\$ 2,993,109	100.00%

Total costs of all programs and service decreased by approximately 7.82%. The District's expenses totaled \$2,985,217. (See Table A-4.) The School's expenses cover a range of services, encompassing instruction, support services, co-curricular activities, food services, and driver's education. (See Table A-3.)

**Table A-3**  
**Iroquois School District No. 2-3**  
**Statement of Expenditures**  
**Fiscal Year 2017-2018**

Instruction	\$ 1,716,517	58.21%
Support services	946,937	32.11%
Cocurricular activities	158,673	5.38%
Food service	123,305	4.18%
Drivers education	3,403	33.00%
<i>Total Expenditures</i>	\$ 2,948,835	100.00%

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018**

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

**Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School.**

Table A-4  
Iroquois School District No. 2-3  
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change 2017-2018</u>
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	
<i>Revenues</i>							
<i>Program Revenues:</i>							
Charges for services	\$ 17,169	\$ 16,697	\$ 51,956	\$ 62,027	\$ 69,125	\$ 78,724	13.89%
Operating grants and contributions	119,963	146,352	54,662	64,461	174,625	210,813	20.72%
<i>General Revenues:</i>							
Taxes	2,648,359	2,264,504	--	--	2,648,359	2,264,504	-14.49%
Revenue state sources	568,596	397,355	--	--	568,596	397,355	-30.12%
Unrestricted investment earnings	7,062	11,238	--	--	7,062	11,238	59.13%
Other general revenues	20,093	30,475	--	--	20,093	30,475	51.67%
<i>Total Revenues</i>	<u>3,381,242</u>	<u>2,866,621</u>	<u>106,618</u>	<u>126,488</u>	<u>3,487,860</u>	<u>2,993,109</u>	-14.18%
<i>Expenses</i>							
Instruction	1,782,187	1,716,517	--	--	1,782,187	1,716,517	-3.68%
Support services	1,186,867	946,937	--	--	1,186,867	946,937	-20.22%
Community services	180	--	--	--	180	--	-100.00%
Cocurricular activities	140,113	158,673	--	--	140,113	158,673	13.25%
Food service	--	--	125,775	123,305	125,775	123,305	-1.96%
Other enterprise activity	--	--	3,406	3,403	3,406	3,403	-0.09%
<i>Total Expenses</i>	<u>3,109,347</u>	<u>2,822,127</u>	<u>129,181</u>	<u>126,708</u>	<u>3,238,528</u>	<u>2,948,835</u>	-8.95%
<i>Excess (Deficiency) Before Transfers</i>							
Transfers	(20,000)	(10,000)	20,000	10,000	--	--	0.00%
<i>Increase (Decrease) in Net Position</i>	251,895	34,494	(2,563)	9,780	249,332	44,274	-82.24%
<i>Beginning Net Position Restated</i>	4,341,257	4,675,190	9,891	7,328	4,351,148	4,682,518	7.62%
<i>Ending Net Position</i>	<u>\$ 4,593,152</u>	<u>\$ 4,709,684</u>	<u>\$ 7,328</u>	<u>\$ 17,108</u>	<u>\$ 4,600,480</u>	<u>\$ 4,726,792</u>	2.75%

**GOVERNMENTAL ACTIVITIES**

**Revenues for the School's governmental activities decreased primarily due to decreases in ad valorem taxes and state aid. Property taxes did not increase although valuations increased the overall levy decreased.**

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018**

**BUSINESS-TYPE ACTIVITIES**

Net position of the School's business-type activities increased approximately \$46,100 mainly due to contributed capital from capital outlay and a transfer of \$10,000 from the general fund. The contributed capital was a walk in cooler.

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

Overall the governmental funds have decreased approximately \$117,954 in net position over last year. Property taxes did not increase in General, Capital Outlay and Special Ed Funds although valuations increased the overall levy decreased.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

**CAPITAL ASSET ADMINISTRATION**

By the end of 2018, the School had invested \$1,573,010 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) Total capital outlay expenditures were \$17,530.

Table A-5  
Iroquois School District No. 2-3 - Capital Assets  
(net of depreciation)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Dollar Change</i>	<i>Total Percentage Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017-2018</i>	<i>2017-2018</i>
Land	\$ 16,630	\$ 16,630	\$ --	\$ --	\$ --	0.00%
Buildings	981,438	946,407	--	--	(35,031)	-3.70%
Improvements other than buildings	426,509	392,697	--	--	(33,812)	-8.61%
Machinery and equipment	188,214	183,319	--	33,957	29,062	15.85%
<i>Total Capital Assets (Net)</i>	<u>\$ 1,612,791</u>	<u>\$ 1,539,053</u>	<u>\$ --</u>	<u>\$ 33,957</u>	<u>\$ (39,781)</u>	<u>-2.58%</u>

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2018**

**LONG-TERM DEBT**

At year-end the School had \$172,091 in long-term obligations. This balance includes an energy loan, OPEB liability and accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6  
Iroquois School District No. 2-3 - Outstanding Debt and Obligations

	<i>Governmental Activities</i>		<i>Total Dollar Change</i>	<i>Total Percentage Change</i>
	<u>2017</u>	<u>2018</u>	<u>2017-2018</u>	<u>2017-2018</u>
	Energy loan	\$ 123,440	\$ 111,096	\$ (12,344)
OPEB	55,180	56,743	1,563	2.83%
Compensated absences	<u>4,142</u>	<u>4,252</u>	<u>110</u>	2.66%
<i>Total Outstanding Debt and Obligations</i>	<u>\$ 182,762</u>	<u>\$ 172,091</u>	<u>\$ (10,671)</u>	-5.84%

The School is liable for the accrued sick leave payable to various employees who have five consecutive years or more of employment at the School District.

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

The District's taxable valuations for 2017 (payable in 2018) were \$509,795,472. This represents an increase of \$25,815,443 from the previous year's taxable valuation of \$483,980,029. The total tax levy decreased from 16.643 to 14.156.

The School's enrollment for the last two years has been as follows:

<u>YEAR</u>	<u>ADM</u>	<i>Percent (Decrease) in ADM</i>
2018	229	-3.78%
2017	238	9.68%

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Iroquois School District's Business Office, 111 East Washita Street, Iroquois, SD 57353 or (605)-546-2210.



**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**STATEMENT OF NET POSITION – GOVERNMENT-WIDE**  
**JUNE 30, 2018**

	<u>PRIMARY GOVERNMENT</u>		<u>TOTAL</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,012,622	\$ 10,426	\$ 3,023,048
Taxes receivable	780,220	–	780,220
Inventories	–	5,000	5,000
Other assets	126,478	4,107	130,585
Net pension asset	4,895	–	4,895
Capital assets:			
Land	16,630	–	16,630
Other capital assets, net of depreciation	1,522,423	33,957	1,556,380
<b>TOTAL ASSETS</b>	<b>5,463,268</b>	<b>53,490</b>	<b>5,516,758</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	528,185	–	528,185
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>528,185</b>	<b>–</b>	<b>528,185</b>
<b>LIABILITIES:</b>			
Accounts payable	5,383	–	5,383
Other current liabilities	248,678	–	248,678
Noncurrent liabilities:			
Due within one year	12,944	–	12,944
Due in more than one year	159,147	–	159,147
<b>TOTAL LIABILITIES</b>	<b>426,152</b>	<b>–</b>	<b>426,152</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes levied for future period	772,381	–	772,381
Pension related deferred inflows	115,296	–	115,296
OPEB related deferred inflows	4,322	–	4,322
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>891,999</b>	<b>–</b>	<b>891,999</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,539,053	33,957	1,573,010
Restricted for:			
Capital Outlay	931,863	–	931,863
Special Education	640,451	–	640,451
Pension	115,657	–	115,657
SDRS Pension Purposes	417,784	–	417,784
Unrestricted	1,028,494	19,533	1,048,027
<b>TOTAL NET POSITION</b>	<b>\$ 4,673,302</b>	<b>\$ 53,490</b>	<b>\$ 4,726,792</b>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 1,716,517	\$ --	\$ 146,352	\$ --	\$ (1,570,165)	\$ --	\$ (1,570,165)
Support services	946,937	5,304	--	--	(941,633)	--	(941,633)
Cocurricular activities	158,673	11,393	--	--	(147,280)	--	(147,280)
<i>Total Governmental Activities</i>	<u>2,822,127</u>	<u>16,697</u>	<u>146,352</u>	<u>--</u>	<u>(2,659,078)</u>	<u>--</u>	<u>(2,659,078)</u>
<i>Business-Type Activities:</i>							
Food service	123,305	53,177	64,461	--	--	(5,667)	(5,667)
FAST program	3,403	5,350	--	--	--	1,947	1,947
Drivers education	--	3,500	--	--	--	3,500	3,500
<i>Total Business-Type Activities</i>	<u>126,708</u>	<u>62,027</u>	<u>64,461</u>	<u>--</u>	<u>--</u>	<u>(220)</u>	<u>(220)</u>
<i>Total Primary Government</i>	<u>\$ 2,948,835</u>	<u>\$ 78,724</u>	<u>\$ 210,813</u>	<u>\$ --</u>	<u>(2,659,078)</u>	<u>(220)</u>	<u>(2,659,298)</u>
<i>General Revenues:</i>							
<i>Taxes:</i>							
					2,216,302	--	2,216,302
					48,202	--	48,202
<i>Revenue from State Sources:</i>							
					397,355	--	397,355
					11,238	--	11,238
					30,475	--	30,475
					(46,382)	46,382	--
<i>Total General Revenues</i>					<u>2,657,190</u>	<u>46,382</u>	<u>2,703,572</u>
<i>Change in Net Position</i>					(1,888)	46,162	44,274
<i>NET POSITION - Beginning of Year- as previously reported</i>					4,593,152	7,328	4,600,480
<i>Prior Period Adjustment - See note 17</i>					<u>82,038</u>	<u>--</u>	<u>82,038</u>
<i>NET POSITION - Beginning of Year- as restated</i>					<u>4,675,190</u>	<u>7,328</u>	<u>4,682,518</u>
<i>NET POSITION - End of Year</i>					<u>\$ 4,673,302</u>	<u>\$ 53,490</u>	<u>\$ 4,726,792</u>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>OTHER GOVERNMENTAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 1,303,817	\$ 931,863	\$ 661,285	\$ 115,657	\$ 3,012,622
Taxes receivable--current	496,757	171,075	104,549	-	772,381
Taxes receivable--delinquent	6,406	656	703	74	7,839
Due from other governments	84,293	-	-	-	84,293
Deposits	39,685	-	-	-	39,685
Advance payments	2,500	-	-	-	2,500
<b>TOTAL ASSETS</b>	<b>\$ 1,933,458</b>	<b>\$ 1,103,594</b>	<b>\$ 766,537</b>	<b>\$ 115,731</b>	<b>\$ 3,919,320</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<i>Liabilities:</i>					
Accounts payable	4,813	-	570	-	5,383
Contracts payable	172,155	-	15,825	-	187,980
Payroll deductions and withholding and employer matching payable	56,259	-	4,439	-	60,698
<b>Total Liabilities</b>	<b>233,227</b>	<b>-</b>	<b>20,834</b>	<b>-</b>	<b>254,061</b>
<i>Deferred Inflows of Resources:</i>					
Taxes Levied for a Future Period	496,757	171,075	104,549	-	772,381
Unavailable Revenue-Property Taxes	6,406	656	703	74	7,839
<b>Total Deferred Inflows of Resources</b>	<b>503,163</b>	<b>171,731</b>	<b>105,252</b>	<b>74</b>	<b>780,220</b>
<i>Fund Balances:</i>					
<i>Nonspendable:</i>					
Deposits (Health Insurance)	39,685	-	-	-	39,685
<i>Restricted:</i>					
Capital outlay	-	931,863	-	-	931,863
Special education	-	-	640,451	-	640,451
Pension	-	-	-	115,657	115,657
<b>Unassigned</b>	<b>1,157,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,157,383</b>
<b>Total Fund Balances</b>	<b>1,197,068</b>	<b>931,863</b>	<b>640,451</b>	<b>115,657</b>	<b>2,885,039</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,933,458</b>	<b>\$ 1,103,594</b>	<b>\$ 766,537</b>	<b>\$ 115,731</b>	<b>\$ 3,919,320</b>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS  
JUNE 30, 2018**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 2,885,039**

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

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 4,895

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 1,539,053

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 528,185

Long-term liabilities, bonds payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds. (172,091)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (115,296)

Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds. 7,839

Pension related deferred inflows are components of OPEB liability (asset) and therefore are not reported in the funds. (4,322)

*Net Position-Government Funds* \$ 4,673,302

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	GENERAL FUND	CAPITAL OUTLAY FUND	SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
<i>Revenue from Local Sources:</i>					
<i>Taxes:</i>					
Ad valorem taxes	\$ 1,287,617	\$ 455,093	\$ 468,125	\$ –	\$ 2,210,835
Prior years' ad valorem taxes	3,481	1,397	1,354	191	6,423
Utility taxes	48,202	–	–	–	48,202
Penalties and interest on taxes	1,500	661	849	26	3,036
<i>Revenue from Local Government:</i>					
Revenue in lieu of taxes	4,159	–	–	–	4,159
<i>Earnings on Investments and Deposits</i>	11,238	–	–	–	11,238
<i>Cocurricular Activities:</i>					
Admissions	11,393	–	–	–	11,393
<i>Other Revenue from Local Sources:</i>					
Charges for services	4,274	–	1,030	–	5,304
Other	8,248	3,500	134	–	11,882
<i>Revenue from Intermediate Sources:</i>					
<i>County Sources:</i>					
County apportionment	14,434	–	–	–	14,434
<i>Revenue from State Sources:</i>					
<i>Grants-in-Aid:</i>					
Unrestricted grants-in-aid	397,255	–	–	–	397,255
Other	100	–	–	–	100
<i>Other State Revenue</i>					
<i>Grants-in-Aid:</i>					
Unrestricted grants-in-aid received from federal government through the state	–	–	–	–	–
Restricted grants-in-aid received from federal government through the state	146,352	–	–	–	146,352
<b>TOTAL REVENUES</b>	<b>1,938,253</b>	<b>460,651</b>	<b>471,492</b>	<b>217</b>	<b>2,870,613</b>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(CONTINUED)**

	GENERAL FUND	CAPITAL OUTLAY FUND	SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
<b>EXPENDITURES:</b>					
<i>Instruction:</i>					
<i>Regular Programs:</i>					
Elementary	\$ 570,292	\$ 16,748	\$ --	\$ --	\$ 587,040
Middle school	140,103	875	--	--	140,978
High school	571,569	6,251	--	--	577,820
Preschool services	29,156	--	--	--	29,156
<i>Special Programs:</i>					
Programs for special education	--	--	231,057	--	231,057
Educationally Deprived	154,474	--	--	--	154,474
<i>Support Services:</i>					
<i>Students:</i>					
Guidance	71,334	--	497	275	72,106
Psychological	--	--	9,722	--	9,722
Speech pathology	--	--	19,415	--	19,415
Student therapy services	--	--	13,962	--	13,962
<i>Instructional Staff:</i>					
Improvement of instruction	1,421	--	--	--	1,421
Educational media	101,744	37,007	--	--	138,751
<i>General Administration:</i>					
Board of education	23,636	--	--	450	24,086
Executive administration	63,576	--	--	--	63,576
<i>School Administration:</i>					
Office of the principal	112,137	--	--	450	112,587
Other	471	--	--	--	471
<i>Business:</i>					
Fiscal services	91,065	--	--	--	91,065
Facilities acquisition and construction	234,641	44,763	--	--	279,404
Operation and maintenance of plant	249,797	12,292	--	--	262,089
Food services	4,560	1,375	--	--	5,935
<i>Central:</i>					
Staff	323	--	--	--	323
<i>Special Education:</i>					
Other	--	--	2,250	--	2,250
<i>Debt Services:</i>					
	--	12,344	--	--	12,344
<i>Cocurricular Activities:</i>					
Male activities	37,611	4,018	--	48	41,677
Female activities	38,285	6,059	--	16	44,360
Transportation	26,019	--	--	--	26,019
Combined activities	16,085	2,864	--	--	18,949
<i>Capital outlay:</i>					
	--	17,530	--	--	17,530
<b>TOTAL EXPENDITURES:</b>	<b>2,538,299</b>	<b>162,126</b>	<b>276,903</b>	<b>1,239</b>	<b>2,978,567</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<b>(600,046)</b>	<b>298,525</b>	<b>194,589</b>	<b>(1,022)</b>	<b>(107,954)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	(10,000)	--	--	--	(10,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,000)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(10,000)</b>
<i>Net Change in Fund Balances</i>	<b>(610,046)</b>	<b>298,525</b>	<b>194,589</b>	<b>(1,022)</b>	<b>(117,954)</b>
<i>FUND BALANCE - Beginning of Year</i>	<b>1,807,114</b>	<b>633,338</b>	<b>445,862</b>	<b>116,679</b>	<b>3,002,993</b>
<i>FUND BALANCE - End of Year</i>	<b>\$ 1,197,068</b>	<b>\$ 931,863</b>	<b>\$ 640,451</b>	<b>\$ 115,657</b>	<b>\$ 2,885,039</b>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (117,954)

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

<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.</p>	<p>Capital Outlays Depreciation Expense Net</p>	<p>\$ 17,530 <u>(91,268)</u></p>	<p>(73,738)</p>
<p>Payment of principal on long-term debt is an expenditure in the government funds but the payment reduces long-term liabilities in the statement of assets.</p>			<p>12,344</p>
<p>In both the government-wide and fund financials statements revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".</p>			<p>(3,992)</p>
<p>Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.</p>	<p>Sick Leave Other postemployment benefits</p>	<p>(110) <u>(83,601)</u></p>	<p>(83,711)</p>
<p>Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.</p>			<p>269,485</p>
<p>Changes in the OPEB related deferred outflows/inflows are direct components of OPEB liability and are not reflected in the governmental funds.</p>			<p><u>(4,322)</u></p>
<p><i>Change in Net Position of Governmental Activities</i></p>			<p><u>\$ (1,888)</u></p>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**BALANCE SHEET – PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<i>ENTERPRISE FUND</i>		
	<i>FOOD SERVICE</i>	<i>OTHER</i>	<i>TOTAL</i>
	<i>FUND</i>	<i>FUND</i>	<i>TOTAL</i>
<b>ASSETS:</b>			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 4,590	\$ 5,836	\$ 10,426
Inventory of stores purchased for resale	4,107	–	4,107
Accounts receivable	–	3,500	3,500
Due from other government	1,500	–	1,500
<i>Total Current Assets</i>	10,197	9,336	19,533
 <i>Capital Assets:</i>			
Machinery and equipment	59,600	–	59,600
Accumulated depreciation	(25,643)	–	(25,643)
<i>Total Capital Assets</i>	33,957	–	33,957
<b>TOTAL ASSETS</b>	<b>\$ 44,154</b>	<b>\$ 9,336</b>	<b>\$ 53,490</b>
 <b>NET POSITION:</b>			
<i>Net Position:</i>			
Invested in capital assets	33,957	–	33,957
Unrestricted	10,197	9,336	19,533
<b>TOTAL NET POSITION</b>	<b>\$ 44,154</b>	<b>\$ 9,336</b>	<b>\$ 53,490</b>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*



**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<i>ENTERPRISE FUND</i>		
	<i>FOOD SERVICE</i>	<i>OTHER</i>	<i>TOTAL</i>
	<i>FUND</i>	<i>FUND</i>	<i>FUND</i>
<b>OPERATING REVENUE:</b>			
<i>Sales:</i>			
To students	\$ 48,852	\$ –	\$ 48,852
To adults	2,526	–	2,526
Other charges for goods and services	1,799	8,850	10,649
<i>Total Operating Revenue</i>	53,177	8,850	62,027
<b>OPERATING EXPENSE:</b>			
<i>Food Service:</i>			
Salaries	–	3,000	3,000
Employee benefits	4,005	230	4,235
Purchased services	108,995	–	108,995
Supplies	945	173	1,118
Depreciatoin	2,425	–	2,425
Cost of sales - donated food	6,608	–	6,608
Miscellaneous	327	–	327
<i>Total Operating Expenses</i>	123,305	3,403	126,708
<i>Operating Income (Loss)</i>	(70,128)	5,447	(64,681)
<b>NONOPERATING REVENUES:</b>			
<i>State Sources:</i>			
Cash reimbursements	440	–	440
<i>Federal Sources:</i>			
Cash reimbursements	57,413	–	57,413
Donated food	6,608	–	6,608
<i>Total Nonoperating Revenue</i>	64,461	–	64,461
<i>Income (Loss) before Capital Contributions and Transfers</i>	(5,667)	5,447	(220)
Capital Contributions	36,382	–	36,382
Transfers In	10,000	–	10,000
<i>Change in Net Position</i>	40,715	5,447	46,162
<i>NET POSITION - Beginning of Year</i>	3,439	3,889	7,328
<i>NET POSITION - End of Year</i>	\$ 44,154	\$ 9,336	\$ 53,490

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER FUND</i>	<i>TOTAL</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 53,177	\$ 8,850	\$ 62,027
Payments to suppliers	(113,096)	(173)	(113,269)
Payments to employees	(4,005)	(3,230)	(7,235)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	<b>(63,924)</b>	<b>5,447</b>	<b>(58,477)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash reimbursements - state	440	--	440
Cash reimbursements - federal	57,413	--	57,413
Operating transfers - in	10,000	--	10,000
<b>NET CASH PROVIDED FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>67,853</b>	<b>--</b>	<b>67,853</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,929</b>	<b>5,447</b>	<b>9,376</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>661</b>	<b>389</b>	<b>1,050</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 4,590</b>	<b>\$ 5,836</b>	<b>\$ 10,426</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>			
<i>Operating Income (Loss)</i>	\$ (70,128)	\$ 5,447	\$ (64,681)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>			
Depreciation	2,425	--	2,425
Noncash cost of sales - commodities	6,608	--	6,608
<i>Change in Assets and Liabilities:</i>			
Inventories	(1,906)	--	(1,906)
Due from other government	(923)	--	(923)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (63,924)</b>	<b>\$ 5,447</b>	<b>\$ (58,477)</b>
<b>NONCASH, INVESTING CAPITAL, AND FINANCING ACTIVITIES:</b>			
Value of Commodities Received	\$ 6,608	\$ --	\$ 6,608
Equipment Purchased by Capital Outlay Fund	\$ 36,382	\$ --	\$ 36,382

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2018**

	<i>PRIVATE-PURPOSE TRUST FUNDS</i>	<i>AGENCY FUNDS</i>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 74,946	\$ 44,786
<b>TOTAL ASSETS</b>	<b>74,946</b>	<b>44,786</b>
<b>LIABILITIES:</b>		
Amounts held for others	--	44,786
<b>TOTAL LIABILITIES</b>	<b>--</b>	<b>44,786</b>
<b>NET POSITION:</b>		
Held in trust for school scholarship	74,946	--
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 74,946</b>	<b>\$ 44,786</b>

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<i>PRIVATE PURPOSE TRUST FUND</i>
<i>ADDITIONS:</i>	
Contributions and Donations	\$ 261
Change in Net Position	261
NET POSITION - Beginning of Year	74,685
NET POSITION - End of Year	\$ 74,946

*The accompanying Notes to Financial Statements are  
an integral part of these financial statements.*

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments.

a. *Financial Reporting Entity:*

The reporting entity of Iroquois School District No. 2-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School District.

b. *Basis of Presentation:*

**Government-Wide Financial Statements:**

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

**Government-Wide Financial Statements: (continued)**

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

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

b. *Basis of Presentation: (continued)*

**Fund Financial Statements: (continued)**

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

**Governmental Funds:**

**General Fund** – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

**Special Revenue 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.

**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 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 District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

**Proprietary Funds:**

**Enterprise Funds** – 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 drivers' education and the FAST program. This fund is financed by user charges. This is not a major fund.

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

b. ***Basis of Presentation: (continued)***

**Fund Financial Statements: (continued)**

**Fiduciary Funds:**

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

**Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income, benefit individuals, private organizations, or other governments. The School District maintains two private-purpose trust funds: Selix Scholarship Trust Fund and Diamond Davison Scholarship Trust Fund and their purpose is scholarships.**

**Agency Funds – Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains several agency funds for various class years, clubs, athletic teams which account for the monies earned for the various class, club or team projects.**

c. ***Measurement Focus and Basis of Accounting:***

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

**Measurement Focus:**

**Government-Wide Financial Statements:**

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

**Fund Financial Statements:**

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



*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

c. *Measurement Focus and Basis of Accounting: (continued)*

**Basis of Accounting:**

**Government-Wide Financial Statements:**

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

**Fund Financial Statements:**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Iroquois School District No. 2-3, the length of that cycle is sixty days.

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

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

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

d. *Interfund Eliminations and Reclassifications:*

**Government-Wide Financial Statements:**

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

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.

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

e. Capital Assets:

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

**Government-Wide Financial Statements:**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the 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 total June 30, 2018 balance of capital assets for governmental activities and 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 Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
Land	All	-- *	--
Land improvements	\$ 5,000	straight-line	10-20 years
Buildings	\$ 5,000	straight-line	50-75 years
Machinery and equipment	\$ 5,000	straight-line	5-20 years

\*Land is an inexhaustible capital asset and is not depreciated.

**Fund Financial Statements:**

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

f. *Long-Term Liabilities:*

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of a capital lease/purchase debt and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment 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 it is in the government-wide statements.

g. *Program Revenues:*

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

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

h. *Proprietary Funds Revenue and Expense Classifications:*

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

i. *Cash and Cash Equivalents:*

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

j. *Equity Classifications:*

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

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

k. *Application of Net Position:*

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

l. *Fund Balance Classification Policies and Procedures:*

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

**Nonspendable** – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

**Restricted** – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed** – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

**Assigned** – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by School Board.

**Unassigned** – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

<u><i>Major Special Revenue Fund</i></u>	<u><i>Revenue Source</i></u>
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

m. *Use of Estimates:*

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

n. *Pensions:*

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

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

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

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

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

**Interest Rate Risk** – The School District does not have a formal 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 has no investment policy that would further limit its investment choices.

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

**2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)**

**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 District’s policy is to credit all income from deposits and investments to the General Fund. United States generally accepted accounting principles, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

**3. RECEIVABLES AND PAYABLES:**

Receivables and payables are not aggregated in these financial statements. The School Districts expects all receivables to be collected in one year.

**4. INVENTORY:**

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is consumption. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. 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.

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**5. PROPERTY TAX:**

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

**6. CHANGES IN CAPITAL ASSETS:**

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

	<u>Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/18</u>
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 16,630	\$ --	\$ --	\$ 16,630
<i>Total, not being depreciated</i>	<u>16,630</u>	<u>--</u>	<u>--</u>	<u>16,630</u>
Capital assets, being depreciated:				
Buildings	1,867,325	--	--	1,867,325
Improvements other than buildings	530,123	--	--	530,123
Machinery and equipment	483,554	17,530	--	501,084
<i>Total, being depreciated</i>	<u>2,881,002</u>	<u>17,530</u>	<u>--</u>	<u>2,898,532</u>
Less accumulated depreciation for:				
Buildings	885,887	35,031	--	920,918
Improvements	103,614	33,812	--	137,426
Machinery and equipment	295,340	22,425	--	317,765
<i>Total accumulated depreciation</i>	<u>1,284,841</u>	<u>91,268</u>	<u>--</u>	<u>1,376,109</u>
<i>Total capital assets, being depreciated, net</i>	<u>1,596,161</u>	<u>(73,738)</u>	<u>--</u>	<u>1,522,423</u>
<i>Governmental activity capital assets, net</i>	<u>\$ 1,612,791</u>	<u>\$ (73,738)</u>	<u>\$ --</u>	<u>\$ 1,539,053</u>



**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**6. CHANGES IN CAPITAL ASSETS: (continued)**

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 42,702
Support services	20,898
Cocurricular activities	27,668
<i>Total depreciation expense - governmental activities</i>	\$ 91,268

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

	<i>Balance</i> 7/1/2017	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> 6/30/18
<i>Business-Type Activities:</i>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 23,218	\$ 36,382	\$ --	\$ 59,600
<i>Total, being depreciated</i>	23,218	36,382	--	59,600
Less accumulated depreciation for:				
Machinery and equipment	23,218	2,425	--	25,643
<i>Total accumulated depreciation</i>	23,218	2,425	--	25,643
<i>Total capital assets, being depreciated, net</i>	--	33,957	--	33,957
<i>Business-type activity capital assets, net</i>	\$ --	\$ 33,957	\$ --	\$ 33,957

Depreciation expense was charged to functions as follows:

*Business-Type Activities:*

Food service	\$ 2,425
--------------	----------

**7. LONG-TERM LIABILITIES:**

A summary of changes in long-term debt follows:

	<i>Balance</i> 7/1/2017	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> 6/30/2018	<i>Amount</i> <i>Due Within</i> <i>One Year</i>
<i>Governmental Activities:</i>					
Other loan	\$ 123,440	\$ --	\$ 12,344	\$ 111,096	\$ 12,344
OPEB	55,180	1,563	--	56,743	--
Compensated absences	4,142	110	--	4,252	600
<i>Total Governmental Activities</i>	\$ 182,762	\$ 1,673	\$ 12,344	\$ 172,091	\$ 12,944

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**7. LONG-TERM LIABILITIES: (continued)**

Compensated absences for governmental activities have been liquidated from the General and Special Education Fund.

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

State Energy Loan	The School District received a loan for \$123,440. The loan is 0% interest, and \$12,344 payments. Annual payments are due by July 31st. The Capital Outlay fund makes this payment. There are funds remaining to be spent from loan.	111,096
Other post-employment benefits	The School District provides medical coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board.	56,743
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff and the business manager are entitled to reimbursement of unused sick leave up to 90 days at \$40 a day or a \$3,600 maximum. Classified staff are entitled to reimbursement of unused sick leave up to 60 days at \$30 a day or a \$1,800 maximum.	4,252

The annual requirements to maturity for long-term debt June 30, 2018:

<i>Year Ending</i> <i>June 30,</i>	<i>Other Loans</i>		<i>TOTAL</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2019	\$ 12,344	--	\$ 12,344	--
2020	12,344	--	12,344	--
2021	12,344	--	12,344	--
2022	12,344	--	12,344	--
2023	12,344	--	12,344	--
2024-2028	49,376	--	49,376	--
<b>TOTALS</b>	<b>\$ 111,096</b>	<b>\$ --</b>	<b>\$ 111,096</b>	<b>\$ --</b>

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

8. *OPERATIONAL LEASES:*

The District entered into an agreement to lease a copier for a sixty (60) month period in June 2016. The monthly payment is \$190 with provisions for adjustments based on copier usage, etc. The agreement contains various covenants, restrictions, and provisions.

The District entered into an agreement to lease a dishwasher. The payments are \$65 per month. The agreement expires January 2021.

Payments are made from the Capital Outlay Fund. The minimal rental payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 2,345
2020	\$ 2,345
2021	\$ 2,345

9. *INTERFUND ACTIVITY:*

Transfers to/from other funds at June 30, 2018, consist of the following:

Transfer from the General Fund to the Food Service Fund to finance operations	<u>\$ 10,000</u>
--	------------------

10. *RESTRICTED NET POSITION:*

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	law	\$ 931,863
Special Education	law	640,451
Pension	law	115,657
SDRS Pension Purposes	law	417,784
		<u>\$ 2,105,755</u>

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

**11. PENSION PLAN:**

**a. Plan Information:**

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

**b. Benefits Provided:**

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> 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 3<sup>rd</sup> 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.

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

11. *PENSION PLAN: (continued)*

b. *Benefits Provided:* *(continued)*

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

c. *Contributions:*

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

<i>Year Ended</i>	
<i>June 30,</i>	
2018	\$ 69,733
2017	\$ 65,749
2016	\$ 53,959

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

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

Proportionate share of pension liability	\$	6,275,131
Less proportionate share of net pension restricted for pension benefits		6,280,026
<i>Proportionate share of net pension (asset)</i>	\$	(4,895)

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

11. **PENSION PLAN:** (continued)

d. **Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:** (continued)

At June 30, 2018, the School District reported an (asset) of \$(48,945) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2017 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School'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 0.05393340%, which is an increase of 0.0066382% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized reduction of pension expense of (\$187,447). At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 78,424	\$ —
Changes in assumption	380,028	—
Net difference between projected and actual earnings on pension plan investments	—	94,102
Changes in proportion and difference between District contributions and proportionate share of contributions	—	21,194
District contributions subsequent to the measurement date	69,733	—
<b>TOTAL</b>	<b>\$ 528,185</b>	<b>\$ 115,296</b>

\$69,733 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<i>Year Ended June 30,</i>	
2019	\$ 91,598
2020	159,719
2021	116,638
2022	(24,799)
<b>TOTAL</b>	<b>\$ 343,156</b>

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

11. *PENSION PLAN: (continued)*

e. *Actuarial Assumptions:*

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

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

Mortality rates were based on 97% of the RP-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:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
Global equity	58.0%	4.8%
Fixed income	30.0%	1.8%
Real estate	10.0%	4.6%
Cash	2.0%	0.7%
<i>TOTAL</i>	<u>100.0%</u>	

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**11. PENSION PLAN: (continued)**

**f. Discount Rate:**

The discount rate used to measure the total pension (asset) was 6.5 percent. 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 asset.

**g. 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 (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:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
School District's proportionate share of the net pension liability (asset)	\$ 896,429	\$ (4,895)	\$ (738,863)

**h. Pension Plan Fiduciary Net Position:**

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

**i. Payables to the Pension Plan:**

No payables were reported to the defined benefit plan at end of year.

**12. JOINT VENTURES:**

The School participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Arlington School District No. 38-1	3.67%	Henry School District No. 14-2	2.32%
Britton-Hecla School District No. 45-4	5.75%	Iroquois School District No. 2-3	3.25%
Castlewood School District No. 28-1	3.85%	Lake Preston School District No. 38-3	2.01%
Clark School District No. 12-2	4.90%	Rosholt School District No. 54-4	3.19%
DeSmet School District No. 38-2	4.28%	Sioux Valley School District No. 5-5	9.36%
Deubrook School District No. 5-2	4.74%	Summit School District No. 54-6	1.97%
Deuel School District No. 19-4	6.75%	Waubay School District No. 18-3	2.22%
Elkton School District No. 5-3	4.93%	Waverly School District No. 14-5	3.35%
Enemy Swim Day School	2.42%	Webster School District No. 18-4	7.62%
Estelline School District No. 28-2	3.72%	Willow Lake School District No. 12-3	3.08%
Florence School District No. 14-1	3.42%	Wilmot School District No. 54-7	2.75%
Hamlin School District No. 28-3	10.46%		



***IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018***

**12. JOINT VENTURES: (continued)**

The co-op's governing board is composed of one representative from each member school district, who is a School Board member. The Board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School retains no equity 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 Northeast Educational Services Cooperative.

At June 30, 2018, this joint venture had a total of \$2,553,991 net position, total liabilities and deferred inflows of resources of \$217,125 and net assets and deferred outflows of resources of \$1,219,304.

**13. RISK MANAGEMENT:**

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

**Employee Health Insurance** - The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for 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 omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the past three years.

**Workers' Compensation** - The School District purchases liability insurance for workers' compensation from a commercial carrier.

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

During the year ended June 30, 2018, \$0 in claims were paid for unemployment. At June 30, 2018, no new claims had been filed for unemployment benefits, but claims are anticipated to be paid out in the next fiscal year.

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

**14. POST EMPLOYMENT HEALTHCARE PLAN:**

**Plan Description:**

The Iroquois School District offers a single-employer defined benefit healthcare plan. The plan provides medical and dental coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. 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.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. An employee with a combination of years of service with the school district and age totaling 60 or greater leaving the district may continue insurance coverage with the group health insurance plan until they reach the age 65. Spousal and dependent coverage is provided as long as the required contributions are paid. Spouses may continue coverage after the retiree's coverage terminates until the spouse has reached age 65. The eligible retiree must pay monthly contributions based on 100% of the full active employee premium rate. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation if elected.

**Funding Policy:**

The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

**Changes in Liability:**

For the year ended June 30, 2018, the beginning balance of the OPEB liability was \$55,180. Total OPEB liability was determined as of the measurement date, which is June 30, 2018. The changes in the total OPEB liability for 2018 were as follows:

	<i>2017-2018</i>
Beginning of year balances	\$ 55,180
Charges for the year:	
Service cost	10,252
Interest on total OPEB liability	1,786
Effect on assumption changes or inputs	(4,887)
Benefit payments	<u>(5,588)</u>
End of year balances	<u>\$ 56,743</u>

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018*

14. *POST EMPLOYMENT HEALTHCARE PLAN: (continued)*

For the year ended June 30, 2018, the District recognized OPEB Expense of 11,473. OPEB expense was determined as follows:

	<i>2017-2018</i>
Service Cost	\$ 10,252
Interest on total OPEB liability	1,786
Recognition of Deferred Inflos/Outflows of Resources:	
Recognition of assumption changes	<u>(565)</u>
End of year balances	<u>\$ 11,473</u>

As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Changes in Assumptions	\$ --	\$ --
District contributions subsequent to the measurement date	<u>(4,322)</u>	<u>--</u>
End of year balances	<u>\$ (4,322)</u>	<u>\$ --</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (revenue) expense as follows:

	<i>Year ended June 30,</i>
2019	\$ (565)
2020	(565)
2021	(565)
2022	(565)
2023	(565)
Thereafter	<u>(1,497)</u>
Total	<u>\$ (4,322)</u>

:

**IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**14. POST EMPLOYMENT HEALTHCARE PLAN: (continued)**

**Actuarial Methods and Assumptions:**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Active employees and retirees are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated based on the discount rate and actuarial assumptions below and projected forward to the measurement date.

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions:

- The discount rate used was 3.87% and was based up on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.
- The retiree participation rate was assumed to be 25%. The retiree election of family coverage rate was assumed to be 25%.
- Mortality rate were based on 97% of the RP\_2014 Mortality Table, White Collar table for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2017.
- Net Claims Cost in future years equal the starting claim cost adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design and cost containment features. Selected rates are shown below:

<u>Duration</u>	<u>Medical Rate</u>	<u>Dental Rate</u>
1	6.10%	5.00%
2	5.80%	5.00%
3	6.50%	5.00%
4	5.00%	5.00%
5	5.00%	4.90%
10	5.30%	4.80%
15	5.80%	4.90%
20	5.70%	4.90%
25	5.60%	5.00%
30	5.30%	4.80%
35	5.10%	4.70%
40	5.00%	4.70%
45	4.90%	4.60%

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**14. POST EMPLOYMENT HEALTHCARE PLAN: (continued)**

**Actuarial Methods and Assumptions: (continued)**

- Assumed annual salary, including inflation, for active members are as follows:

<u>Service</u>	<u>Percentage Increase</u>
0	6.50%
1	6.00%
2	5.55%
3	5.30%
4	5.15%
10	4.25%
15	3.76%
20	3.36%
25	3.05%
25+	3.00%

**Sensitivity Analysis**

The following represents the District's total OPEB liability, calculated using a discount rate that is one percent lower or one percentage point higher than the current rate:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
	2.58%	3.58%	4.58%
Total OPEB Liability	\$ 63,575	\$ 56,743	\$ 50,829

The following represents the District's total OPEB liability, calculated using healthcare the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trends analysis.

	<i>1% Decrease</i>	<i>Current Trend Rate</i>	<i>1% Increase</i>
Total OPEB Liability	\$ 56,244	\$ 65,716	\$ 77,456

**15. PRIOR PERIOD ADJUSTMENT:**

During the year ended June 30, 2018 the District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, beginning net position has been restated to reflect the related total OPEB liability as of July 1, 2017 as follows:

Net Position, Governmental Activities, July 1, 2017, as Previously Reported	\$ 4,593,152
Restatement for Accounting for OPEB costs:	
Total OPEB Liability	82,038
Net Position, Governmental Activities, July 1, 2017, as Restated	\$ 4,675,190

***REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A***

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,137,480	\$ 1,137,480	\$ 1,287,617	\$ 150,137
Prior years' ad valorem taxes	3,000	3,000	3,481	481
Utility taxes	30,000	30,000	48,202	18,202
Penalties and interest on taxes	1,600	1,600	1,500	(100)
<i>Revenue from Local Governmental Units Other Than LEAs:</i>				
Revenue in lieu of taxes	2,000	2,000	4,159	2,159
Earnings on Investments and Deposits	5,000	5,000	11,238	6,238
<i>Cocurricular Activities:</i>				
Admissions	10,000	10,000	11,393	1,393
<i>Other Revenue from Local Sources:</i>				
Charges for services	5,000	5,000	4,274	(726)
Other	2,500	2,500	8,248	5,748
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	15,000	15,000	14,434	(566)
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	470,951	470,951	397,255	(73,696)
Other State Revenue	–	–	100	100
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid received from federal government through the state	116,500	116,500	146,352	29,852
<b>TOTAL REVENUES</b>	<u>\$ 1,799,031</u>	<u>\$ 1,799,031</u>	<u>\$ 1,938,253</u>	<u>\$ 139,222</u>

*The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(CONTINUED)**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY</u>	<u>FINAL BUDGET-</u>
			<u>BASIS</u>	<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 657,380	\$ 657,380	\$ 570,292	\$ 87,088
Middle school	154,620	154,620	140,103	14,517
High school	624,750	624,750	571,569	53,181
Preschool services	31,000	31,000	29,156	1,844
<i>Special Programs:</i>				
Educationally deprived	91,000	91,000	154,474	(63,474)
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	77,500	77,500	71,334	6,166
<i>Instructional Staff:</i>				
Improvement of instruction	–	–	1,421	(1,421)
Educational media	130,150	130,150	101,744	28,406
<i>General Administration:</i>				
Board of education	33,500	33,500	23,636	9,864
Executive administration	70,400	70,400	63,576	6,824
<i>School Administration:</i>				
Office of the principal	123,250	123,250	112,137	11,113
Other	1,000	1,000	471	529
<i>Business:</i>				
Fiscal services	94,250	94,250	91,065	3,185
Operation and maintenance of plant	242,100	242,100	234,641	7,459
Student transportation	231,000	231,000	249,797	(18,797)
Food services	5,000	5,000	4,560	440
<i>Central:</i>				
Staff	1,000	1,000	323	677
<i>Nonprogrammed Charges:</i>				
Payments to state - unemployment	10,000	10,000	–	10,000
<i>Cocurricular Activities:</i>				
Male activities	37,800	37,800	37,611	189
Female activities	38,100	38,100	38,285	(185)
Transportation	25,000	25,000	26,019	(1,019)
Combined activities	19,300	19,300	16,085	3,215
Contingencies	15,000	15,000	–	15,000
<b>TOTAL EXPENDITURES</b>	<b>2,713,100</b>	<b>2,713,100</b>	<b>2,538,299</b>	<b>174,801</b>
<i>Excess of Revenue Over (Under) Expenditures</i>	<b>(914,069)</b>	<b>(914,069)</b>	<b>(600,046)</b>	<b>314,023</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers out	–	–	(10,000)	(10,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>–</b>	<b>–</b>	<b>(10,000)</b>	<b>(10,000)</b>
<i>Net Change in Fund Balances</i>	<b>(914,069)</b>	<b>(914,069)</b>	<b>(610,046)</b>	<b>304,022</b>
<i>FUND BALANCE - Beginning of Year</i>	<b>1,807,114</b>	<b>1,807,114</b>	<b>1,807,114</b>	<b>–</b>
<i>FUND BALANCE - End of Year</i>	<b>\$ 893,045</b>	<b>\$ 893,045</b>	<b>\$ 1,197,068</b>	<b>\$ 304,023</b>

*The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.*



**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**BUDGETARY COMPARISON SCHEDULE – CAPITAL OUTLAY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 450,000	\$ 450,000	\$ 455,093	\$ 5,093
Prior years' ad valorem taxes	200	200	1,397	1,197
Penalties and interest on taxes	300	300	661	361
<i>Other Revenue from Local Sources</i>				
Other	-	-	3,500	3,500
<b>TOTAL REVENUES</b>	<u>450,500</u>	<u>450,500</u>	<u>460,651</u>	<u>10,151</u>
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	20,000	20,000	16,748	3,252
Middle school	10,000	10,000	875	9,125
High school	15,000	15,000	6,251	8,749
<i>Support Services:</i>				
<i>Instructional Staff:</i>				
Educational media	65,000	65,000	38,511	26,489
<i>General Administration:</i>				
Board of education	500	500	-	500
Executive administration	1,000	1,000	-	1,000
<i>School Administration:</i>				
Office of the principal	1,000	1,000	-	1,000
<i>Business:</i>				
Fiscal services	1,000	1,000	-	1,000
Facilities acquisition and construction	125,000	125,000	44,763	80,237
Operation and maintenance of plant	50,000	50,000	12,292	37,708
Food Services	25,000	25,000	1,375	23,625
<i>Debt Services</i>	-	-	12,344	(12,344)
<i>Cocurricular Activities:</i>				
Male activities	12,500	12,500	12,031	469
Female activities	12,500	12,500	14,072	(1,572)
Combined activities	2,500	2,500	2,864	(364)
<b>TOTAL EXPENDITURES</b>	<u>341,000</u>	<u>341,000</u>	<u>162,126</u>	<u>178,874</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>109,500</u>	<u>109,500</u>	<u>298,525</u>	<u>189,025</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers out	(109,500)	(109,500)	-	109,500
<b>TOTAL OTHER FINANCING SOURCES:</b>	<u>(109,500)</u>	<u>(109,500)</u>	<u>-</u>	<u>109,500</u>
<i>Net Change in Fund Balances</i>	-	-	298,525	298,525
<b>FUND BALANCE - Beginning of Year</b>	<u>633,338</u>	<u>633,338</u>	<u>633,338</u>	<u>-</u>
<b>FUND BALANCE - End of Year</b>	<u>\$ 633,338</u>	<u>\$ 633,338</u>	<u>\$ 931,863</u>	<u>\$ 298,525</u>

*The accompanying Notes to Required Supplementary Information are  
an integral part of these financial statements.*

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 485,190	\$ 485,190	\$ 468,125	\$ (17,065)
Prior years' ad valorem taxes	300	300	1,354	1,054
Penalties and interest on taxes	200	200	849	649
<i>Other Revenue from Local Sources:</i>				
Charges for services	2,000	2,000	1,030	(970)
Other Revenue from Local Sources:	–	–	134	134
<b>TOTAL REVENUES:</b>	<u>487,690</u>	<u>487,690</u>	<u>471,492</u>	<u>(16,198)</u>
<b>EXPENDITURES:</b>				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	230,000	230,000	231,057	(1,057)
<i>Support Services:</i>				
<i>Students:</i>				
Guidance	1,000	1,000	497	503
Psychological	11,500	11,500	9,722	1,778
Speech pathology	20,500	20,500	19,415	1,085
Student therapy services	16,500	16,500	13,962	2,538
<i>Special Education:</i>				
Administrative costs	19,000	19,000	–	19,000
Transportation costs	5,000	5,000	–	5,000
Other	10,000	10,000	2,250	7,750
<b>TOTAL EXPENDITURES</b>	<u>313,500</u>	<u>313,500</u>	<u>276,903</u>	<u>36,597</u>
<i>Excess of Revenue Over Expenditures</i>	<u>174,190</u>	<u>174,190</u>	<u>194,589</u>	<u>20,399</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	(174,190)	(174,190)	–	174,190
<i>Net Change in Fund Balances</i>	–	–	194,589	194,589
<i>FUND BALANCE - Beginning of Year</i>	<u>445,862</u>	<u>445,862</u>	<u>445,862</u>	<u>–</u>
<i>FUND BALANCE - End of Year</i>	<u>\$ 445,862</u>	<u>\$ 445,862</u>	<u>\$ 640,451</u>	<u>\$ 194,589</u>

*The accompanying Notes to Required Supplementary Information are  
an integral part of these financial statements.*

*IROQUOIS SCHOOL DISTRICT NO. 2-3  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A  
JUNE 30, 2017*

**1. BUDGETS AND BUDGETARY ACCOUNTING:**

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

- a. Prior to the first regular board meeting in May of each year the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. 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.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. 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.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:**

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

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**SOUTH DAKOTA RETIREMENT SYSTEM**  
**JUNE 30, 2018**

	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
<b>District's proportion of the net pension liability (asset)</b>	<b>0.0539334%</b>	<b>0.0472595%</b>	<b>0.0472636%</b>	<b>0.0452841%</b>
<b>District's proportionate share of net pension liability (asset)</b>	<b>\$ (4,895)</b>	<b>\$ 159,758</b>	<b>\$ (200,458)</b>	<b>\$ (326,253)</b>
<b>District's covered-employee payroll</b>	<b>\$ 1,095,821</b>	<b>\$ 899,317</b>	<b>\$ 862,895</b>	<b>\$ 862,900</b>
<b>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</b>	<b>0.45%</b>	<b>17.76%</b>	<b>23.23%</b>	<b>37.81%</b>
<b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b>	<b>100.10%</b>	<b>96.89%</b>	<b>104.10%</b>	<b>107.29%</b>

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS TO PENSION**  
**SOUTH DAKOTA RETIREMENT SYSTEM**  
**JUNE 30, 2018**

	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
<b>Contractually required contribution</b>	<b>\$ 69,733</b>	<b>\$ 65,749</b>	<b>\$ 53,959</b>	<b>\$ 51,774</b>
<b>Contributions in relation to the contractually required contribution</b>	<u><b>69,733</b></u>	<u><b>65,749</b></u>	<u><b>53,959</b></u>	<u><b>51,774</b></u>
<b>Contribution deficiency (excess)</b>	<u><u><b>\$ --</b></u></u>	<u><u><b>\$ --</b></u></u>	<u><u><b>\$ --</b></u></u>	<u><u><b>\$ --</b></u></u>
<b>District's covered-employee payroll</b>	<b>\$ 1,162,209</b>	<b>\$ 1,095,821</b>	<b>\$ 899,317</b>	<b>\$ 862,900</b>
<b>Contributions as a percentage of covered-employee payroll</b>	<b>6.00%</b>	<b>6.00%</b>	<b>6.00%</b>	<b>6.00%</b>

**IROQUOIS SCHOOL DISTRICT NO. 2-3**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2018**

	<i>2018</i>
Service cost	\$ 10,252
Interest on total OPEB liability	1,786
Effect on assumption changes or inputs	(4,887)
Benefit payments	<u>(5,588)</u>
	<u>1,563</u>
Beginning of year balances	<u>\$ 55,180</u>
End of year balances	<u>\$ 56,743</u>
District's covered employee payroll	\$ 945,717
Total OPEB liability as a Percentage of Covered-employee Payroll	6.00%