

MEADE SCHOOL DISTRICT NO. 46-1

INDEPENDENT AUDITOR'S REPORTS,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2017

CASEY  **PETERSON**
Leading the Way.

RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

Meade School District No. 46-1
Table of Contents
June 30, 2017

	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	1 - 2
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	3 - 5
Schedule of Findings and Questioned Costs	7 - 9
Schedule of Prior Audit Findings and Questioned Costs	10
Corrective Action Plan (Unaudited).....	11 - 13
Independent Auditor's Report	15 - 17
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	20 - 21
Statement of Activities	22 - 23
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	24 - 25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	28 - 33
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	35
Statement of Net Position - Proprietary Funds	36 - 37
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	39
Statement of Cash Flows - Proprietary Funds	40 - 41
Statement of Fiduciary Net Position - Fiduciary Funds	42
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	43
Notes to the Financial Statements	44 - 66

Meade School District No. 46-1
Table of Contents
June 30, 2017

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund - Budgetary Basis.....	69 - 71
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis.....	72 - 73
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis.....	74 - 75
Notes to Required Supplementary Information - Budgetary Comparison Schedules	76
Schedule of Funding Progress for Retiree Health Insurance Coverage	77
Schedule of Net Pension Liability (Asset)	78
Schedule of Pension Contributions.....	79
SUPPLEMENTARY INFORMATION	
School District Officials	83
Schedule of Expenditures of Federal Awards.....	84 - 85

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*

To the School Board
Meade School District No. 46-1
Meade County, South Dakota

We have audited, in accordance with the 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 Meade School District No. 46-1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Meade School District No. 46-1's basic financial statements, and have issued our report thereon dated March 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meade School District No. 46-1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meade School District No. 46-1's internal control. Accordingly, we do not express an opinion on the effectiveness of Meade School District No. 46-1's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-004 to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meade School District No. 46-1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002.

Meade School District No. 46-1's Response to Findings

Meade School District No. 46-1's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Meade School District No. 46-1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Casey Peterson, Ltd.

Rapid City, South Dakota

March 5, 2018

Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance

Board of Directors
Meade School District No. 46-1
Meade County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Meade School District No. 46-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Meade School District No. 46-1's major federal programs for the year ended June 30, 2017. Meade School District No. 46-1's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Meade School District No. 46-1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meade School District No. 46-1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Meade School District No. 46-1's compliance.

Opinion on Each Major Federal Program

In our opinion, Meade School District No. 46-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

Meade School District No. 46-1's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Meade School District No. 46-1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Meade School District No. 46-1, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Meade School District No. 46-1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Meade School District No. 46-1's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003 to be a significant deficiency.

Meade School District No. 46-1's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Meade School District No. 46-1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Casey Peterson, LTD.

Casey Peterson, Ltd.

Rapid City, South Dakota

March 5, 2018

**Meade School District No. 46-1
Schedule of Findings and Questioned Costs
June 30, 2017**

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. The Independent Auditor's Report expressed unmodified opinions on the financial statements of Meade School District No. 46-1.
- b. The 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* disclosed a material weakness.
- c. Instances of noncompliance material to the financial statements of the District which are required to be reported in accordance with *Governmental Auditing Standards* were noted during the audit.
- d. The Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance for the District expressed an unmodified opinion on all major programs.
- e. Material weaknesses and a significant deficiency in internal control over compliance were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
- f. Audit findings that are required to be report in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
- g. The federal awards tested as major programs were:

CFDA Numbers	Name of Federal Program
<u>Child Nutrition Cluster:</u>	
1. 10.555	National School Lunch Program - Non-cash Assistance
2. 10.553	School Breakfast Program
3. 10.555	National School Lunch
4. 10.559	Summer Food Service Program for Children
<u>Special Education Cluster</u>	
5. 84.027	Special Education - Grants to States
6. 84.173	Special Education - Preschool Grants
7. 84.181	Special Education - Infants and Families

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Meade School District No. 46-1 did not qualify as a low-risk entity.

Meade School District No. 46-1
Schedule of Findings and Questioned Costs (Continued)
June 30, 2017

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF EDUCATION, U.S. DEPARTMENT OF AGRICULTURE, AND NATIONAL FOREST SERVICE - PASSED THROUGH THE SOUTH DAKOTA DEPARTMENT OF EDUCATION

ALL MAJOR PROGRAMS

Noncompliance and Material Weakness
Internal Control Over Compliance

2017-001 *Condition:* The small size of the District limits the ability of the Business Office to maintain adequate segregation of duties to prepare the financial statements and Schedule of Expenditures of Federal Awards being audited and perform some of the year-end accrual entries which would be required under a properly designed system of internal controls. Additionally, the small size of the District causes a lack of segregation of duties within the governmental receipts cycle. This finding was reported in 2016.

Criteria: Establishing internal controls over the preparation of the financial statements and the Schedule of Expenditures of Federal Awards and drafting the financial statements and Schedule of Expenditures of Federal Awards are the responsibility of management. The District should have an internal control system designed to provide for drafting the financial statements and Schedule of Expenditures of Federal Awards being audited. In addition, Uniform Guidance requires the auditee to prepare appropriate financial statements and the Schedule of Expenditures of Federal Awards in accordance with Section 200.510.

Cause: This condition exists due to small staff size within the finance function of the District. These issues are common in a district of this size.

Effect: The District engages their auditor to draft the financial statements, the Schedule of Expenditures of Federal Awards, and the notes to the financial statements. The possibility of fraud or errors occurring and not being detected or corrected is present in regard to the drafting of the financial statements, the Schedule of Expenditures of Federal Awards, the notes to the financial statements, as well as the lack of segregation of duties in the governmental receipts.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the District's auditors drafting the financial statements and Schedule of Expenditures of Federal Awards, because of cost or other considerations. If the District chooses not to accept this risk, training should be provided to those employees responsible for drafting the financial statements.

Management's Response: Management agrees with this finding. The Corrective Action Plan details management's course of action to address this control matter.

CHILD NUTRITION CLUSTER, CFDA's 10.555, 10.553, 10.559

Noncompliance and Material Weakness
Internal Control Over Compliance

2017-002 *Condition:* In compliance testing over eligibility of the Child Nutrition Cluster, two instances of noncompliance were noted. One individual was receiving free lunches and should have only been receiving reduced lunches. Another individual was receiving reduced lunches and should have been receiving free lunches.

Meade School District No. 46-1
Schedule of Findings and Questioned Costs (Continued)
June 30, 2017

Criteria: Based on applications filled out by households, there are income guidelines that indicate whether households are eligible for free or reduced lunches and into which category the household falls.

Cause: The District incorrectly calculated household income.

Effect: Two households with incorrect income calculations received improper benefits based on their actual income levels.

Auditor's Recommendation: We recommend the District review the income eligibility guidelines and ensure staff the household applications have proper and up-to-date training.

Management's Response: Management agrees with this finding. The Corrective Action Plan details management's course of action to address this matter.

CHILD NUTRITION CLUSTER, CFDA's 10.555, 10.553, 10.559

Significant Deficiency

Internal Control Over Compliance

2017-003 *Condition:* In testing the Verification Collection Report that is submitted to the State of South Dakota, it was noted that verification information was received from a household but changes to their status were not made appropriately.

Criteria: Households selected for verification must provide information supporting their original application. The District uses this information to verify eligibility in the program at free or reduced rates.

Cause: The District staff did not make the proper changes for the family eligibility in the program.

Effect: A household continued to receive reduced lunches for which they were not eligible.

Auditor's Recommendation: We recommend the District review their process over verification of household eligibility. The District should ensure staff are up-to-date on eligibility guidelines and verification requirements. The District should also ensure that staff reviewing the verifications update the category for children whose eligibility status changed as a result of the verification process.

Management's Response: Management agrees with this finding. The Corrective Action Plan details management's course of action to address this matter.

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

Internal Control Over Financial Reporting

2017-004 See Finding 2017-001 for a description of the condition, criteria, cause, effect, auditor's recommendation, and management's response.



PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

2016-001 This finding is identical to finding 2017-001 as reported in the current year.

2015-002 This finding is identical to finding 2017-001 as reported in the current year.

2014-002 *Condition and Criteria:* To obtain adequate internal control, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process. Various other accounting functions should be performed by different people to insure a proper segregation of duties.

Auditor's Recommendation: Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

Current Status: This finding was partially resolved, but is also reported as 2017-004 in the current year.

2013-002 See Finding 2014-002 above for condition, criteria, auditor's recommendation and current status.

2012-002 See Finding 2014-002 above for condition, criteria, auditor's recommendation and current status.

Meade School District
1230 Douglas St.
Sturgis, SD 57785

T: 605-347-2523
F: 605-347-0005
www.meade.k12.sd.us



CORRECTIVE ACTION PLAN (UNAUDITED)

Meade School District No. 46-1 respectfully submits the following Corrective Action Plan for the year ended June 30, 2017.

Name and address of the independent public accounting firm:

Casey Peterson, Ltd.
909 St. Joseph St., Ste 101
Rapid City, SD 57701

The findings from the 2017 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF EDUCATION, U.S. DEPARTMENT OF AGRICULTURE, AND
NATIONAL FOREST SERVICE - PASSED THROUGH THE SOUTH DAKOTA
DEPARTMENT OF EDUCATION

ALL MAJOR PROGRAMS

Noncompliance and Material Weakness
Internal Control Over Compliance

2017-001 *Condition:* The small size of the District limits the ability of the Business Office to maintain adequate segregation of duties to prepare the financial statements and Schedule of Expenditures of Federal Awards being audited and perform some of the year-end accrual entries which would be required under a properly designed system of internal controls. Additionally, the small size of the District causes a lack of segregation of duties within the governmental receipts cycle. This finding was reported in 2016.

Criteria: Establishing internal controls over the preparation of the financial statements and the Schedule of Expenditures of Federal Awards and drafting the financial statements and Schedule of Expenditures of Federal Awards are the responsibility of management. The District should have an internal control system designed to provide for drafting the financial statements and Schedule of Expenditures of Federal Awards being audited. In addition, Uniform Guidance requires the auditee to prepare appropriate financial statements and the Schedule of Expenditures of Federal Awards in accordance with Section 200.510.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the District's auditors drafting the financial statements and Schedule of Expenditures of Federal Awards, because of cost or other considerations. If the District chooses not to accept this risk, training should be provided to those employees responsible for drafting the financial statements.

Meade School District
1230 Douglas St.
Sturgis, SD 57785

T: 605-347-2523
F: 605-347-0005
www.meade.k12.sd.us



Management's Response: The School Board and Superintendent agree with this finding. The comment is a result of the size of the Meade School District No. 46-1, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Meade School District No. 46-1 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for receipts and the drafting of the financial statements and Schedule of Expenditures of Federal Awards. Meade School District No. 46-1 is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the governmental receipts and the drafting of the financial statements and Schedule of Expenditures of Federal Awards continues to exist.

CHILD NUTRITION CLUSTER, CFDA's 10.555, 10.553, 10.559

Noncompliance and Material Weakness
Internal Control Over Compliance

2017-002 *Condition:* In compliance testing over eligibility of the Child Nutrition Cluster, two instances of noncompliance were noted. One individual was receiving free lunches and should have only been receiving reduced lunches. Another individual was receiving reduced lunches and should have been receiving free lunches.

Criteria: Based on applications filled out by households, there are income guidelines that indicate whether households are eligible for free or reduced lunches and into which category the household falls.

Auditor's Recommendation: We recommend the District review the income eligibility guidelines and ensure staff the household applications have proper and up-to-date training.

Management's Response: The School Board and Superintendent agree with this finding. There has been some turnover in food service, but the District will make sure everyone has proper training and are up to date with eligibility requirement. They will also look to update policies and procedures.

CHILD NUTRITION CLUSTER, CFDA's 10.555, 10.553, 10.559

Significant Deficiency
Internal Control Over Compliance

2017-003 *Condition:* In testing the Verification Collection Report that is submitted to the State of South Dakota, it was noted that verification information was received from a household but changes to their status were not made appropriately.

Criteria: Households selected for verification must provide information supporting their original application. The District uses this information to verify eligibility in the program at free or reduced rates.

Meade School District
1230 Douglas St.
Sturgis, SD 57785

T: 605-347-2523
F: 605-347-0005
www.meade.k12.sd.us



Auditor's Recommendation: We recommend the District review their process over verification of household eligibility. The District should ensure staff are up-to-date on eligibility guidelines and verification requirements. The District should also ensure that staff reviewing the verifications update the category for children whose eligibility status changed as a result of the verification process.

Management's Response: The School Board and Superintendent agree with this finding. There has been some turnover in food service, but the District will make sure everyone has proper training and are up to date with eligibility requirements. They will also look to update policies and procedures.

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

Internal Control Over Financial Reporting

2017-004 See Finding 2017-001 for a description of the condition, criteria, auditor's recommendation, and management's response.

If there are questions regarding this plan, please call the Business Office at 605-347-2523.

Meade School District
1230 Douglas St.
Sturgis, SD 57785

T: 605-347-2523
F: 605-347-0005
www.meade.k12.sd.us

THIS PAGE INTENTIONALLY LEFT BLANK

Independent Auditor's Report

To the School Board
Meade School District No. 46-1
Meade County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Meade School District No. 46-1 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Meade School District No. 46-1, as of June 30, 2017, 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 budgetary comparison information, Schedule of Funding Progress for Retiree Health Insurance Coverage, Schedule of Net Pension Liability (Asset), and Schedule of Pension Contributions on pages 69 - 76, 77, 78 and 79 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Meade School District No. 46-1's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018 on our consideration of Meade School District No. 46-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of 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 Meade School District No. 46-1's internal control over financial reporting and compliance. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD.

Casey Peterson, Ltd.

Rapid City, South Dakota
March 5, 2018

BASIC FINANCIAL STATEMENTS

Meade School District No. 46-1
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 13,046,383	\$ 499,984	\$ 13,546,367
Taxes Receivable - Current	7,133,876	-	7,133,876
Taxes Receivable - Delinquent	235,296	-	235,296
Due from Other Governments	627,863	23,350	651,213
Inventories	28,881	35,151	64,032
	<u>21,072,299</u>	<u>558,485</u>	<u>21,630,784</u>
Capital Assets:			
Land	1,928,211	-	1,928,211
Buildings	47,098,134	-	47,098,134
Improvements	2,255,299	-	2,255,299
Equipment	2,056,256	744,625	2,800,881
Construction in Progress	1,242,914	-	1,242,914
Less: Accumulated Depreciation	<u>(19,288,671)</u>	<u>(598,585)</u>	<u>(19,887,256)</u>
Total Capital Assets, Net of Depreciation	<u>35,292,143</u>	<u>146,040</u>	<u>35,438,183</u>
Restricted Assets:			
Cash Restricted for Debt Service	7,516,558	-	7,516,558
Cash Restricted for Capital Projects	<u>18,430,158</u>	<u>-</u>	<u>18,430,158</u>
Total Restricted Assets	<u>25,946,716</u>	<u>-</u>	<u>25,946,716</u>
TOTAL ASSETS	<u>82,311,158</u>	<u>704,525</u>	<u>83,015,683</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	<u>4,964,363</u>	<u>188,153</u>	<u>5,152,516</u>
LIABILITIES			
Accounts Payable	878,764	4,970	883,734
Contracts Payable	1,570,626	1,184	1,571,810
Payroll Liabilities	492,350	220	492,570
Unearned Revenue	-	25,162	25,162
Accrued Interest	786,289	-	786,289
Long-term Liabilities:			
Due Within One Year	1,752,019	1,940	1,753,959
Due in More than One Year	40,860,429	25,110	40,885,539
Net Pension Liability	<u>2,018,100</u>	<u>76,488</u>	<u>2,094,588</u>
TOTAL LIABILITIES	<u>48,358,577</u>	<u>135,074</u>	<u>48,493,651</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	7,469,225	-	7,469,225
Pension-related Deferred Inflows	<u>18,922</u>	<u>717</u>	<u>19,639</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,488,147</u>	<u>717</u>	<u>7,488,864</u>
NET POSITION			
Net Investment in Capital Assets	18,402,720	146,040	18,548,760
Restricted			
Capital Outlay	4,228,188	-	4,228,188
Special Education	476,677	-	476,677
Pension	697,918	-	697,918
Debt Service	7,516,558	-	7,516,558
Proportionate Share of Net Pension Liability	2,927,341	110,948	3,038,289
Unrestricted	<u>(2,820,605)</u>	<u>499,899</u>	<u>(2,320,706)</u>
TOTAL NET POSITION	<u>\$ 31,428,797</u>	<u>\$ 756,887</u>	<u>\$ 32,185,684</u>

The accompanying notes are an integral part of this statement.

**Meade School District No. 46-1
Statement of Activities
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Instruction	\$ 14,689,956	\$ -
Support Services	10,752,341	119,790
Community Services	255	
Nonprogrammed Charges	242,209	-
Cocurricular Activities	659,989	72,130
Interest on Long-term Debt *	1,502,782	-
Total Governmental Activities	<u>27,847,532</u>	<u>191,920</u>
BUSINESS-TYPE ACTIVITIES		
Food Service	1,317,818	623,435
Concessions	95,552	100,874
Total Business-type Activities	<u>1,413,370</u>	<u>724,309</u>
Total Primary Government	<u>\$ 29,260,902</u>	<u>\$ 916,229</u>

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

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 1,542,382	\$ -	\$ (13,147,574)	\$ -	\$ (13,147,574)
97,474	-	(10,535,077)	-	(10,535,077)
-	-	(255)	-	(255)
-	-	(242,209)	-	(242,209)
26,595	-	(561,264)	-	(561,264)
-	-	(1,502,782)	-	(1,502,782)
<u>1,666,451</u>	<u>-</u>	<u>(25,989,161)</u>	<u>-</u>	<u>(25,989,161)</u>
630,153	-	-	(64,230)	(64,230)
-	-	-	5,322	5,322
<u>630,153</u>	<u>-</u>	<u>-</u>	<u>(58,908)</u>	<u>(58,908)</u>
<u>\$ 2,296,604</u>	<u>\$ -</u>	<u>(25,989,161)</u>	<u>(58,908)</u>	<u>(26,048,069)</u>
GENERAL REVENUES				
Taxes:				
Property Taxes		15,226,710	-	15,226,710
Gross Receipts Taxes		255,589	-	255,589
Revenue From State Sources:				
State Aid		8,867,410	-	8,867,410
Other		15,254	-	15,254
Revenue From Federal Sources		69,182	-	69,182
Revenue From Intermediate Sources		393,353	-	393,353
Unrestricted Investment Earnings		36,624	133	36,757
Other General Revenues		303,416	-	303,416
Compensation for Loss of Capital Assets		42,643	-	42,643
Sale of Surplus Property		2,346	-	2,346
Interest Rebate		286,395	-	286,395
Transfers		17,382	(17,382)	-
Total General Revenues		<u>25,516,304</u>	<u>(17,249)</u>	<u>25,499,055</u>
CHANGE IN NET POSITION		(472,857)	(76,157)	(549,014)
NET POSITION - BEGINNING		<u>31,901,654</u>	<u>833,044</u>	<u>32,734,698</u>
NET POSITION - ENDING		<u>\$ 31,428,797</u>	<u>\$ 756,887</u>	<u>\$ 32,185,684</u>

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Balance Sheet - Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,427,408	\$ 4,401,624
Taxes Receivable, Current	3,445,266	2,350,029
Taxes Receivable, Delinquent	130,014	67,728
Due From Other Governments	455,031	-
Inventory of Supplies	28,881	-
Restricted Assets:		
Cash Restricted for Debt Service	-	5,119,000
Cash Restricted for Capital Projects	-	17,711,004
TOTAL ASSETS	<u>\$ 10,486,600</u>	<u>\$ 29,649,385</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 73,270	\$ 66,125
Contracts Payable	1,339,267	-
Payroll Liabilities	435,181	-
Total Liabilities	<u>1,847,718</u>	<u>66,125</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Future Periods	3,626,472	2,453,008
Property Taxes Received Outside the Period of Availability	121,886	62,891
Total Deferred Inflows of Resources	<u>3,748,358</u>	<u>2,515,899</u>
Fund Balances:		
Nonspendable:		
Inventory	28,881	-
Restricted:		
For Capital Outlay	-	4,237,357
For Special Education	-	-
For Pension	-	-
For Debt Service	-	5,119,000
For Capital Projects	-	17,711,004
Assigned:		
For Next Year's Budget	274,646	-
Unassigned	4,586,997	-
Total Fund Balances	<u>4,890,524</u>	<u>27,067,361</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 10,486,600</u>	<u>\$ 29,649,385</u>

The accompanying notes are an integral part of this statement.

Special Education Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 821,272	\$ -	\$ 1,378,187	\$ 13,028,491
1,338,581	-	-	7,133,876
31,034	-	6,520	235,296
172,832	-	-	627,863
-	-	-	28,881
-	-	2,397,558	7,516,558
-	719,154	-	18,430,158
<u>\$ 2,363,719</u>	<u>\$ 719,154</u>	<u>\$ 3,782,265</u>	<u>\$ 47,001,123</u>
\$ 20,215	\$ 719,154	\$ -	\$ 878,764
231,359	-	-	1,570,626
57,169	-	-	492,350
<u>308,743</u>	<u>719,154</u>	<u>-</u>	<u>2,941,740</u>
1,389,745	-	-	7,469,225
28,816	-	6,036	219,629
<u>1,418,561</u>	<u>-</u>	<u>6,036</u>	<u>7,688,854</u>
-	-	-	28,881
-	-	-	4,237,357
636,415	-	-	636,415
-	-	1,378,671	1,378,671
-	-	2,397,558	7,516,558
-	-	-	17,711,004
-	-	-	274,646
-	-	-	4,586,997
<u>636,415</u>	<u>-</u>	<u>3,776,229</u>	<u>36,370,529</u>
<u>\$ 2,363,719</u>	<u>\$ 719,154</u>	<u>\$ 3,782,265</u>	<u>\$ 47,001,123</u>

The accompanying notes are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

Meade School District No. 46-1
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2017

Total Fund Balances - Governmental Funds	\$ 36,370,529
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	35,292,143
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
General Obligation Debt	(39,663,481)
Contract for Deed	(500,000)
Compensated Absences	(386,452)
Early Retirement Benefits	(293,833)
Other Post Employment Benefits (OPEB) Liability	(1,064,978)
Accrued interest payable is not recorded in the funds but is accrued in the Statement of Net Position.	(786,289)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:	
Delinquent Property Taxes Receivable	219,628
Net pension liability reported in the governmental activities is not an available financial resource and therefore is not reported in the funds.	(2,018,100)
Pension-related deferred outflows are components of pension liability (asset) and changes are not reported in the funds.	4,964,363
Pension-related deferred inflows are components of pension liability (asset) and changes are not reported in the funds.	(18,922)
Premiums on debt issues are reported as revenues in the funds and liabilities in the Statement of Net Position. This is the amount by which premiums exceed accumulated amortization.	(703,703)
The internal service funds are used by management to charge the cost of certain activities, such as insurance to individual funds. The net revenues of the internal service funds are reported with governmental activities.	<u>17,892</u>
Net Position - Governmental Activities	<u><u>\$ 31,428,797</u></u>

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Capital Outlay Fund
REVENUES		
Revenue From Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 7,264,857	\$ 4,921,434
Prior Year Ad Valorem	139,364	68,741
Gross Receipts Taxes	255,589	-
Penalties and Interest on Taxes	37,755	13,281
Earnings on Deposits	4,189	25,215
Cocurricular Activities:		
Admissions	56,055	-
Other	16,075	-
Other Revenues from Local Sources		
Rentals	24,567	-
Contributions	18,000	260,361
Medicaid Fees	41,575	-
Other	51,650	-
Total Revenue From Local Sources	7,909,676	5,289,032
Revenue From Intermediate Sources:		
County Sources:		
County Apportionment	393,353	-
Revenue From State Sources:		
Grants-in-aid:		
Unrestricted Grants-in-aid	8,333,615	-
Restricted Grants-in-aid	15,019	-
Total Revenue From State Sources	8,348,634	-
Revenue From Federal Sources:		
Grants-in-aid:		
Unrestricted Grants-in-aid Received from Federal Government Through State	50,147	-
Unrestricted Grants-in-aid Received from Federal Government Through an Intermediate Source	19,035	-
Restricted Grants-in-aid received from Federal Government through State	936,515	-
Total Revenue From Federal Sources	1,005,697	-
TOTAL REVENUES	17,657,360	5,289,032

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,515,990	\$ -	\$ 247,265	\$ 14,949,546
31,643	-	6,874	246,622
-	-	-	255,589
6,180	-	1,280	58,496
110	-	6,369	35,883
-	-	-	56,055
-	-	-	16,075
-	-	-	24,567
-	-	-	278,361
53,648	-	-	95,223
-	-	-	51,650
<u>2,607,571</u>	<u>-</u>	<u>261,788</u>	<u>16,068,067</u>
-	-	-	393,353
533,795	-	-	8,867,410
235	-	-	15,254
<u>534,030</u>	<u>-</u>	<u>-</u>	<u>8,882,664</u>
-	-	-	50,147
-	-	-	19,035
<u>703,341</u>	<u>-</u>	<u>-</u>	<u>1,639,856</u>
<u>703,341</u>	<u>-</u>	<u>-</u>	<u>1,709,038</u>
<u>3,844,942</u>	<u>-</u>	<u>261,788</u>	<u>27,053,122</u>

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
EXPENDITURES		
Instructional Services:		
Regular Programs:		
Elementary	5,699,812	277,081
Middle School	1,910,293	11,866
High School	2,798,352	151,350
Special Programs:		
Gifted and Talented	57,275	-
Programs for Special Education	-	-
Coordinated Early Intervention Services	-	-
Educationally Deprived	614,588	-
Total Instructional Services	<u>11,080,320</u>	<u>440,297</u>
Support Services:		
Pupils:		
Attendance and Social Work	34,528	-
Guidance	484,412	437
Health Service	118,199	-
Psychological	-	-
Speech	-	-
Student Therapy	-	-
Instructional Staff:		
Improvement of Instruction	127,754	-
Educational Media	456,705	66,552
General Administration:		
Board of Education	290,081	-
Executive Administration	219,128	-
School Administration:		
Office of Principal	1,055,437	-
Other	130,750	1,494
Business:		
Fiscal Services	289,842	5,052
Facilities Acquisition and Construction	-	321,533
Operation and Maintenance of Plant	2,390,092	190,650
Pupil Transportation	969,095	-
Other	142,014	54,393
Special Education:		
Administration Costs	-	1,812
Transportation Costs	-	-
Total Support Services	<u>6,708,037</u>	<u>641,923</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	-	5,976,893
-	-	-	1,922,159
-	-	-	2,949,702
-	-	-	57,275
2,405,221	-	-	2,405,221
64,453	-	-	64,453
-	-	-	614,588
<u>2,469,674</u>	<u>-</u>	<u>-</u>	<u>13,990,291</u>
32,867	-	-	67,395
-	-	-	484,849
72,020	-	-	190,219
93,057	-	-	93,057
415,122	-	-	415,122
248,533	-	-	248,533
5,729	-	-	133,483
-	-	-	523,257
-	-	-	290,081
-	-	-	219,128
-	-	-	1,055,437
-	-	-	132,244
-	-	-	294,894
-	-	-	321,533
-	951,174	-	3,531,916
-	-	-	969,095
-	-	-	196,407
234,375	-	-	236,187
59,037	-	-	59,037
<u>1,160,740</u>	<u>951,174</u>	<u>-</u>	<u>9,461,874</u>

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
Nonprogrammed Charges:		
Early Retirement Payments	-	-
Debt Services	-	<u>2,467,593</u>
Cocurricular Activities:		
Male Activities	111,813	20,892
Female Activities	64,147	6,850
Transportation	81,613	-
Combined Activities	<u>316,945</u>	<u>9,037</u>
Total Cocurricular Activities	<u>574,518</u>	<u>36,779</u>
Capital Outlay	-	<u>2,794,000</u>
TOTAL EXPENDITURES	<u>18,362,875</u>	<u>6,380,592</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(705,515)</u>	<u>(1,091,560)</u>
OTHER FINANCING SOURCES		
Transfers In	17,382	17,382
Transfers Out	(17,382)	(2,834,097)
Sale of Surplus Property	2,346	-
Compensation for Loss of Capital Assets	2,142	40,502
Interest Credit	-	286,395
Proceeds of Long-term Debt	-	<u>20,795,054</u>
TOTAL OTHER FINANCING SOURCES	<u>4,488</u>	<u>18,305,236</u>
NET CHANGE IN FUND BALANCES	(701,027)	17,213,676
FUND BALANCE - BEGINNING	<u>5,591,551</u>	<u>9,853,685</u>
FUND BALANCE - ENDING	<u>\$ 4,890,524</u>	<u>\$ 27,067,361</u>

The accompanying notes are an integral part of this statement.

Special Education Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
-	-	238,013	238,013
-	-	283,160	2,750,753
-	-	-	132,705
-	-	-	70,997
-	-	-	81,613
-	-	-	325,982
-	-	-	611,297
-	1,242,914	-	4,036,914
3,630,414	2,194,088	521,173	31,089,142
214,528	(2,194,088)	(259,385)	(4,036,020)
-	2,194,088	640,009	2,868,861
-	-	-	(2,851,479)
-	-	-	2,346
-	-	-	42,644
-	-	-	286,395
-	-	-	20,795,054
-	2,194,088	640,009	21,143,821
214,528	-	380,624	17,107,801
421,887	-	3,395,605	19,262,728
<u>\$ 636,415</u>	<u>\$ -</u>	<u>\$ 3,776,229</u>	<u>\$ 36,370,529</u>

The accompanying notes are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

Meade School District No. 46-1
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 17,107,801
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,798,490
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available".	(27,955)
Governmental funds do not reflect the change in the contract for deed, compensated absences, early retirement and other post-employment benefits liabilities, but the Statement of Activities reflects the change in these accruals through expenses.	(155,626)
Issuance of general obligation debt is a revenue in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.	(20,795,054)
Some expenses such as accrued interest payable reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(551,733)
Amortization of premiums is reported in the Statement of Activities as a reduction of interest expense, but is not reported in the governmental funds.	40,408
Repayment of general obligation debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,759,296
Pension expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds.	(645,028)
The internal service funds are used by management to charge the cost of certain activities, such as insurance to individual funds. The change in net position is not reported in the governmental funds.	<u>(3,456)</u>
Change in Net Position of Governmental Activities	<u>\$ (472,857)</u>

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Statement of Net Position - Proprietary Funds
June 30, 2017

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Concession Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 411,473	\$ 88,511	\$ 499,984	\$ 17,892
Due From Other Governments	23,350	-	23,350	-
Inventory of Supplies	5,503	-	5,503	-
Inventory of Stores Purchased for Resale	29,648	-	29,648	-
Total Current Assets	<u>469,974</u>	<u>88,511</u>	<u>558,485</u>	<u>17,892</u>
Noncurrent Assets:				
Machinery and Equipment	744,625	-	744,625	-
Less Accumulated Depreciation	<u>(598,585)</u>	<u>-</u>	<u>(598,585)</u>	<u>-</u>
Total Noncurrent Assets	<u>146,040</u>	<u>-</u>	<u>146,040</u>	<u>-</u>
TOTAL ASSETS	<u>616,014</u>	<u>88,511</u>	<u>704,525</u>	<u>17,892</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related Deferred Outflows	<u>171,609</u>	<u>16,544</u>	<u>188,153</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>171,609</u>	<u>16,544</u>	<u>188,153</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	4,895	75	4,970	-
Contracts Payable	1,184	-	1,184	-
Unearned Revenue	25,162	-	25,162	-
Accrued Leave Payable	1,940	-	1,940	-
Payroll Deductions and Employer Matching Payable	<u>220</u>	<u>-</u>	<u>220</u>	<u>-</u>
Total Current Liabilities	<u>33,401</u>	<u>75</u>	<u>33,476</u>	<u>-</u>
Noncurrent Liabilities:				
Accrued Leave Payable	25,110	-	25,110	-
Net Pension Liability	<u>69,762</u>	<u>6,726</u>	<u>76,488</u>	<u>-</u>
Total Noncurrent Liabilities	<u>94,872</u>	<u>6,726</u>	<u>101,598</u>	<u>-</u>
TOTAL LIABILITIES	<u>128,273</u>	<u>6,801</u>	<u>135,074</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Concession Fund	Total	
DEFERRED INFLOWS OF RESOURCES				
Pension-related Deferred Inflows	<u>654</u>	<u>63</u>	<u>717</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>654</u>	<u>63</u>	<u>717</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	146,040	-	146,040	-
Restricted, Net Pension Liability	101,193	9,755	110,948	-
Unrestricted	<u>411,463</u>	<u>88,436</u>	<u>499,899</u>	<u>17,892</u>
TOTAL NET POSITION	<u>\$ 658,696</u>	<u>\$ 98,191</u>	<u>\$ 756,887</u>	<u>\$ 17,892</u>

The accompanying notes are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

Meade School District No. 46-1
Statement of Revenues, Expenses and Changes in Fund
Net Position - Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Concession Fund	Total	
OPERATING REVENUE				
Sales:				
Food and Drink	\$ 623,435	\$ 45,905	\$ 669,340	\$ -
Other	-	54,969	54,969	-
Total Operating Revenue	<u>623,435</u>	<u>100,874</u>	<u>724,309</u>	<u>-</u>
OPERATING EXPENSES				
Salaries	495,487	44,235	539,722	-
Employee Benefits	196,166	17,274	213,440	-
Purchased Services	39,930	890	40,820	-
Supplies	34,769	28,577	63,346	-
Cost of Sales - Purchased Food	444,963	-	444,963	-
Cost of Sales - Donated Food	37,322	-	37,322	-
Other	-	4,576	4,576	4,197
Depreciation	69,181	-	69,181	-
Total Operating Expenses	<u>1,317,818</u>	<u>95,552</u>	<u>1,413,370</u>	<u>4,197</u>
OPERATING INCOME (LOSS)	<u>(694,383)</u>	<u>5,322</u>	<u>(689,061)</u>	<u>(4,197)</u>
NONOPERATING REVENUE				
Local Sources:				
Interest Earned	102	31	133	741
State Sources:				
Cash Reimbursements	5,805	-	5,805	-
Federal Sources:				
Cash Reimbursements	587,026	-	587,026	-
Donated Food	37,322	-	37,322	-
Total Nonoperating Revenue	<u>630,255</u>	<u>31</u>	<u>630,286</u>	<u>741</u>
TRANSFERS				
Transfers Out	-	17,382	17,382	-
Total Transfers	<u>-</u>	<u>17,382</u>	<u>17,382</u>	<u>-</u>
CHANGE IN NET POSITION	(64,128)	(12,029)	(76,157)	(3,456)
NET POSITION - BEGINNING	<u>722,824</u>	<u>110,220</u>	<u>833,044</u>	<u>21,348</u>
NET POSITION - ENDING	<u>\$ 658,696</u>	<u>\$ 98,191</u>	<u>\$ 756,887</u>	<u>\$ 17,892</u>

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Concession Fund	Total	
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Receipts From Customers	\$ 619,433	\$ 100,874	\$ 720,307	\$ -
Payments to Suppliers	(542,283)	(29,525)	(571,808)	-
Payments to Employees	(628,754)	(68,939)	(697,693)	(4,197)
Net Cash Provided (Used) by Operating Activities	<u>(551,604)</u>	<u>2,410</u>	<u>(549,194)</u>	<u>(4,197)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies	<u>592,831</u>	<u>-</u>	<u>592,831</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Equipment	<u>(17,536)</u>	<u>-</u>	<u>(17,536)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interfund Transfers Out	-	(17,382)	(17,382)	-
Interest Earnings	<u>102</u>	<u>31</u>	<u>133</u>	<u>741</u>
Net Cash Provided (Used) by Investing Activities	<u>102</u>	<u>(17,351)</u>	<u>(17,249)</u>	<u>741</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,793	(14,941)	8,852	(3,456)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>387,680</u>	<u>103,452</u>	<u>491,132</u>	<u>21,348</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 411,473</u>	<u>\$ 88,511</u>	<u>\$ 499,984</u>	<u>\$ 17,892</u>

The accompanying notes are an integral part of this statement.

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Concession Fund	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (694,383)	\$ 5,322	\$ (689,061)	\$ (4,197)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	69,181	-	69,181	-
Cost of Sales - Donated Food	37,322	-	37,322	-
Net Pension Expense	35,552	4,442	39,994	-
Change in Assets and Liabilities: (Increase) Decrease in:				
Due from Other Governments	(4,380)	-	(4,380)	-
Inventories	(4,950)	-	(4,950)	-
Accounts Payable	(17,671)	(58)	(17,729)	-
Contracts Payable	27,492	(6,420)	21,072	-
Unearned Revenue	378	-	378	-
Payroll Deductions and Employer Matching Payable	(145)	(876)	(1,021)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (551,604)</u>	<u>\$ 2,410</u>	<u>\$ (549,194)</u>	<u>\$ (4,197)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Value of Commodities Received	<u>\$ 37,322</u>	<u>\$ -</u>	<u>\$ 37,322</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2017

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 34,867	\$ 304,664
TOTAL ASSETS	<u>34,867</u>	<u>304,664</u>
LIABILITIES		
Amounts Held for Others	-	304,664
TOTAL LIABILITIES	<u>-</u>	<u>\$ 304,664</u>
NET POSITION		
Restricted for Scholarships: Expendable	<u>34,867</u>	
TOTAL NET POSITION	<u>\$ 34,867</u>	

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Interest	\$ 60
DEDUCTIONS	
Scholarships Awarded	<u>1,324</u>
CHANGE IN NET POSITION	(1,264)
NET POSITION - BEGINNING	<u>36,131</u>
NET POSITION - ENDING	<u>\$ 34,867</u>

The accompanying notes are an integral part of this statement.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The reporting entity of Meade School District No. 46-1 (the District) is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a nine member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

B. RELATED ORGANIZATIONS

Related organizations are excluded from the financial reporting entity because the District's accountability for these organizations does not extend beyond making appointments or because management has determined the assets the District has the ability to otherwise access are not significant. Related organizations are described as follows:

Black Hills Special Services Cooperative (Co-op) - A cooperative service unit formed for the purpose of providing special educational services to member school districts. The governing board of the Co-op is comprised of one representative from each member school district, who is a school board member. The Co-op reports independently. See Note 10 entitled "Joint Ventures" for specific disclosures.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange 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 net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position is displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the 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.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

D. FUND TYPES AND MAJOR FUNDS

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the District or if it meets the following criteria:

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

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

Governmental Funds:

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

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

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

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

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Fund Types - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The District has three sinking funds established by SDCL 13-16-13 to account for transfers in from the Capital Outlay Fund to restricted cash accounts. The restricted cash accounts and accumulated interest are used to pay the principal and interest on term loans. None of the debt service funds are major funds.

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

Proprietary Funds:

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

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.

Concession Fund - A fund used to record financial transactions related to the concessions, drivers' education, after-school program, and summer school operations. This fund is financed by user charges. This is a major fund.

Internal Service Fund - A fund provided to account for monies received from other funds as payment for providing unemployment benefits. The amounts charged are intended to recoup the total costs of such services. Internal service funds are never considered to be major funds.

Fiduciary Funds:

Fiduciary funds 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 benefits individuals, private organizations, or other governments. The District maintains four separate trusts established by donors to provide for college scholarships to graduating students.

Agency Fund Types - Agency funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of the results of operations. The District maintains a variety of agency funds. These funds are established to account for the monies earned by student organizations for various expenditures. The students of these organizations earn the monies recorded in the agency funds and determine the appropriate expenditures based on the purpose of the student organization.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 fund types, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and similar trust funds.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests), 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 will 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 District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

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

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

F. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide financial statements the District has charged certain “centralized expenses”, including an administrative overhead component, as direct expenses to programs in order to show all expenses that are associated with a service, program or department. This process minimizes the doubling-up effect on internal service fund activity.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CASH AND CASH EQUIVALENTS

The District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. The District pools its cash resources for depositing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. All reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

H. INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories.

Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental activities and the governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are used. Inventories reported in the fund financial statements are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The non-spendable fund balance associated with inventory is reduced by the related amounts included in accounts payable, if applicable.

I. CAPITAL ASSETS

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

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

Government-wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of general capital assets are not capitalized.

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	-----
Buildings	50,000	50 yrs
Improvements	20,000	20 yrs
Machinery and Equipment	5,000	5-15 yrs

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation expense is calculated using the straight-line and composite methods. Depreciation of exhaustible fixed assets for machinery and equipment is recorded as an allocated expense in the Statement of Activities. 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 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 financial statements.

J. 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.

Government-wide Financial Statements:

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences payable, early retirement benefits, Capital Outlay Certificates payable, Contract for Deed payable, and Qualified Zone Academy Bonds (QZABs).

Compensated Absences Payable - Compensated absences payable is sick leave earned by support staff employees at the rate of ten days per year cumulative to 500 days. Teachers are given 10 days per year of sick leave and accumulate to 75 or 100 days depending on years of service. Upon termination, employees are entitled to receive compensation for their accrued sick leave balance if they meet various age and years of service requirements. They will receive one-half of unused sick leave times the certified substitute teacher rate of pay. For employees normally paid out of the governmental funds these amounts are charged as an expenditure at the time of retirement. For employees normally paid out of the enterprise fund these amounts are recorded as an expense when earned. Compensated absences typically have been liquidated from the General Fund, Special Education Fund, and Pension Fund.

Fund Financial Statements:

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

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflows of resources reported are deferred amounts arising from the District's pension plan for qualified retirees as discussed in Note 9.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected with the available period and grants receivable not collected within the available period. In the government-wide financial statements and the proprietary funds statements of net position, the District reports deferred inflows of resources for the property taxes levied for future periods and deferred inflows relating to the District's pension plan for qualified retirees as discussed in Note 9.

L. UNEARNED REVENUE

The food service fund reports meal tickets that have been purchased but not yet redeemed as unearned revenue.

M. NET POSITION AND FUND BALANCE

Government-wide Financial Statements:

It is the District's policy to 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 positions are available. Net position on the Statement of Net Position includes the following:

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 capital outlay certificates or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - 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.

Unrestricted - Represents all other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

The fund definitions were discussed in Note 1.D. Classification of governmental fund balances are as follows:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts that are constrained by the District's intent to be used for specific purposes but are not restricted. Amounts can be assigned by the School Board or management of the District.

Unassigned - Represents fund balance that has not been assigned to other funds and that has not been restricted or assigned.

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

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

N. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

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

O. PROGRAM REVENUES

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

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.

Program Revenues - Operating Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Program Revenues - Capital Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

P. 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' fiduciary net position have been determined on the same basis as they are reported by SDRS, District contributions and net pension liability (asset) are recognized on the accrual basis of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

Deposits - The 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.

The District's policy is to report deposits at cost plus interest and credit all income from investments to the fund making the investment, with the exception of the payroll clearing account whose interest income is credited to the General Fund.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - In general, SDCL 4-5-6 permits the District's 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 mutual 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.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017 the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

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

Credit Risk - State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices.

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

Restricted Cash - \$25,946,716 of cash in the three Sinking Funds is restricted for debt service and capital projects, as required by the loan covenants.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Due from other governments in the funds were as follows:

South Dakota Department of Education	\$ 641,710
Black Hills Special Services Co-op	9,503
	\$ 651,213

NOTE 4 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund transfers for the year ended June 30, 2017 were as follows:

Transfers From:	Transfers To:			
	Capital Projects Fund	Capital Outlay Fund	General Fund	Nonmajor Governmental Funds
Capital Outlay Fund	\$ 2,194,088	\$ -	\$ -	\$ 640,009
Concession Fund	-	-	17,382	-
General Fund	-	17,382	-	-
	\$ 2,194,088	\$ 17,382	\$ 17,382	\$ 640,009

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 4 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS (CONTINUED)

Transfers were made for the following purposes:

- A transfer was made from the Capital Outlay Fund to the various Sinking Funds to make payments to the respective escrow accounts for future debt payments.
- A transfer was made from the Capital Outlay Fund to the Capital Project Fund to pay expenses for the new building project.
- A transfer was made from the Concession Fund through the General Fund to the Capital Outlay Fund for equipment.

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 900,195	\$ 1,028,016	\$ -	\$ 1,928,211
Construction in Progress	-	1,242,914	-	1,242,914
Subtotal	<u>900,195</u>	<u>2,270,930</u>	<u>-</u>	<u>3,171,125</u>
Depreciable Capital Assets:				
Buildings	45,426,529	1,682,908	(11,303)	47,098,134
Improvements	2,255,299	-	-	2,255,299
Equipment	1,973,180	83,076	-	2,056,256
Subtotal	<u>51,455,398</u>	<u>6,307,844</u>	<u>(11,303)</u>	<u>57,751,939</u>
Less Accumulated Depreciation for:				
Buildings	15,910,124	929,366	(11,303)	16,828,187
Improvements	1,018,058	109,624	-	1,127,682
Equipment	1,133,368	199,434	-	1,332,802
Subtotal	<u>18,061,550</u>	<u>1,238,424</u>	<u>(11,303)</u>	<u>19,288,671</u>
Net Capital Assets	<u>\$ 34,294,043</u>	<u>\$ 7,340,350</u>	<u>\$ -</u>	<u>\$ 41,634,393</u>
Business-type Activities:				
Depreciable Capital Assets:				
Equipment	\$ 727,089	\$ 17,536	\$ -	\$ 744,625
Less: Accumulated Depreciation	<u>529,404</u>	<u>69,181</u>	<u>-</u>	<u>598,585</u>
Net Capital Assets	<u>\$ 197,685</u>	<u>\$ (51,645)</u>	<u>\$ -</u>	<u>\$ 146,040</u>

Construction in progress included costs related to the middle school project at Stage Barn. The project is expected to cost \$16.5 million and is being funded by capital outlay certificates. The cash restricted for capital projects of \$17,711,004 at June 30, 2017 will be used to fund the project.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 91,722
Support Services	1,114,076
Cocurricular Activities	<u>32,626</u>
Total Depreciation Expense	<u>\$ 1,238,424</u>

Depreciation expense was charged to the business-type activities as follows:

Food Service	<u>\$ 69,181</u>
--------------	------------------

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt					
Capital Outlay					
Certificates	\$ 21,657,777	\$ 19,315,000	\$ (1,309,296)	\$ 39,663,481	\$ 1,203,481
Related Bond Premiums	64,057	680,054	(40,408)	703,703	-
Other Liabilities:					
Contract for Deed	150,000	800,000	(450,000)	500,000	165,011
Compensated Absences	357,213	169,253	(140,013)	386,453	89,694
Early Retirement Benefits	238,012	292,436	(236,615)	293,833	293,833
OPEB Liability	994,413	70,565	-	1,064,978	-
Total Other Liabilities	<u>1,739,638</u>	<u>1,332,254</u>	<u>(826,628)</u>	<u>2,245,264</u>	<u>548,538</u>
Total Long-term Liabilities	<u>\$ 23,461,472</u>	<u>\$ 21,327,308</u>	<u>\$ (2,176,332)</u>	<u>\$ 42,612,448</u>	<u>\$ 1,752,019</u>

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Capital outlay certificates at June 30, 2017 are comprised of the following individual issues:

2017 Capital Outlay Certificates. Bearing interest ranging from 1.10% to 4.00%. Due 8/15/2036. Payment is made by the Capital Outlay Fund.	\$ 9,670,000
2016 Capital Outlay Certificates. Bearing interest ranging from 1.00% to 3.50%. Due 8/15/2036. Payment is made by the Capital Outlay Fund.	9,645,000
2007 Capital Outlay Certificates. Bearing interest ranging from 4.00% to 4.40%. Due 1/15/2028. Payment is made by the Capital Outlay Fund.	5,485,000
2015 Capital Outlay Certificates. Bearing interest ranging from 4.00% to 4.40%. Due 1/15/2036. Payment is made by the Capital Outlay Fund.	5,245,000
2010B Capital Outlay Certificates (Qualified School Construction Bonds). Bearing interest at 5.65% due on a semi-annual basis. Semi-annual payments of \$151,515 are payable to a sinking fund until 6/1/2027, when the principal balance is due. Sinking fund payments and interest payments are made by the Debt Service Fund.	5,000,000
2010A Capital Outlay Certificates (Build America Bonds). Bearing interest at fixed rates ranging from 1.50% to 6.00%. Due 1/15/2030. Payment is made by the Capital Outlay Fund.	2,250,000
2010C Capital Outlay Certificates (Qualified Recovery Zone Economic Development Bonds). Bearing interest at fixed rates ranging from 1.50% to 6.00% Due 1/15/2030. Payment is made by the Capital Outlay Fund.	915,000
2014 Capital Outlay Certificates. Bearing interest at fixed rates ranging from 1.45% to 1.55%. Due 1/15/19. Payments are made by the Capital Outlay Fund.	603,481
2010 Capital Outlay Certificates (Qualified Zone Academy Bond). The bonds require annual sinking fund payments of \$40,000 until 7/1/2025. Payments are made by the Debt Service Fund.	600,000
2005 Capital Outlay Certificates (Qualified Zone Academy Bonds). These bonds require annual sinking fund payments of \$13,819 until 6/29/21. Payments are made by the Debt Service Fund.	250,000
Related Premiums on debt issued, amortized over 20 years	703,703
	<u>\$ 40,367,184</u>

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2017, excluding compensated absences, accrued leave payable, and the OPEB liability are as follows:

Year Ending June 30,	General Obligation Debt		Contract for Deed		Early Retirement	Totals
	Principal	Interest	Principal	Interest	Benefits	
2018	\$ 1,203,481	\$ 1,362,751	\$ 165,011	\$ 5,000	\$ 293,833	\$ 3,030,076
2019	6,605,000	1,297,385	166,661	3,350	-	8,072,396
2020	1,545,000	1,063,069	168,328	1,683	-	2,778,080
2021	1,820,000	1,035,901	-	-	-	2,855,901
2022	1,595,000	1,004,892	-	-	-	2,599,892
2023-2027	14,090,000	4,432,710	-	-	-	18,522,710
2028-2032	6,655,000	1,661,989	-	-	-	8,316,989
2033-2037	6,150,000	578,150	-	-	-	6,728,150
Total Payments	\$ 39,663,481	\$ 12,436,847	\$ 500,000	\$ 10,033	\$ 293,833	\$ 52,904,194

The contract for deed consists of an installment purchase of land with \$300,000 down and the remainder due in annual payments of \$170,011 until maturity on January 6, 2020 at 1% interest. This loan is paid by the Capital Outlay Fund.

Early retirement benefits are available to teachers and administrators that meet certain criteria. Upon retirement, the employee is entitled to receive a payment which is dependent upon several criteria, one of which may include the employee's last contract salary. At June 30, 2017, there were 15 employees entitled to receive early retirement payments. Early retirement benefits are paid in one lump sum payment in the first payroll after July 1. For the year ended June 30, 2017, payments of early retirement benefits were made from the Pension Fund in the amount of \$238,013.

Sinking fund provisions on the 2005 Capital Outlay Certificates - Qualified Zone Academy Bonds require annual deposits of \$13,819 on or June 29 of each year through 2021 when the debt matures. The current balance of the sinking fund is presented as restricted assets of the Debt Service Fund (included in the nonmajor funds) in the governmental funds balance sheet. The total amount included in the sinking fund for the 2005 Capital Outlay Certificates as of June 30, 2017 was \$181,421.

Sinking fund provisions on the 2010B Capital Outlay Certificates - Qualified School Construction Bonds require semi-annual deposits of \$151,515 on or before June 1 and December 1 of each year through June 2027 when the debt matures. The current balance of the sinking fund is presented as restricted assets of the Debt Service Fund (included in the nonmajor funds) in the governmental funds balance sheet. The total amount included in the sinking fund for the 2010B Capital Outlay Certificates as of June 30, 2017 was \$1,972,254.

Sinking fund provisions on the 2010 Capital Outlay Certificates - Qualified Zone Academy Bonds require annual deposits of \$40,000 on or before July 1 of each year through July 2025 when the debt matures. The current balance of the sinking fund is presented as restricted assets of the Debt Service Fund (included in the nonmajor funds) in the governmental funds balance sheet. The total amount included in the sinking fund for the 2010 Capital Outlay Certificates as of June 30, 2017 was \$243,883.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 7 - RESTRICTED NET POSITION

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

<u>Major Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	State Law	\$ 4,228,188
Special Education	State Law	476,677
Pension	State Law	697,918
Debt Service	Debt Covenants	7,516,558
Proportionate Share of Net Pension Liability	State Law	<u>3,038,289</u>
Total Restricted Net Position		<u>\$ 15,957,630</u>

NOTE 8 - 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 District's taxes and remits them to the District.

District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and, therefore, is not susceptible to accrual has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the 60-day "availability period."

State statute allows the General Fund tax rates to be increased by special election of the voters.

NOTE 9 - PENSION PLAN

Plan Information

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

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 9 - PENSION PLAN (CONTINUED)

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
 - 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
 - Less than 80% - 2.1% COLA

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2017, 2016, and 2015 were \$795,002, \$706,989 and \$675,926, respectively, equal to the required contributions each year.

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

At June 30, 2016, SDRS was 96.89% funded and accordingly has a net pension liability. The proportionate share of the components of the net pension liability of South Dakota Retirement System, for the District as of June 30, 2017 was as follows:

Proportionate Share of Pension Liability	\$ 67,287,042
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>65,192,454</u>
Proportionate Share of Net Pension Liability	<u>\$ 2,094,588</u>

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 9 - PENSION PLAN (CONTINUED)

At June 30, 2017, the District reported a liability (asset) of \$2,094,588 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the District's proportion was 0.62% which is an increase of 0.005% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,480,024. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 729,172	\$ -
Changes in Assumption	1,254,559	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,329,890	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	43,893	19,639
District Contributions Subsequent to the Measurement Date	<u>795,002</u>	<u>-</u>
Total	<u>\$ 5,152,516</u>	<u>\$ 19,639</u>

\$795,002 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2018	\$ 1,176,133
2019	716,254
2020	1,477,392
2021	968,096
2022	-
Thereafter	<u>-</u>
Total	<u>\$ 4,337,875</u>

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 9 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2017 and 7.50 percent thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.25% through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 9 - PENSION PLAN (CONTINUED)

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

The following presents the District's proportionate share of net pension liability (asset) calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,721,286	\$ 2,094,588	\$ (5,757,018)

Pension Plan Fiduciary Net Position

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

NOTE 10 - JOINT VENTURES

Black Hills Special Services Cooperative

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special educational services to the member school districts. During the year ended June 30, 2017, the District paid \$677,999 for services provided by the Co-op.

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

Spearfish School District No. 40-2	8.33%
Lead/Deadwood School District No. 40-1	8.33%
Oelrichs School District No. 23-3	8.33%
Meade School District No. 46-1	8.33%
Rapid City School District No. 51-4	8.33%
Belle Fourche School District No. 9-1	8.33%
Custer School District No. 16-1	8.33%
Douglas School District No. 51-1	8.33%
Edgemont School District No. 23-1	8.33%
Haakon School District No. 27-1	8.33%
Hill City School District No. 51-2	8.33%
Hot Springs School District No. 23-2	8.33%

The Co-op's governing board is comprised 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 District retains no equity in the net position of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 10 - JOINT VENTURES (CONTINUED)

Separate financial statements for this joint venture are available from Black Hills Special Services Cooperative.

At June 30, 2017, this joint venture had assets of \$7,487,065, deferred outflows of \$5,617,630 liabilities of \$6,523,984 and net position of \$6,580,711.

NOTE 11 - OPERATING LEASE

The District leases laptops in a three-year lease requiring three annual payments of \$238,546, including interest at 1.09%. The first payment was due July 2, 2014 with payments due on July 2 of each year through July 2, 2016. Expenses related to this lease for the year ended June 30, 2017 were \$238,546. Lease payments have been liquidated from the General Fund.

The District has a second lease for laptops. This four-year lease requires annual payments of \$144,799, including interest at 1.29%. The first payment was due July 1, 2015 with payments due on July 1 of each year through July 1, 2018. Expenses related to this lease for the year ended June 30, 2017 were 144,799. Lease payments have been liquidated from the General Fund.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2017, the District managed its risks as follows:

Employee Health Insurance

The District obtains this coverage from a private carrier. The District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the coverage during the past three years.

Unemployment Benefits:

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

The District established the Internal Service Fund to accumulate resources for future unemployment benefits.

During the year ended June 30, 2017, one claim was paid for unemployment benefits. At June 30, 2017, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 12 - RISK MANAGEMENT (CONTINUED)

Liability Insurance

The District joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance programs for South Dakota School Districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the District. The District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their expose or type of coverage. The District pays an annual premium to the pool to provide coverage for liability coverage for torts, theft of, or damage to property and errors and omissions of public officials. The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage's will be provided to a \$6,000,000 limit.

Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The District carries a \$2,000 deductible for the above coverage.

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

Workmen's Compensation

The District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The District is responsible for payment of a premium to the insurance pool along with other pool participants. The District may also be responsible for additional assessments in the event the pool is determined by its Board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk and through insurance coverage purchased by the pool in excess of the retained risk. For the year ended June 30, 2017, the pool's retained risk was \$500,000 per occurrence with additional insurance purchased from a private insurance company for any additional \$500,000 for total coverage of \$1,000,000 per occurrence.

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

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The District's Postemployment Health Care Plan is a single-employer defined benefit healthcare plan which provides medical benefits to eligible retirees and their spouses. The Plan is authorized by SDCL 6-1-16 and is administered by the District. The Plan does not issue a stand-alone financial report.

Funding Policy

The contributions of plan members and the District are established by District policy. The required contribution is based on projected "pay-as-you-go" financing requirements, with an additional amount to pre-fund benefits as determined annually by the District. For 2017, the required contribution to the Plan was \$94,051.

Annual OPEB Cost

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

ARC		\$ 94,051
Interest on Net OPEB		39,776
Adjustment to ARC		(57,507)
Annual OPEB Cost		76,320
Contribution Made		(5,755)
Change in Net OPEB Obligation		70,565
Net OPEB Obligation - June 30, 2016		994,413
Net OPEB Obligation - June 30, 2017		\$ 1,064,978

The District's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 76,818	68.74%	\$ 990,529
6/30/2016	76,818	94.94%	994,413
6/30/2017	76,320	7.54%	1,064,978

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Retiree Health Insurance Coverage, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 13 - POSTEMPLOYMENT 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. The state prohibits local governments from separately rating active employees and retirees, therefore both groups 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 using age adjusted premiums that approximate costs for retirees separately from those for active employees. The use of age adjusted premiums results in the inclusion of an implicit rate subsidy in the actuarial accrued liability.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Credit actuarial cost method was used to determine the annual required contribution.

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. Initially, the actuarial value of assets is to be equal to the fair market value of assets. This method will be formally adopted after decisions regarding the OPEB Plan's funding and investment policy are made.

The unfunded accrued liability is being amortized as a level dollar amount on an open basis over a period of 30 years.

The actuarial assumptions included:

- The assumed claims costs were developed using past 24 months of plan experience.
- Health care cost trend rates were 3% per year.
- Investment return was calculated at 4% per year.
- Salary increases were calculated at 4.0% per year.
- Mortality was according to the RP 2014 Mortality Table projected to 2015.
- Retiree Participation rate was assumed to be 40% with spouses participation assumed to be 20%.
- Turnover rates were based on the Scale T-7 of the Actuary's Pension Handbook. Sample rates varying by age:

Age	Rate
20	9.90%
25	9.70%
30	9.30%
35	8.70%
40	7.80%
45	6.40%
50	4.20%
55	1.50%
60	0.10%

Meade School District No. 46-1
Notes to the Financial Statements
June 30, 2017

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

- Retirement rates vary by age, as follows and were based on the Scale T-7 of the Actuary's Pension Handbook:

<u>Age</u>	<u>Rate</u>
55-59	8.0%
60-61	10.0%
62	20.0%
63-64	25.0%
65 or Over	100.0%

NOTE 14 - CONCENTRATIONS

The District is dependent upon program revenues and operating revenues from the State of South Dakota for its primary existence.

NOTE 15 - SUBSEQUENT EVENTS

In August 2017, the District purchased five acres of land for \$50,000. This land will be used for future construction at the Union Center attendance center.

In November 2017, the District sold 30 acres of land to the National Guard for \$360,000.

The District has considered subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

Meade School District No. 46-1
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2017

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue From Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 7,088,506	\$ 7,088,506	\$ 7,264,857	\$ 176,351
Prior Year Ad Valorem	100,000	100,000	139,364	39,364
Gross Receipts Taxes	480,000	480,000	255,589	(224,411)
Penalties and Interest on Taxes	45,000	45,000	37,755	(7,245)
Earnings on Deposits	10,000	10,000	4,189	(5,811)
Cocurricular Activities:				
Admissions	35,000	35,000	56,055	21,055
Other	17,000	17,000	16,075	(925)
Other Revenues from Local Sources:				
Rentals	20,000	20,000	24,567	4,567
Contributions	-	-	18,000	18,000
Medicaid Fees	50,000	50,000	41,575	(8,425)
Other	35,000	35,000	51,650	16,650
Total Revenue From Local Sources	<u>7,880,506</u>	<u>7,880,506</u>	<u>7,909,676</u>	<u>29,170</u>
Revenue From Intermediate Sources:				
County Sources:				
County Apportionment	<u>485,000</u>	<u>485,000</u>	<u>393,353</u>	<u>(91,647)</u>
Revenue From State Sources:				
Grants-in-aid:				
Unrestricted Grants-in-aid	8,235,849	8,750,849	8,333,615	(417,234)
Restricted Grants-in-aid	14,800	14,800	15,019	219
Total Revenue From State Sources	<u>8,250,649</u>	<u>8,765,649</u>	<u>8,348,634</u>	<u>(417,015)</u>
Revenue From Federal Sources:				
Grants-in-aid:				
Unrestricted Grants-in-aid Received from Federal Government Through State	106,716	106,716	50,147	(56,569)
Unrestricted Grants-in-aid Received from Federal Government Through an Intermediate Source	10,000	10,000	19,035	9,035
Restricted Grants-in-aid received from Federal Government through State	<u>927,288</u>	<u>927,288</u>	<u>936,515</u>	<u>9,227</u>
Total Revenue From Federal Sources	<u>1,044,004</u>	<u>1,044,004</u>	<u>1,005,697</u>	<u>(38,307)</u>
TOTAL REVENUES	<u>17,660,159</u>	<u>18,175,159</u>	<u>17,657,360</u>	<u>(517,799)</u>

See independent auditor's report and notes to required supplementary information.

Meade School District No. 46-1
Budgetary Comparison Schedule - General Fund -Budgetary Basis
(Continued)
For the Year Ended June 30, 2017

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs:				
Elementary	5,611,438	5,611,438	5,699,812	(88,374)
Middle School	1,668,747	1,813,747	1,910,293	(96,546)
High School	2,562,211	2,802,211	2,798,352	3,859
Special Programs:				
Gifted and Talented	64,018	64,018	57,275	6,743
Educationally Deprived	<u>609,167</u>	<u>609,167</u>	<u>614,588</u>	<u>(5,421)</u>
Total Instructional Services	<u>10,515,581</u>	<u>10,900,581</u>	<u>11,080,320</u>	<u>(179,739)</u>
Support Services:				
Pupils:				
Attendance and Social Work	38,761	38,761	34,528	4,233
Guidance	496,206	496,206	484,412	11,794
Health Service	116,601	116,601	118,199	(1,598)
Instructional Staff:				
Improvement of Instruction	170,963	170,963	127,754	43,209
Educational Media	494,274	494,274	456,705	37,569
General Administration:				
Board of Education	284,843	284,843	290,081	(5,238)
Executive Administration	248,009	248,009	219,128	28,881
School Administration:				
Office of Principal	1,063,612	1,063,612	1,055,437	8,175
Other	140,229	140,229	130,750	9,479
Business:				
Fiscal Services	314,895	314,895	289,842	25,053
Operation and Maintenance of Plant	2,446,101	2,446,101	2,390,092	56,009
Pupil Transportation	805,750	935,750	969,095	(33,345)
Other	<u>128,179</u>	<u>128,179</u>	<u>142,014</u>	<u>(13,835)</u>
Total Support Services	<u>6,748,423</u>	<u>6,878,423</u>	<u>6,708,037</u>	<u>170,386</u>

See independent auditor's report and notes to required supplementary information.

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
Cocurricular Activities:				
Male Activities	123,571	123,571	111,813	11,758
Female Activities	72,117	72,117	64,147	7,970
Transportation	92,200	92,200	81,613	10,587
Combined Activities	<u>346,505</u>	<u>346,505</u>	<u>316,945</u>	<u>29,560</u>
Total Cocurricular Activities	<u>634,393</u>	<u>634,393</u>	<u>574,518</u>	<u>59,875</u>
Contingencies	<u>109,070</u>	<u>109,070</u>	-	<u>109,070</u>
TOTAL EXPENDITURES	<u>18,007,467</u>	<u>18,522,467</u>	<u>18,362,875</u>	<u>159,592</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(347,308)</u>	<u>(347,308)</u>	<u>(705,515)</u>	<u>(358,207)</u>
OTHER FINANCING SOURCES				
Transfer In	-	-	17,382	17,382
Transfer Out	-	-	(17,382)	(17,382)
Sale of Surplus Property	-	-	2,346	2,346
Compensation for Loss of Capital Assets	<u>-</u>	<u>-</u>	<u>2,142</u>	<u>2,142</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>4,488</u>	<u>4,488</u>
NET CHANGE IN FUND BALANCES	(347,308)	(347,308)	(701,027)	(353,719)
FUND BALANCE - BEGINNING	<u>5,591,551</u>	<u>5,591,551</u>	<u>5,591,551</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,244,243</u>	<u>\$ 5,244,243</u>	<u>\$ 4,890,524</u>	<u>\$ (353,719)</u>

See independent auditor's report and notes to required supplementary information.

Meade School District No. 46-1
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis
For the Year Ended June 30, 2017

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue From Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 5,188,850	\$ 5,448,850	\$ 4,921,434	\$ (527,416)
Prior Year Ad Valorem	50,000	50,000	68,741	18,741
Penalties and Interest on Taxes	17,000	17,000	13,281	(3,719)
Earnings on Deposits	1,700	1,700	25,215	23,515
Other Revenues from Local Sources:				
Contributions	-	-	260,361	260,361
Total Revenue From Local Sources	<u>5,257,550</u>	<u>5,517,550</u>	<u>5,289,032</u>	<u>(228,518)</u>
TOTAL REVENUES	<u>5,257,550</u>	<u>5,517,550</u>	<u>5,289,032</u>	<u>(228,518)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs:				
Elementary	293,420	293,420	290,293	3,127
Middle School	159,300	14,300	11,866	2,434
High School	<u>406,285</u>	<u>166,285</u>	<u>151,350</u>	<u>14,935</u>
Total Instructional Services	<u>859,005</u>	<u>474,005</u>	<u>453,509</u>	<u>20,496</u>
Support Services:				
Pupils:				
Guidance	450	450	437	13
Instructional Staff:				
Educational Media	105,500	105,500	82,243	23,257
School Administration:				
Other	3,500	3,500	1,494	2,006
Business:				
Fiscal Services	58,500	58,500	5,052	53,448
Facilities Acquisition and Construction	1,275,000	2,350,000	2,004,441	345,559
Operation and Maintenance of Plant	153,000	153,000	1,257,214	(1,104,214)
Transportation	130,000	-	-	-
Other	37,500	37,500	54,393	(16,893)
Special Education:				
Administration Costs	<u>2,700</u>	<u>2,700</u>	<u>17,437</u>	<u>(14,737)</u>
Total Support Services	<u>1,766,150</u>	<u>2,711,150</u>	<u>3,422,711</u>	<u>(711,561)</u>

See independent auditor's report and notes to required supplementary information.

	Budgeted Original	Budgeted Final	Actual (Budgetary Basis)	Variance Positive (Negative)
Debt Services	1,906,851	1,906,851	2,467,593	(560,742)
Cocurricular Activities:				
Male Activities	24,250	24,250	20,892	3,358
Female Activities	7,000	7,000	6,850	150
Combined Activities	15,500	15,500	9,037	6,463
Total Cocurricular Activities	46,750	46,750	36,779	9,971
Contingency	359,344	59,344	-	59,344
TOTAL EXPENDITURES	4,938,100	5,198,100	6,380,592	(1,182,492)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	319,450	319,450	(1,091,560)	(1,411,010)
OTHER FINANCING SOURCES				
Transfers In	-	-	17,382	17,382
Transfers Out	640,000	640,000	(2,834,097)	(3,474,097)
Compensation for Loss of Capital Assets	-	-	40,502	40,502
Interest Credit	325,000	325,000	286,395	(38,605)
Proceeds of Long-term Debt	-	-	20,795,054	20,795,054
TOTAL OTHER FINANCING SOURCES	965,000	965,000	18,305,236	17,340,236
NET CHANGE IN FUND BALANCES	1,284,450	1,284,450	17,213,676	15,929,226
FUND BALANCE - BEGINNING	9,853,685	9,853,685	9,853,685	-
FUND BALANCE - ENDING	\$ 11,138,135	\$ 11,138,135	\$ 27,067,361	\$ 15,929,226

See independent auditor's report and notes to required supplementary information.

Meade School District No. 46-1
Budgetary Comparison Schedule - Special Education Fund -
Budgetary Basis
For the Year Ended June 30, 2017

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue From Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,465,000	\$ 2,465,000	\$ 2,515,990	\$ 50,990
Prior Year Ad Valorem	30,000	30,000	31,643	1,643
Penalties and Interest on Taxes	8,000	8,000	6,180	(1,820)
Earnings on Deposits	350	350	110	(240)
Other Revenues from Local Sources:				
Medicaid Fees	<u>40,000</u>	<u>40,000</u>	<u>53,648</u>	<u>13,648</u>
Total Revenue From Local Sources	<u>2,543,350</u>	<u>2,543,350</u>	<u>2,607,571</u>	<u>64,221</u>
Revenue From State Sources:				
Grants-in-aid:				
Unrestricted Grants-in-aid	614,188	614,188	533,795	(80,393)
Restricted Grants-in-aid	<u>-</u>	<u>-</u>	<u>235</u>	<u>235</u>
Total Revenue From State Sources	<u>614,188</u>	<u>614,188</u>	<u>534,030</u>	<u>(80,158)</u>
Revenue From Federal Sources:				
Restricted Grants-in-aid received from				
Federal Government through State	<u>576,596</u>	<u>576,596</u>	<u>703,341</u>	<u>126,745</u>
Total Revenue From Federal Sources	<u>576,596</u>	<u>576,596</u>	<u>703,341</u>	<u>126,745</u>
TOTAL REVENUES	<u>3,734,134</u>	<u>3,734,134</u>	<u>3,844,942</u>	<u>110,808</u>

See independent auditor's report and notes to required supplementary information.

	Budgeted Original	Budgeted Final	Actual (Budgetary Basis)	Variance Positive (Negative)
EXPENDITURES				
Instructional Services:				
Special Programs:				
Programs for Special Education	2,526,371	2,526,371	2,405,221	121,150
Coordinated Early Intervention Services	61,812	61,812	64,453	(2,641)
Total Instructional Services	<u>2,588,183</u>	<u>2,588,183</u>	<u>2,469,674</u>	<u>118,509</u>
Support Services:				
Pupils:				
Attendance and Social Work	36,761	36,761	32,867	3,894
Health Service	77,685	77,685	72,020	5,665
Psychological	91,300	91,300	93,057	(1,757)
Speech	425,500	425,500	415,122	10,378
Student Therapy	133,400	133,400	248,533	(115,133)
Instructional Staff:				
Improvement of Instruction	11,950	11,950	5,729	6,221
Educational Media Services	4,450	4,450	-	4,450
Special Education:				
Administration Costs	254,827	254,827	234,375	20,452
Transportation Costs	172,235	172,235	59,037	113,198
Total Support Services	<u>1,208,108</u>	<u>1,208,108</u>	<u>1,160,740</u>	<u>47,368</u>
TOTAL EXPENDITURES	<u>3,796,291</u>	<u>3,796,291</u>	<u>3,630,414</u>	<u>165,877</u>
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	<u>(62,157)</u>	<u>(62,157)</u>	<u>214,528</u>	<u>276,685</u>
NET CHANGE IN FUND BALANCES	(62,157)	(62,157)	214,528	276,685
FUND BALANCE - BEGINNING	<u>421,887</u>	<u>421,887</u>	<u>421,887</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 359,730</u>	<u>\$ 359,730</u>	<u>\$ 636,415</u>	<u>\$ 276,685</u>

See independent auditor's report and notes to required supplementary information.

Meade School District No. 46-1
Notes to Required Supplementary Information
June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds present capital outlay expenditures as a separate function.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

Meade School District No. 46-1
Schedule of Funding Progress for Retiree Health Insurance Coverage
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2011	\$ -	\$ 1,285,966	\$ 1,285,966	0.00%	\$ 10,121,719	12.71%
6/30/2013	-	1,218,892	1,218,892	0.00%	9,915,176	12.29%
6/30/2015	-	990,529	990,529	0.00%	11,265,433	8.79%

**Meade School District No. 46-1
Schedule of Net Pension Liability (Asset)
For the Years Ended June 30**

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
District's Proportion of the Net Pension Liability/Asset	0.62008550%	0.61478970%	0.6339294%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,094,588	\$ (2,607,499)	\$ (4,567,202)
District's Covered-employee Payroll	13,215,240	11,780,853	11,266,308
District's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-employee Payroll	15.85%	-22.13%	-40.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset)	97%	104%	107%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset which is June 30 of the previous fiscal year.

**Meade School District No. 46-1
Schedule of Pension Contributions
For the Years Ended June 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 795,002	\$ 706,989	\$ 675,926
Contributions in Relation to the Contractually-required Contribution	<u>795,002</u>	<u>706,989</u>	<u>675,926</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-employee Payroll	<u>\$ 13,215,240</u>	<u>\$ 11,780,853</u>	<u>\$ 11,266,308</u>
Contributions as a Percentage of Covered-employee Payroll	6.0%	6.0%	6.0%

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

**Meade School District No. 46-1
School District Officials
June 30, 2017**

BOARD MEMBERS

Courtney Mack, President
Michael Issacson, Vice President
Bob Burns
Curtis Johnson
Charlie Wheeler
Corey Johnson
Bryce Richer
Dennis Chowen
Joe Urbaniak

SUPERINTENDENT

Dr. Don Kirkegaard

BUSINESS MANAGER

Brett Burditt

See independent auditor's report.

**Meade School District No. 46-1
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

CFDA Numbers	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through ID	Amount
<u>U.S. Department of Agriculture</u>				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance:				
10 . 555	National School Lunch Program (Note 2)	SD Department of Education	N/A	\$ 37,322
Cash Assistance:				
10 . 553	School Breakfast Program (Note 3)	SD Department of Education	N/A	89,743
10 . 555	National School Lunch Program (Note 3)	SD Department of Education	N/A	473,488
10 . 559	Summer Food Service Program for Children (Note 3)	SD Department of Education	N/A	<u>23,794</u>
Total Child Nutrition Cluster				<u>624,347</u>
10 . 582	Fresh Fruit and Vegetable Program	SD Department of Education	N/A	82,558
10 . 665	Schools and Roads - Grants to States (Note 3)	National Forest Service	N/A	<u>19,035</u>
Total Department of Agriculture				<u>725,940</u>
<u>U.S. Department of the Interior</u>				
15 . 227	Distribution of Receipts to State and Local Governments	SD Department of Education	N/A	<u>50,147</u>
Total Department of the Interior				<u>50,147</u>
<u>U.S. Department of Education</u>				
<i>Special Education Cluster:</i>				
84 . 027	Special Education - Grants to States	SD Department of Education	H027A160091	683,453
84 . 173	Special Education - Preschool Grants	SD Department of Education	H173A160091	15,495
84 . 181	Special Education - Infants and Families	SD Department of Education	N/A	<u>1,271</u>
Total Special Education Cluster				<u>700,219</u>

See independent auditor's report.

84 . 010	Title I Grants to Local Educational Agencies	SD Department of Education	S010A160041	612,324
84 . 048	Career and Technical Education - Basic Grants to States	SD Department of Education	V048A160041	33,697
84 . 367	Improving Teacher Quality State Grants Title II A	SD Department of Education	S367A160039	<u>207,935</u>
Total Department of Education				<u>1,554,175</u>
Total Federal Financial Assistance				<u>\$ 2,330,262</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: These amounts reflect revenues received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

NOTE 4: The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 5: The District did not provide any assistance to subrecipients.

See independent auditor's report.