

Sioux Falls School District 49-5



Financial Report
June 30, 2017

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RSM US LLP

Independent Auditor's Report

To the School Board
Sioux Falls School District 49-5

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 discretely presented component unit and remaining fund information of the Sioux Falls School District 49-5 (District), 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 did not audit the financial statements of Southeast Technical Institute Housing Foundation, a component unit, which statements reflect total assets, revenue, and net assets constituting 16 percent, 2 percent, and 3 percent, respectively, of the aggregate discretely presented component unit and remaining fund information. Those financial statements were audited by other auditors, whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for Southeast Technical Institute Housing Foundation, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, 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 discretely presented component unit and remaining fund information of the Sioux Falls School District 49-5, 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 management's discussion and analysis and the required supplementary information on pages 3 through 16 and 58 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary combining and individual fund statements and schedules on pages 72 through 85, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on pages 86 through 89, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary combining and individual fund statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary combining and individual fund statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

RSM US LLP

Sioux Falls, South Dakota
December 15, 2017

Sioux Falls School District 49-5

Management's Discussion and Analysis

This section of the annual financial report of the Sioux Falls School District 49-5 (District) presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's net position from governmental and business-type activities decreased by \$5,020,822. Net position decreased as a result of revenue under expenses in other restricted funds of approximately \$10,000,000. This was offset by capital outlay revenue in excess of depreciation and other capital outlay expenses of approximately \$5,800,000 and revenue under expenses in unrestricted funds of approximately \$900,000.
- During the year, the District's total revenues of \$283,018,334 were comprised of general revenues in the amount of \$195,139,166 and program revenues totaling \$87,879,168.
- As of the year ended June 30, 2017, the District's governmental funds reported combined ending fund balances of \$37,731,474, a decrease of \$9,786,697 compared with the prior year. This decrease is mainly due to spending approximately \$3,770,000 of the proceeds of capital outlay certificates issued during the prior fiscal year and spending approximately \$635,000 of hail insurance proceeds received during the prior fiscal year. In addition, the general fund, capital outlay fund, special education fund and post-secondary vocational fund reported revenues under expenses of approximately \$1,750,000, \$860,000, \$1,100,000, and \$1,700,000 respectively.
- The general fund reported a decrease in fund balance of \$1,750,784, leaving an ending fund balance of \$15,149,848. The unassigned portion of this ending fund balance was \$9,646,235 or 5.69 percent of total general fund expenditures.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like businesses, such as food services.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources being reported belong. The fiduciary funds of the District are agency funds. Agency funds are custodial in nature and do not involve measurement of results of operation.

Sioux Falls School District 49-5

Management’s Discussion and Analysis

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure 1

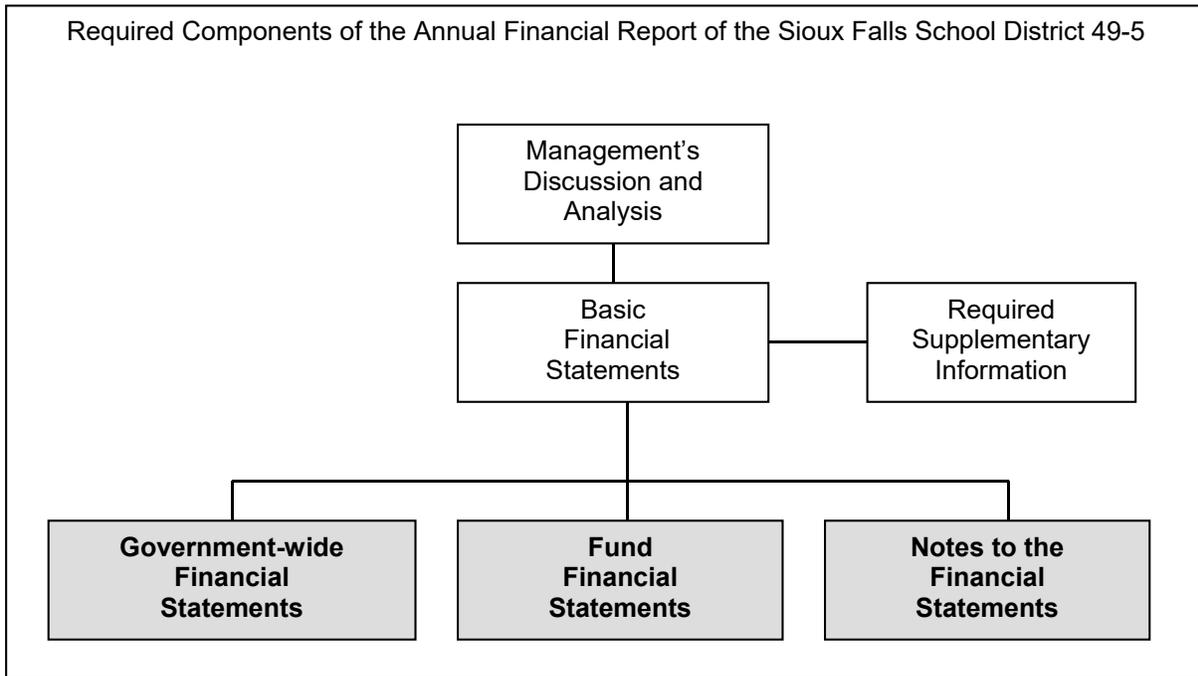


Figure 2 summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents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

Sioux Falls School District 49-5

Management’s Discussion and Analysis

Figure 2 Major Features of Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, such as food service and adult education	Instances in which the District administers resources on behalf of someone else, such as student-activities monies.
Required financial statements	<ul style="list-style-type: none"> - Statement of Net Position - Statement of Activities 	<ul style="list-style-type: none"> - Balance Sheet - Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> - Statement of Net Position - Statement of Revenues, Expenses, and Changes in Fund Net Position - Statement of Cash Flows 	<ul style="list-style-type: none"> - Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District’s funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Government-wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

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

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

- **Governmental Activities** – This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The District charges fees to help cover the costs of providing certain services. Food services, adult education, and bookstore services are the major activities included here.
- **Component Unit** – The District separately reports the activities of Southeast Technical Institute Housing Foundation.

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

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

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like paying the District's general obligation bonds, managing construction projects, or managing medical insurance premiums and claims).

Sioux Falls School District 49-5

Management's Discussion and Analysis

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

The Sioux Falls School District maintains 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, capital outlay, special education, post-secondary vocational funds since these are considered major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 19 through 26 of this report.

- Proprietary funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information.
 - Enterprise funds (one type of proprietary fund) are the District's business-type activities reported on the government-wide financial statements, but the fund statements provide more detail and additional information, such as cash flows.
 - Internal service funds (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District has two internal service funds – the Group Health Insurance Fund and the Reprographics Fund.

The basic proprietary fund financial statements can be found on pages 27 through 29 of this report.

- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as student activities' monies. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The basic fiduciary fund financial statement can be found on page 30 of this report.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 57 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information is in the form of budgetary comparison schedules for the District's four major governmental funds. These schedules are accompanied by notes to the required supplementary information which explain the schedules and contain certain other budgetary information. Required supplementary information and notes can be found on pages 58 through 71 of this report.

The combining statements for the nonmajor funds referred to earlier are presented immediately following the required supplementary information on budgets.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was as follows:

Table 1
Sioux Falls School District 49-5
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Assets						
Current and other assets	\$ 173,649,759	\$ 136,283,658	\$ 8,004,823	\$ 7,113,230	\$ 181,654,582	\$ 143,396,888
Capital assets, net	282,991,946	287,433,559	4,413,356	4,216,367	287,405,302	291,649,926
Total assets	456,641,705	423,717,217	12,418,179	11,329,597	469,059,884	435,046,814
Deferred outflows of resources	\$ 54,619,518	\$ 55,581,553	\$ 3,382,610	\$ 3,461,666	\$ 58,002,128	\$ 59,043,219
Liabilities						
Long-term liabilities	\$ 148,134,729	\$ 142,077,084	\$ 177,000	\$ 1,645,268	\$ 148,311,729	\$ 143,722,352
Other liabilities	35,160,657	57,030,705	1,159,336	1,185,038	36,319,993	58,215,743
Total liabilities	183,295,386	199,107,789	1,336,336	2,830,306	184,631,722	201,938,095
Deferred inflows of resources	97,059,577	54,466,196	2,664,149	-	99,723,726	54,466,196
Net Position						
Net investment in capital assets	148,665,350	156,689,607	4,413,356	4,216,367	153,078,706	160,905,974
Restricted	62,011,620	50,516,206	2,524,028	2,045,653	64,535,648	52,561,859
Unrestricted	20,229,290	18,518,972	4,862,920	5,698,937	25,092,210	24,217,909
Total net position	\$ 230,906,260	\$ 225,724,785	\$ 11,800,304	\$ 11,960,957	\$ 242,706,564	\$ 237,685,742

By far, the largest portion of the District's total assets reflects its investment in capital assets. These capital assets are used to provide educational services; consequently, they are not available for future spending. The District's net investment in capital assets was \$160,905,974. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The increase in total capital assets is a result of construction of a new elementary school and other ongoing construction and renovation activities of the Capital Improvement Plan.

Current and other assets decreased by \$38,257,694 from June 30, 2016 to June 30, 2017, mainly due to elimination of the net pension asset of \$30,092,793. The elimination of the net pension asset, the reduction of deferred inflows of resources of \$45,257,530, and the increase in deferred outflows of resources of \$1,041,091 are primarily attributable to the investment returns being lower than the assumed rate of return on pension plan assets of 7.25 percent by the South Dakota Retirement System's Pension Trust Fund. Liabilities increased by \$17,306,373 mainly due to recording a net pension liability of \$23,600,235, offset by the payment of regularly scheduled principal of long-term debt.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

As of June 30, 2017, the District reported \$52,561,859 of net position that is subject to external restrictions on how they may be used. This restricted net position includes all of the District's special revenue funds, since State statute dictates that this position be used for the specific purposes of the funds, such as for capital outlay, special education and post-secondary education purposes. Restricted net position also includes the District's proportionate share of SDRS pension-related amounts. Restricted net position decreased by \$11,973,789 during the year ended June 30, 2017.

The \$24,217,909 of unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors.

Changes in Net Position

The District's combined revenues and expenses were as follows:

Table 2
Sioux Falls School District 49-5
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues						
Program revenues:						
Charges for services	\$ 12,211,480	\$ 12,483,702	\$ 13,025,833	\$ 13,925,447	\$ 25,237,313	\$ 26,409,149
Operating grants and contributions	45,709,263	52,706,720	6,859,545	7,188,234	52,568,808	59,894,954
Capital grants and contributions	16,470,092	1,575,065	-	-	16,470,092	1,575,065
General revenues:						
Taxes	110,838,160	111,755,969	-	-	110,838,160	111,755,969
Revenue from state sources	60,797,236	77,041,140	64,085	53,989	60,861,321	77,095,129
Other general revenues	5,599,179	5,897,021	(904)	(40,910)	5,598,275	5,856,111
Unrestricted investment earnings	271,805	427,764	2,331	4,193	274,136	431,957
Total revenues	251,897,215	261,887,381	19,950,890	21,130,953	271,848,105	283,018,334
Expenses						
Instruction	141,500,686	166,133,984	3,549,212	3,514,903	145,049,898	169,648,887
Support services	93,456,444	87,073,844	-	-	93,456,444	87,073,844
Nonprogrammed charges	1,901,581	2,458,014	-	-	1,901,581	2,458,014
Debt service	5,119,323	5,048,040	-	-	5,119,323	5,048,040
Co-curricular activities	5,591,585	6,179,942	-	-	5,591,585	6,179,942
Food services	-	-	11,040,553	11,639,650	11,040,553	11,639,650
Community services	147,926	155,942	3,215,845	3,531,030	3,363,771	3,686,972
Bookstore services	-	-	2,288,045	2,303,807	2,288,045	2,303,807
Total expenses	247,717,545	267,049,766	20,093,655	20,989,390	267,811,200	288,039,156
Increase (decrease) in net position before transfers	4,179,670	(5,162,385)	(142,765)	141,563	4,036,905	(5,020,822)
Transfers	(172,000)	(19,090)	172,000	19,090	-	-
Change in net position	\$ 4,007,670	\$ (5,181,475)	\$ 29,235	\$ 160,653	\$ 4,036,905	\$ (5,020,822)

Sioux Falls School District 49-5

Management's Discussion and Analysis

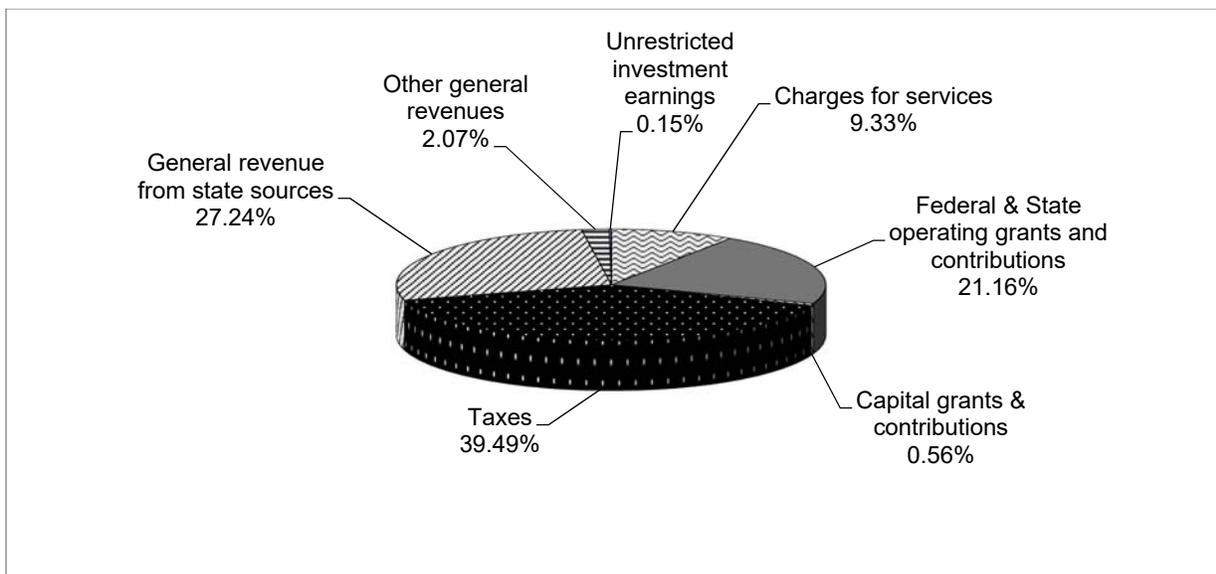
Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (continued)

The District's total revenues increased by \$11,170,229 mainly due to increases in State Aid and operating grants and contributions and a decrease in capital grants and contributions.

Almost one-half of the District's revenue comes from property and other taxes, and approximately one-fifth coming from general state aid. (See Figure 1).

Figure 1
Sioux Falls School District 49-5
Sources of Revenues for Fiscal Year 2017



Sioux Falls School District 49-5

Management's Discussion and Analysis

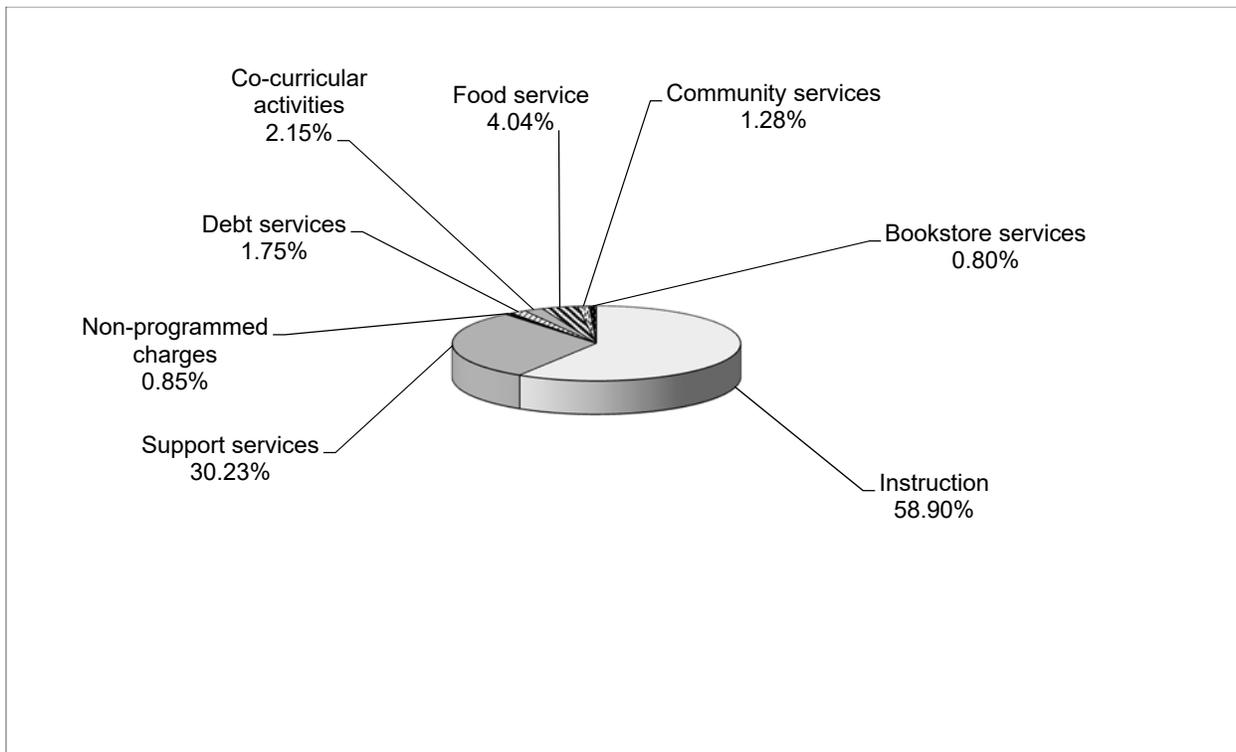
Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (continued)

The District's total expenses for 2017 were \$288,039,156, representing an increase of \$20,227,956, due to an increase in salaries and benefits of approximately \$21,000,000.

Over half of the total expenses were spent on instruction with approximately one-third for support services. (See Figure 2)

Figure 2
Sioux Falls School District 49-5
Functional Expense for Fiscal Year 2017



Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds

Governmental Funds

The focus of the Sioux Falls School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$37,731,474, a decrease of \$9,786,697 compared to the prior year. Approximately 26 percent of the ending fund balances, or \$9,646,235, constitutes unassigned fund balances, which are generally available for spending at the District's discretion. Approximately 14 percent, or \$5,146,134, constitutes assigned fund balance, for financing next year's budget in the general fund. Restricted fund balances are amounts restricted to specific purposes by law or creditors and include amounts in special revenue funds that can be spent at the District's discretion within the purposes of the funds. These restricted special revenue fund balances are within the 1) capital outlay fund \$5,384,990; 2) special education fund \$4,874,646; and 3) post-secondary vocational fund \$5,223,727. Additional fund balances restricted or committed for specific purposes include 1) debt service \$6,666,606 and 2) construction projects \$384,811. The remainder of the fund balances are amounts that cannot be spent and consist of \$298,770 of inventory and prepaid expenses.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,646,235, while total fund balance was \$15,149,848. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5.69 percent of total general fund expenditures, while total fund balance represents 8.94 percent of that same amount.

The fund balance of the District's general fund decreased by \$1,750,784 during the current fiscal year. The District had originally budgeted to decrease fund balance by \$2,711,744 which was supplementally revised to use approximately \$3,300,000 of cash from fund balance for the current fiscal year. However, total expenditures were under budget by approximately \$600,000, mainly in supplies and materials. In addition, property taxes were over budget by approximately \$450,000 and other miscellaneous revenue was over budget by approximately \$500,000.

The fund balance of the District's capital outlay fund decreased by \$863,037 during the current fiscal year to \$12,051,596 as of June 30, 2017. The District had originally budgeted to increase fund balance by \$3,561,871 which was supplementally revised to use approximately \$2,300,000 of cash from fund balance. However, total expenditures and other financing uses were under budget by approximately \$670,000, mainly in capital acquisitions, purchased services and operating transfers out, and revenues were over budget by approximately \$780,000, mostly in property taxes and federal revenue.

The fund balance of the District's special education fund decreased by \$1,078,104 to \$4,874,646 as of June 30, 2017. The District had budgeted to use approximately \$1,700,000 of cash from fund balance. However, total expenditures were approximately \$1,100,000 under budget, mainly in salaries. This was offset by revenues under budget of approximately \$500,000, mainly in federal revenue.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

Governmental Funds (continued)

The fund balance of the District's post-secondary vocational fund decreased by \$1,689,314 to \$5,270,573 as of June 30, 2017. The District had budgeted to use approximately \$1,900,000 of cash from fund balance. However, total expenditures were approximately \$300,000 under budget, mainly in salaries, benefits, and purchased services, offset by revenues under budget by approximately \$100,000, mainly in tuition and fees.

Proprietary Funds

The District's enterprise funds showed an increase in net position of \$160,653, to \$11,960,957 as of June 30, 2017, due primarily to the food service fund. The District's internal service funds saw an increase in net position of \$1,734,268, due mainly to the group health insurance fund. The group health insurance fund's net position was \$11,030,492 as of June 30, 2017. This represents approximately 34 percent of total expenses and will be used for cash flow purposes and as a reserve to cover possible future claims in excess of premiums.

General Budgetary Highlights

Over the course of the year, the School Board revised the District's budget several times. These amendments are primarily for supplemental revenues received after the original budget was adopted and for increases in appropriations to prevent budget overruns. Significant differences between the original budget and the final amended budget are summarized as follows:

- Increase of approximately \$4,300,000 in other local sources and related expenditures primarily due to contributions from District agency accounts and outside organizations not in the original budget.
- Increase of approximately \$3,000,000 in other state revenues and related expenditures due to additional state allocations received after the original budget was adopted.
- Increase of approximately \$1,600,000 in federal revenues and related expenditures due to additional federal grants received after the original budget was adopted.

Capital Asset Administration

As of June 30, 2017, the District had invested \$291,649,926 in a broad range of capital assets, including land, land improvements, buildings, construction in progress, and various machinery and equipment. (See Table 3.) This amount represents a net increase (including additions, deductions, and depreciation) of \$4,244,624, or 1.48 percent over last year. This year's capital asset purchases were primarily construction and remodeling of buildings as part of the Capital Improvement Plan and construction of a new elementary school. Additional information regarding the District's capital assets can be found in Note 5 to the financial statements.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

Capital Asset Administration (continued)

Table 3
Sioux Falls School District 49-5
Capital Assets, Net

	Governmental Activities		Business-Type Activities		Total Dollar	Total Percentage
	2016	2017	2016	2017	Change	Change
Land	\$ 11,413,397	\$ 11,622,797	\$ -	\$ -	\$ 209,400	1.83%
Land improvements	7,619,041	9,008,421	3,272	2,929	1,389,037	18.22%
Buildings	237,487,806	245,782,054	2,984,461	2,793,206	8,102,993	3.37%
Machinery and equipment	11,609,197	10,884,547	1,425,623	1,420,232	(730,041)	-5.60%
Construction in progress	14,862,505	10,135,740	-	-	(4,726,765)	-31.80%
Totals	\$ 282,991,946	\$ 287,433,559	\$ 4,413,356	\$ 4,216,367	\$ 4,244,624	1.48%

Long-Term Liabilities

At year end, the District had \$142,306,339 in capital outlay certificates and other long-term obligations. This is a decrease of 4.05 percent as shown in Table 4 below.

Table 4
Sioux Falls School District 49-5
Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar	Total Percentage
	2016	2017	2016	2017	Change	Change
Capital outlay certificates	\$ 139,915,832	\$ 132,652,665	\$ -	\$ -	\$ (7,263,167)	-5.19%
Other postemployment benefits	3,874,585	4,498,669	-	-	624,084	16.11%
Early retirement plan obligation	2,533,042	3,003,172	-	-	470,130	18.56%
Accrued vacation	1,811,270	1,922,578	177,000	229,255	163,563	8.23%
Totals	\$ 148,134,729	\$ 142,077,084	\$ 177,000	\$ 229,255	\$ (6,005,390)	-4.05%

The District's outstanding bonds and certificates carry ratings of Aaa when covered by bond insurance and ratings of Aa2 and Aa3 when not covered by bond insurance. The ratings were issued by Moody's Investors Services.

The District maintains an early retirement plan for teachers and administrators, which allows those meeting certain qualifications to retire early and receive from 80 percent to 90 percent of their last year's salary in equal payments spread over the next five years. This plan allows the District to reduce the overall program cost by hiring lower-paid employees to replace the higher-paid employees.

Additional information regarding the District's long-term liabilities can be found in Note 6 to the financial statements.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

Economic Factors and Next Year's Budgets and Rates

For taxes payable in 2018, the District experienced an increase in total property valuation of approximately \$556 million or 4.89 percent from the prior year. With the exception of the general fund, the increase in property valuation affects the District's ability to increase the revenue generated from property taxes; however, the District is far below the maximum amount it can levy for capital outlay.

For the general fund, one of the primary sources of revenue to the District is based on a per-student allocation received from the State of South Dakota. This per-student allocation is based on the current year's fall enrollment count and, by law, is supposed to increase each year by the lesser of the rate of inflation or 3 percent. The fall 2016 enrollment count was 23,653. The state aid formula for fiscal year 2016-17 ensured that property taxes plus state aid equaled \$5,464 per pupil. The allocation for fiscal year 2017-18 is \$5,482 per pupil. Since the funding formula was implemented in 1997-98, the annual increases in the allocation have not always kept up with the increases in costs of education, primarily salary and benefit increases. During fiscal year 2002-03, the School Board passed a resolution to opt out of the State funding limitation in the amount of \$3.5 million in order to maintain District programs at the current level and allow for the day-to-day costs of a new elementary school. This opt-out resolution was passed in a public election and was originally scheduled to sunset at the end of calendar year 2007.

In preparation of the \$3.5 million reduction in annual revenues related to the end of the 2002-03 opt-out, the District convened a panel of ten local experienced business leaders to study and evaluate the Sioux Falls School District's current liquid position, current and projected level of expenditures, and any efficiencies that could be obtained. Upon completion of their evaluation, the panel was asked to make recommendations to improve and strengthen the District's financial operations. The panel recommended that the District maintain a general fund balance at or near 8.5 percent of annual expenditures, reduce the opt-out amount to \$3.2 million, and extend it through calendar year 2012. During fiscal year 2005-06, the School Board passed a resolution to adopt the panel's recommendations. The lowered and extended opt-out was not referred to a public vote. For fiscal year 2007-08, the Board reduced the amount of the opt-out to \$2.7 million.

In response to a freeze in the formula during the 2010 legislative session, a second iteration of this panel recommended the School Board increase the opt-out to \$5 million and extend it through 2018. The Board adopted this recommendation but only accessed \$2.7 million for fiscal year 2011. In response to the 8.6 percent cut in the per-student allocation during the 2011 legislative session, the panel recommended, and the Board approved, a 10-year, \$7.5 million per year opt-out beginning in 2012, and an additional 10-year, \$5 million per year opt-out beginning in 2018. For taxes payable in 2018, the Board has authorized taking \$9.1 million of the \$12.5 million opt-out that is available.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Sioux Falls School District's Finance Office, 201 East 38th Street, Sioux Falls, South Dakota 57105-5898.

Sioux Falls School District 49-5

Statement of Net Position
June 30, 2017

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit STI Housing Foundation
Assets and Deferred Outflows of Resources				
Assets:				
Cash	\$ 74,503,929	\$ 5,905,338	\$ 80,409,267	\$ 336,730
Taxes receivable, net	52,052,552	-	52,052,552	-
Other receivables	1,942,015	860,562	2,802,577	27,448
Due from other governments	6,905,051	67,207	6,972,258	-
Internal balances	555,441	(555,441)	-	-
Inventories	255,375	835,564	1,090,939	-
Prepaid expenses	69,295	-	69,295	9,720
Investments	-	-	-	818,458
Capital assets:				
Land and construction in progress	21,758,537	-	21,758,537	-
Other capital assets, net of accumulated depreciation	265,675,022	4,216,367	269,891,389	3,083,815
Total assets	423,717,217	11,329,597	435,046,814	4,276,171
Deferred outflows of resources:				
Deferred charge on refunding	1,348,789	-	1,348,789	-
Pension-related deferred outflows	54,232,764	3,461,666	57,694,430	-
Total deferred outflows of resources	55,581,553	3,461,666	59,043,219	-
Total assets and deferred outflows of resources	\$ 479,298,770	\$ 14,791,263	\$ 494,090,033	\$ 4,276,171
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities:				
Accounts payable	\$ 5,995,079	\$ 256,394	\$ 6,251,473	\$ 38,193
Accrued wages and related benefits payable	25,744,590	723,764	26,468,354	-
Accrued interest payable	2,716,606	-	2,716,606	-
Unearned revenue and deposits	390,208	204,880	595,088	-
Non-current liabilities:				
Due within one year	11,520,178	141,924	11,662,102	130,085
Due in more than one year	130,556,906	87,331	130,644,237	3,670,676
Net pension liability	22,184,222	1,416,013	23,600,235	-
Total liabilities	199,107,789	2,830,306	201,938,095	3,838,954
Deferred inflows of resources,				
Taxes levied for future periods	54,466,196	-	54,466,196	-
Net position:				
Net investment in capital assets	156,689,607	4,216,367	160,905,974	(716,946)
Restricted for:				
Capital outlay	5,128,261	-	5,128,261	-
Special education	4,572,242	-	4,572,242	-
Post secondary	4,707,268	-	4,707,268	-
Debt service	4,047,745	-	4,047,745	-
Pension	12,148	-	12,148	-
SDRS pension	32,048,542	2,045,653	34,094,195	-
Unrestricted	18,518,972	5,698,937	24,217,909	1,154,163
Total net position	225,724,785	11,960,957	237,685,742	437,217
Total liabilities, deferred inflows of resources and net position	\$ 479,298,770	\$ 14,791,263	\$ 494,090,033	\$ 4,276,171

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit STI Housing Foundation
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
Instruction	\$ 166,133,984	\$ 12,281,963	\$ 50,303,206	\$ 1,575,065	\$ (101,973,750)	\$ -	\$ (101,973,750)	\$ -
Support services	87,073,844	-	99,005	-	(86,974,839)	-	(86,974,839)	-
Community services	155,942	-	-	-	(155,942)	-	(155,942)	-
Nonprogrammed charges	2,458,014	-	-	-	(2,458,014)	-	(2,458,014)	-
Interest on long-term debt	5,048,040	-	-	-	(5,048,040)	-	(5,048,040)	-
Co-curricular activities	6,179,942	201,739	2,304,509	-	(3,673,694)	-	(3,673,694)	-
Total governmental activities	267,049,766	12,483,702	52,706,720	1,575,065	(200,284,279)	-	(200,284,279)	-
Business-type activities:								
Food services	11,639,650	4,765,997	7,188,234	-	-	314,581	314,581	-
Community services	3,531,030	3,207,356	-	-	-	(323,674)	(323,674)	-
Bookstore services	2,303,807	2,530,085	-	-	-	226,278	226,278	-
Instruction	3,514,903	3,422,009	-	-	-	(92,894)	(92,894)	-
Total business-type activities	20,989,390	13,925,447	7,188,234	-	-	124,291	124,291	-
Total primary government	\$ 288,039,156	\$ 26,409,149	\$ 59,894,954	\$ 1,575,065	(200,284,279)	124,291	(200,159,988)	-
Component unit:								
STI Housing Foundation	\$ 900,017	\$ 1,017,437	\$ -	\$ -	-	-	-	117,420
General revenues:								
Property taxes					111,755,969	-	111,755,969	-
Revenue from state sources not restricted to specific programs:								
State aid					71,183,613	-	71,183,613	-
Other					5,857,527	53,989	5,911,516	-
Grants and contributions not restricted to specific programs					766,860	-	766,860	-
Unrestricted investment earnings					427,764	4,193	431,957	5,108
Other general revenue (expense)					5,130,161	(40,910)	5,089,251	(1,368)
Transfers					(19,090)	19,090	-	-
Total general revenues and transfers					195,102,804	36,362	195,139,166	3,740
Change in net position					(5,181,475)	160,653	(5,020,822)	121,160
Net position - beginning					230,906,260	11,800,304	242,706,564	316,057
Net position - ending					\$ 225,724,785	\$ 11,960,957	\$ 237,685,742	\$ 437,217

See notes to financial statements.

Sioux Falls School District 49-5

**Balance Sheet
Governmental Funds
June 30, 2017**

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 33,309,612	\$ 14,302,762	\$ 9,925,112	\$ 4,978,785	\$ 929,793	\$ 63,446,064
Current taxes receivable, net	30,475,988	14,349,961	6,482,338	-	-	51,308,287
Delinquent taxes receivable, net	412,595	150,161	67,220	-	114,289	744,265
Accounts receivable, net	804,707	28,854	2,289	352,430	50,000	1,238,280
Due from other funds	-	151,120	-	404,886	-	556,006
Due from other governments	4,911,246	26,013	1,096,545	871,247	-	6,905,051
Interest receivable	25,166	11,049	6,449	894	851	44,409
Inventory and prepaid expenses	251,924	-	-	46,846	-	298,770
Total assets	\$ 70,191,238	\$ 29,019,920	\$ 17,579,953	\$ 6,655,088	\$ 1,094,933	\$ 124,541,132
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 2,387,003	\$ 1,596,053	\$ 886,258	\$ 575,619	\$ 449,109	\$ 5,894,042
Accrued wages and related benefits payable	17,877,742	-	4,315,642	242,356	-	22,435,740
Due to other funds	2,061,501	-	538,369	176,332	151,120	2,927,322
Unearned revenue	-	-	-	390,208	-	390,208
Total liabilities	22,326,246	1,596,053	5,740,269	1,384,515	600,229	31,647,312
Deferred inflows of resources:						
Taxes levied for a future period	32,308,940	15,262,619	6,894,637	-	-	54,466,196
Unavailable revenue - property taxes	306,204	109,652	50,401	-	109,893	576,150
Unavailable revenue - intergovernmental	100,000	-	20,000	-	-	120,000
Total deferred inflows of resources	32,715,144	15,372,271	6,965,038	-	109,893	55,162,346
Fund balances:						
Nonspendable:						
Inventory and prepaid expenses	251,924	-	-	46,846	-	298,770
Restricted for:						
Debt service	-	6,666,606	-	-	-	6,666,606
Construction projects	-	-	-	-	193,543	193,543
Capital outlay purposes	-	5,384,990	-	-	-	5,384,990
Special education purposes	-	-	4,874,646	-	-	4,874,646
Post-secondary vocational purposes	-	-	-	5,223,727	-	5,223,727
Committed:						
Hail damage project	-	-	-	-	191,268	191,268
Superintendent deferred compensation	105,555	-	-	-	-	105,555
Assigned:						
Next year's budget	5,146,134	-	-	-	-	5,146,134
Unassigned	9,646,235	-	-	-	-	9,646,235
Total fund balances	15,149,848	12,051,596	4,874,646	5,270,573	384,811	37,731,474
Total liabilities, deferred inflows of resources and fund balances	\$ 70,191,238	\$ 29,019,920	\$ 17,579,953	\$ 6,655,088	\$ 1,094,933	\$ 124,541,132

See notes to financial statements.

Sioux Falls School District 49-5

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Total fund balances - governmental funds	\$ 37,731,474
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	287,433,559
Delinquent taxes receivable not available to pay current expenditures are recorded as deferred inflows in the funds.	576,150
Pension-related deferred outflows are components of pension liability and, therefore, are not reported in the funds.	54,232,764
Long-term liabilities, including bonds payable, other postemployment benefits, early retirement obligation, and accrued vacation are not due and payable in the current period and, therefore, are not reported in the funds.	(142,077,084)
Certain federal and state receivables are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the funds.	120,000
Debt refunding charges are reported as expenditures in the governmental funds; however, they are recorded as deferred outflows on the statement of net position and amortized over the life of the debt.	1,348,789
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(2,716,606)
Net pension liability reported in governmental activities is not due and payable in the current period and, therefore, is not reported in the funds.	(22,184,222)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position, except for capital assets which are reported above with capital assets used in governmental activities.	<u>11,259,961</u>
Net position - governmental activities	<u><u>\$ 225,724,785</u></u>

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Sources:						
Taxes	\$ 67,205,678	\$ 30,123,216	\$ 12,948,203	\$ -	\$ 1,500,625	\$ 111,777,722
Tuition and fees	495,865	50,285	208,643	11,523,105	-	12,277,898
Earnings on investments and deposits	228,684	41,843	51,122	22,329	9,055	353,033
Co-curricular activities	201,739	-	-	-	-	201,739
Other	6,399,742	381,556	514,071	499,635	15,000	7,810,004
Total local sources	74,531,708	30,596,900	13,722,039	12,045,069	1,524,680	132,420,396
Intermediate sources, county apportionment	966,024	-	-	-	-	966,024
State sources:						
Unrestricted grants in aid:						
State aid	71,183,613	-	-	-	-	71,183,613
State apportionment	1,771,730	-	-	-	-	1,771,730
Bank franchise taxes	3,069,919	-	-	-	-	3,069,919
Restricted grants in aid	100,160	26,013	19,608,901	6,886,778	-	26,621,852
Tuition	-	-	4,032	-	-	4,032
Other	91,314	-	2	2,499,627	-	2,590,943
Total state sources	76,216,736	26,013	19,612,935	9,386,405	-	105,242,089
Federal sources:						
Restricted grants in aid:						
Received directly from federal government	2,707,110	1,295	-	-	-	2,708,405
Received from federal government through the state	9,067,139	385,606	7,782,320	841,762	-	18,076,827
Other federal revenue	16,802	696,813	-	1,046,340	-	1,759,955
Total federal sources	11,791,051	1,083,714	7,782,320	1,888,102	-	22,545,187
Other	227,246	-	-	-	-	227,246
Total revenues	163,732,765	31,706,627	41,117,294	23,319,576	1,524,680	261,400,942

(continued)

Sioux Falls School District 49-5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017**

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Expenditures						
Current:						
Instruction:						
Regular programs:						
Elementary programs	43,490,396	-	-	-	12,942	43,503,338
Middle school programs	21,211,413	-	-	-	-	21,211,413
High school programs	25,481,710	-	-	-	-	25,481,710
Total regular programs	90,183,519	-	-	-	12,942	90,196,461
Special programs:						
Programs for the gifted and talented	821,553	-	-	-	-	821,553
Programs for mild disabilities	-	-	15,996,061	-	-	15,996,061
Programs for severe disabilities	-	25,436	7,869,309	-	-	7,894,745
Day programs	-	-	2,364,998	-	-	2,364,998
Early childhood programs	-	-	1,735,338	-	-	1,735,338
Prolonged assistance programs	-	-	459,485	-	-	459,485
Programs for the culturally different	4,622,068	-	-	-	-	4,622,068
Programs for the educationally deprived	4,817,192	-	-	-	-	4,817,192
Other	5,213,209	-	1,748,149	-	-	6,961,358
Total special programs	15,474,022	25,436	30,173,340	-	-	45,672,798
Adult/continuing education programs:						
Adult basic education programs	-	-	-	273,482	-	273,482
Adult continuing education programs	-	-	-	64,579	-	64,579
Total adult/continuing education programs	-	-	-	338,061	-	338,061
Post-secondary occupational programs						
	-	-	-	11,557,720	-	11,557,720
Total instruction	105,657,541	25,436	30,173,340	11,895,781	12,942	147,765,040

(continued)

Sioux Falls School District 49-5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017**

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Support services:						
Pupils:						
Attendance and social work services	711,753	-	-	-	-	711,753
Guidance services	4,999,683	-	-	266,146	-	5,265,829
Health services	1,181,051	-	22,073	-	-	1,203,124
Speech pathology services	-	-	2,244,505	-	-	2,244,505
Student therapy services	-	-	1,800,774	-	-	1,800,774
Orientation and mobility services	-	-	121,560	-	-	121,560
Total pupils	6,892,487	-	4,188,912	266,146	-	11,347,545
Instructional staff:						
Improvement of instructional services	5,164,263	-	44,234	1,038,628	-	6,247,125
Educational media services	3,312,187	-	-	-	-	3,312,187
Total instructional staff	8,476,450	-	44,234	1,038,628	-	9,559,312
General and administrative:						
Board of Education services	1,047,019	-	-	213,380	-	1,260,399
Executive administration services	1,834,451	-	-	-	-	1,834,451
Total general and administrative	2,881,470	-	-	213,380	-	3,094,850
School administration:						
Office of the principal services	11,020,461	-	-	-	-	11,020,461
Other	1,126,369	-	-	3,312,814	-	4,439,183
Total school administration	12,146,830	-	-	3,312,814	-	15,459,644
Business:						
Fiscal services	1,437,789	29,960	-	800,852	600	2,269,201
Facilities acquisition	-	-	-	85,942	51,053	136,995
Operation and maintenance of plant	16,812,581	-	-	1,666,115	-	18,478,696
Pupil transportation services	4,913,038	4,395	-	-	-	4,917,433
Food services	772,234	-	-	-	-	772,234
Internal services	12,085	-	-	-	-	12,085
Total business	23,947,727	34,355	-	2,552,909	51,653	26,586,644

(continued)

Sioux Falls School District 49-5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017**

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Central:						
Planning and research	287,773	-	-	-	-	287,773
Data processing services	2,647,231	-	-	1,184,799	-	3,832,030
Total central	2,935,004	-	-	1,184,799	-	4,119,803
Special education:						
Administrative costs	-	-	2,519,228	-	-	2,519,228
Transportation costs	-	-	2,288,596	-	-	2,288,596
Other	-	-	2,835,357	-	-	2,835,357
Total special education	-	-	7,643,181	-	-	7,643,181
Total support services	57,279,968	34,355	11,876,327	8,568,676	51,653	77,810,979
Community services:						
Nonpublic schools	155,107	-	-	-	-	155,107
Other	1,235	-	-	-	-	1,235
Total community services	156,342	-	-	-	-	156,342
Nonprogrammed charges:						
Unemployment payments	6,536	-	-	4,360	-	10,896
Early retirement payments	1,181,885	-	93,221	73,461	2,734	1,351,301
Payments to other educational institutions	-	625,687	-	-	-	625,687
Total nonprogrammed charges	1,188,421	625,687	93,221	77,821	2,734	1,987,884
Co-curricular activities:						
Male activities	1,254,631	-	-	-	-	1,254,631
Female activities	975,399	-	-	-	-	975,399
Combined activities	2,548,720	-	-	9,595	-	2,558,315
Total co-curricular activities	4,778,750	-	-	9,595	-	4,788,345
Other	488,516	-	-	-	-	488,516

(continued)

Sioux Falls School District 49-5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017**

	General	Capital Outlay	Special Education	Post Secondary Vocational	Other Governmental Funds	Total Governmental Funds
Debt service:						
Principal	-	6,535,000	-	-	-	6,535,000
Interest	-	5,727,974	-	-	-	5,727,974
Total debt service	-	12,262,974	-	-	-	12,262,974
Capital outlay	-	15,208,547	52,510	4,512,358	6,732,501	26,505,916
Total expenditures	169,549,538	28,156,999	42,195,398	25,064,231	6,799,830	271,765,996
Revenues over (under) expenditures	(5,816,773)	3,549,628	(1,078,104)	(1,744,655)	(5,275,150)	(10,365,054)
Other Financing Sources (Uses)						
Transfers in	4,065,989	-	-	-	1,900,000	5,965,989
Transfers out	-	(4,460,000)	-	(19,090)	(1,505,989)	(5,985,079)
Compensation for loss of general capital assets - hail insurance proceeds	-	-	-	-	475,681	475,681
Sale of surplus property	-	47,335	-	74,431	-	121,766
Total other financing sources (uses)	4,065,989	(4,412,665)	-	55,341	869,692	578,357
Net change in fund balances	(1,750,784)	(863,037)	(1,078,104)	(1,689,314)	(4,405,458)	(9,786,697)
Fund balance - beginning	16,900,632	12,914,633	5,952,750	6,959,887	4,790,269	47,518,171
Fund balance - ending	\$ 15,149,848	\$ 12,051,596	\$ 4,874,646	\$ 5,270,573	\$ 384,811	\$ 37,731,474

See notes to financial statements.

Sioux Falls School District 49-5

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017**

Net change in fund balances--total governmental funds	\$ (9,786,697)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlays (\$16,310,872) exceeded depreciation (\$11,769,028) in the current period.	4,541,844
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(21,753)
In the statement of activities, the gain on disposition of assets is reported net of the carrying value of the assets removed, whereas in the governmental funds, the entire proceeds of the sales are reported as revenue.	(60,281)
The repayment of the principal of long-term debt (\$6,535,000) consumes the current financial resources of governmental funds. This transaction has no effect on net position in the government-wide financial statements. Also, the governmental funds report the effect of premiums, discounts, and similar items (\$451,660) when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,986,660
The recognition of certain federal and state revenues in the governmental funds differ from the recognition of governmental activities in that the revenue accruals in the fund financial statement require amounts to be "available".	(103,705)
Governmental funds do not reflect the change in accrued leave (including early retirement), but the statement of activities reflects the change in accrued leave through expenses.	(581,438)
Some expenses 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.	(8,454,211)
Changes in the pension-related net pension asset, and deferred outflows/inflows are direct components of changes in net position, but are not reflected in the governmental funds.	563,838
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>1,734,268</u>
Change in net position of governmental activities	<u>\$ (5,181,475)</u>

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Assets and Deferred Outflows of Resources				
Current assets:				
Cash	\$ 2,551,097	\$ 3,354,241	\$ 5,905,338	\$ 11,057,865
Accounts receivable	391	860,171	860,562	659,326
Due from other funds	-	-	-	2,929,100
Due from other governments	67,207	-	67,207	-
Inventory and prepaid expenses	356,922	478,642	835,564	25,900
Total current assets	2,975,617	4,693,054	7,668,671	14,672,191
Capital assets:				
Buildings and improvements	5,862,826	23,720	5,886,546	-
Improvements other than buildings	-	6,866	6,866	-
Machinery and equipment-local funds	4,754,563	617,612	5,372,175	418,428
Machinery and equipment-federal assistance	3,375	-	3,375	-
Less accumulated depreciation	(6,731,034)	(321,561)	(7,052,595)	(367,663)
Total capital assets (net of accumulated depreciation)	3,889,730	326,637	4,216,367	50,765
Total noncurrent assets	3,889,730	326,637	4,216,367	50,765
Total assets	6,865,347	5,019,691	11,885,038	14,722,956
Deferred outflows of resources:				
Pension-related deferred outflows	1,801,245	1,660,421	3,461,666	-
Total assets and deferred outflows of resources	\$ 8,666,592	\$ 6,680,112	\$ 15,346,704	\$ 14,722,956
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable	\$ 145,347	\$ 111,047	\$ 256,394	\$ 101,037
Accrued wages and related benefits payable	188,264	677,424	865,688	8,850
Incurred but not reported claims	-	-	-	3,300,000
Due to other funds	73,228	482,213	555,441	2,343
Total current liabilities	406,839	1,270,684	1,677,523	3,412,230
Noncurrent liabilities:				
Net OPEB obligation	45,103	42,228	87,331	-
Net pension liability	729,388	686,625	1,416,013	-
Unearned revenue and deposits	204,880	-	204,880	-
Total noncurrent liabilities	979,371	728,853	1,708,224	-
Total liabilities	1,386,210	1,999,537	3,385,747	3,412,230
Net position:				
Net investment in capital assets	3,889,730	326,637	4,216,367	50,765
Restricted for SDRS pension	1,071,857	973,796	2,045,653	-
Unrestricted	2,318,795	3,380,142	5,698,937	11,259,961
Total net position	7,280,382	4,680,575	11,960,957	11,310,726
Total liabilities, deferred inflows of resources and net position	\$ 8,666,592	\$ 6,680,112	\$ 15,346,704	\$ 14,722,956

See notes to financial statements.

Sioux Falls School District 49-5

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Operating revenue:				
Food sales	\$ 4,535,417	\$ -	\$ 4,535,417	\$ -
Bookstore sales	-	2,521,226	2,521,226	-
Tuition	-	4,535,753	4,535,753	-
Charges equivalent to insurance premiums	-	-	-	33,898,993
Other	79,063	2,253,988	2,333,051	387,671
Total operating revenue	4,614,480	9,310,967	13,925,447	34,286,664
Operating expenses:				
Salaries	3,791,815	4,883,467	8,675,282	134,798
Employee benefits	1,221,863	1,319,029	2,540,892	39,558
Purchased services	375,127	502,230	877,357	3,219,099
Supplies	351,912	435,166	787,078	101,844
Non-capitalized equipment	-	1,112	1,112	-
Cost of sales - purchases	4,015,564	2,016,292	6,031,856	-
Cost of sales - donated food	831,829	-	831,829	-
Insurance claims	-	-	-	29,091,878
Miscellaneous	180,733	145,205	325,938	-
Pension expense	265,588	266,486	532,074	-
Depreciation	330,714	55,258	385,972	39,950
Total operating expenses	11,365,145	9,624,245	20,989,390	32,627,127
Operating income (loss)	(6,750,665)	(313,278)	(7,063,943)	1,659,537
Nonoperating revenues (expenses):				
Local sources:				
Investment earnings	4,193	-	4,193	74,731
Gain (loss) on disposal of capital assets	(40,910)	-	(40,910)	-
State sources:				
Other state revenue	52,476	1,513	53,989	-
Federal sources:				
Grants	6,267,766	-	6,267,766	-
Donated commodities	905,468	-	905,468	-
Other federal revenue	15,000	-	15,000	-
Total nonoperating revenues	7,203,993	1,513	7,205,506	74,731
Income (loss) before transfers	453,328	(311,765)	141,563	1,734,268
Transfers in	-	19,090	19,090	-
Change in net position	453,328	(292,675)	160,653	1,734,268
Net position - beginning	6,827,054	4,973,250	11,800,304	9,576,458
Net position - ending	\$ 7,280,382	\$ 4,680,575	\$ 11,960,957	\$ 11,310,726

See notes to financial statements.

Sioux Falls School District 49-5

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Food Service	Other Enterprise	Totals	
Cash flows from operating activities:				
Receipts from customers	\$ 4,614,597	\$ 8,575,172	\$ 13,189,769	\$ -
Interfund receipts	-	-	-	33,403,640
Payments to suppliers	(4,800,184)	(2,615,764)	(7,415,948)	(3,253,791)
Payments to employees	(5,117,790)	(6,186,618)	(11,304,408)	(170,436)
Claims paid	-	-	-	(29,091,878)
Other receipts	-	-	-	440
Net cash provided by (used in) operating activities	(5,303,377)	(227,210)	(5,530,587)	887,975
Cash flows from noncapital financing activities:				
Federal and state operating subsidies	6,318,870	54,761	6,373,631	-
Transfers from other funds	-	19,090	19,090	-
Net cash provided by noncapital financing activities	6,318,870	73,851	6,392,721	-
Cash flows from capital and related financing activities,				
purchase of capital assets	(80,286)	(149,607)	(229,893)	-
Net cash used in capital and related financing activities	(80,286)	(149,607)	(229,893)	-
Cash flows from investing activities, interest earnings				
	3,997	-	3,997	74,731
Net cash provided by investing activities	3,997	-	3,997	74,731
Net increase (decrease) in cash and cash equivalents	939,204	(302,966)	636,238	962,706
Cash - beginning	1,611,893	3,657,207	5,269,100	10,095,159
Cash - ending	\$ 2,551,097	\$ 3,354,241	\$ 5,905,338	\$ 11,057,865
Reconciliation of operating income (loss) to net cash provided by				
(used in) operating activities:				
Operating income (loss)	\$ (6,750,665)	\$ (313,278)	\$ (7,063,943)	\$ 1,659,537
Adjustments to reconcile operating income (loss) to net cash				
provided by (used in) operating activities:				
Donated commodities used	831,829	-	831,829	-
Depreciation expense	330,714	55,258	385,972	39,950
Changes in assets and liabilities:				
(Increase) decrease in receivables	117	(735,795)	(735,678)	(882,584)
(Increase) decrease in inventories	50,579	222,439	273,018	16,229
(Increase) decrease in net pension asset	951,185	854,382	1,805,567	-
(Increase) decrease in pension-related deferred outflows	(40,943)	(38,113)	(79,056)	-
Increase (decrease) in accounts and other payables	38,483	260,410	298,893	50,923
Increase (decrease) in accrued wages and benefits payable	(47,563)	48,510	947	3,920
Increase (decrease) in net pension liability	729,388	686,625	1,416,013	-
Increase (decrease) in pension-related deferred inflows	(1,396,501)	(1,267,648)	(2,664,149)	-
Net cash provided by (used in) operating activities	(5,303,377)	(227,210)	(5,530,587)	887,975
Noncash investing, capital and financing activities:				
Value of commodities received	\$ 905,468	\$ -	\$ 905,468	\$ -
Gain (loss) on disposal of capital assets not affecting operating income	(40,910)	-	(40,910)	-

See notes to financial statements.

Sioux Falls School District 49-5

**Statement of Net Position
Fiduciary Funds
June 30, 2017**

	Agency Funds
Assets:	
Cash	\$ 5,682,682
Accounts receivable	4,960
Total assets	<u><u>\$ 5,687,642</u></u>
Liabilities:	
Benefits payable	\$ 1,534,540
Amounts held for others	4,153,102
Total liabilities	<u><u>\$ 5,687,642</u></u>

See notes to financial statements.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

A. Financial Reporting Entity

The reporting entity of the Sioux Falls School District 49-5 (District) is a public school district encompassing the majority of the City of Sioux Falls, South Dakota. The District is responsible for the public education of approximately 23,000 students from pre-school through high school in 22 elementary, five middle school, four high school, and one technical education school buildings. In addition, the District is responsible for post-secondary education of approximately 3,000 students at Southeast Technical Institute.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Sioux Falls School District 49-5 is governed by a School Board which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The District has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease, or mortgage property in its own name. Based on these criteria, the District is considered a primary government.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the District (primary government). The District may also be financially accountable for another organization if that organization is fiscally dependent on the School Board.

The Southeast Technical Institute Housing Foundation (STI Housing Foundation) is a separate legal entity organized as a 501(c)(3) non-profit organization. Its sole purpose is to construct and operate student housing at the Southeast Technical Institute. Because the School Board of the District has the authority to appoint and remove directors from the board of the STI Housing Foundation, management has determined that the STI Housing Foundation is an organization for which the primary government is financially accountable. Therefore, the STI Housing Foundation is included in the District's financial statements as a discretely presented component unit with its own column in the statement of net position and statement of activities. Because the STI Housing Foundation has a December 31 year end, the amounts reported herein are for the year ended December 31, 2016. To obtain the separate financial statements for Southeast Technical Institute Housing Foundation, contact Rich Kluin, Vice President of Finance and Operations, Southeast Technical Institute, 2320 North Career Avenue, Sioux Falls, South Dakota 57107.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Government-wide financial statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental activities, business-type activities, and a discretely presented component unit of the District. Governmental activities generally are 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. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A. on the preceding page.

The Statement of Net Position presents the financial condition of the District's governmental and business-type activities as of year end. Net Position is displayed in three components: 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 program or function of the District's governmental activities and for each segment of the District's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements: The fund financial statements of the reporting entity provide information about the District's funds, including fiduciary funds. Separate statements are presented for each fund category – governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Non-major funds are aggregated and presented in a single column, as are internal service funds. Fiduciary funds are reported by type. A fund is considered major if it is the primary operating fund, General Fund, of the District or it meets the following criteria:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements: The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place.

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund financial statements: Proprietary and fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds – governmental, proprietary, and fiduciary.

Governmental funds: Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's governmental funds:

General fund – fund established by South Dakota Codified Laws (SDCL) 13-16-3 that accounts for all the financial resources and transactions except those required to be accounted for and reported in another fund.

Special revenue funds – account for the proceeds of specific revenue sources (other than bond redemption and major capital projects) that are legally restricted or committed to expenditures for specified purposes. A brief description of the District's special revenue funds follows:

Capital Outlay Fund – fund established by SDCL 13-16-6 that accounts for the resources designated for the acquisition of land, existing buildings, improvements of grounds, remodeling of buildings, purchase of equipment, certain transportation and utility costs, and payment of principal and interest related to capital outlay certificates. This fund is financed by property taxes.

Special Education Fund – fund established by SDCL 13-37-16 that accounts for all revenues and expenditures associated with the cost of special education for all exceptional children residing in the District. This fund is financed by grants and property taxes.

Post-Secondary Vocational Fund – fund established by SDCL 13-39-39.1 that accounts for all revenues and expenditures associated with operation of post-secondary vocational programs. This fund is financed by tuition, fees and grants.

Pension Fund – fund established by SDCL 13-10-6 that accounts for the payment of early retirement benefits and certain retirement contributions. This fund is financed by property taxes.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Debt Service Fund – the Bond Redemption Fund, established by SDCL 13-16-13, accounts for and reports the accumulation of resources that are restricted to expenditures for principal and interest.

Capital Projects Funds – account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities. Capital project funds consist of the Elementary Project Fund, Capital Improvement Plan Project Fund, Hail Damage Project Fund, and Middle School Project Fund.

The District reports the General Fund, Capital Outlay Fund, Special Education Fund, and Post-Secondary Vocational Fund as major governmental funds.

Proprietary funds: Proprietary fund reporting focuses on the determination of operating income, changes in net position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues include charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds include enterprise and internal service funds.

Enterprise funds – may be used to report any activity operated on a self-supporting basis for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds in certain instances, including if pricing policies of the activity establish fees and charges designed to cover its costs, including capital costs. A brief description of the District's enterprise funds follows:

Food Service Fund – accounts for the operation of the school lunch program. This fund is financed by user charges and grants.

Community Services Fund – accounts for the operation of blended pre-school programs, summer school, daycare services and after-school daycare services, and for GED and other courses. This fund is financed by user charges and grants.

House Construction – was set up to account for construction and sale of one home annually by a high school within the District. Currently, the house is being built in partnership with Habitat for Humanity and is no longer being sold. This fund is now largely inactive.

Post-Secondary Bookstore Fund – accounts for the operation of a bookstore for the post-secondary vocational programs. This fund is financed by the sale of goods.

Post-Secondary Child Care Fund – accounts for the operation of a child daycare facility at the post-secondary vocational institute. This fund is financed by user charges and grants.

Post-Secondary TSI Fund – accounts for the operation of the business and industry training department of the post-secondary vocational institute. This fund is financed by user charges and grants. This fund was discontinued as of June 30, 2016 and was closed out during the year ended June 30, 2017.

Post-Secondary Food Service Fund – accounts for the operation of a cafeteria at the post-secondary vocational institute. This fund is financed by user charges.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

The Food Service Fund is the only major enterprise fund reported by the District. This is considered a major fund for public interest purposes.

Internal service funds – account for the financing of goods or services provided by one department or agency to other departments or agencies on a cost-reimbursement basis. A brief description of the District's internal service funds follows:

Group Health Insurance Fund – accounts for benefit payments under the District's group health self-insurance plan. Expenses are funded by employee withholding and by payments from various funds which are based on set premium amounts.

Reprographics Fund – accounts for printing and copying services.

Fiduciary funds: Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary funds of the District consist of several agency funds.

Agency funds – account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. A brief description of the District's agency funds follows:

Flexible Spending Accounts Fund – accounts for resources received and held by the District as agent for employee dependent care and healthcare reimbursement accounts.

Student Activity Funds – account for resources received and held by the District as agent for student or faculty groups.

Payroll Withholding Fund – accounts for the payment of payroll-related obligations.

Revenues – exchange and non-exchange transactions: On the accrual basis, revenue resulting from exchange transactions (primarily tuition and fees), in which each party gives and receives essentially equal value, is recorded when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within its defined period of availability. During the year ended June 30, 2017, the District increased its availability period from 60 days to 90 days after year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are intended to finance. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available, i.e. received within 90 days of year end, before it can be recognized.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Other local revenue on the statement of revenue, expenditures, and changes in fund balances includes rental income, donations, contributions, and other miscellaneous local revenue. Other state revenue on the statement of revenue, expenditures, and changes in fund balances includes approximately \$1,600,000 of bond proceeds received from the South Dakota Health and Education Facilities Authority for the construction of facilities at the Southeast Technical Institute, and other miscellaneous state revenues.

Expenses/expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, the focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, other postemployment benefits, SDRS pension expenses, early retirement obligations, arbitrage, and vacation payable, which are recognized as expenditures when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental fund financial statements.

D. Other Significant Accounting Policies and Reporting Practices

Use of estimates in the preparation of financial statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows and inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Estimates significant to the financial statements include the allowance for doubtful accounts receivable, liability for unpaid medical claims and claims incurred but not reported, net pension asset/liability and related deferred outflows/inflows, and the other postemployment benefit liability.

Property taxes: Property taxes are recognized as a receivable at the time they become an enforceable legal claim. The District's property taxes, levied by October 1, are due and payable in two installments before May 1 and November 1 of the following year and are attached as an enforceable lien on property as of January 1 each year. An allowance is provided for estimated uncollectible taxes. Counties and cities located within the District may enter into property tax abatement agreements with local businesses as a means of retaining or attracting businesses and promoting economic growth and residential development within their jurisdiction. Property tax abatements for the year ended June 30, 2017, were approximately \$112,000.

Inventory: Food service and bookstore enterprise fund inventory is accounted for at the lower of cost (first-in, first-out) or market except for food service donated commodities which are valued at estimated market value based on the USDA price list on the date they are received. Fuel oil and other inventory in the general fund are accounted for at the lower of cost (first-in, first-out) or market. The cost of fuel oil and other inventory in the general fund is shown as a nonspendable component of the fund balance, as these items do not constitute "available spendable resources." The consumption method is used by governmental funds to record expenditures.

Interfund receivables/payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to in the fund financial statements as either "Due To/From Other Funds" (current portion) or "Advances To/From Other Funds" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

Unearned revenue and deposits: Unearned revenue and deposits arise when assets are recognized before revenue recognition criteria have been met. Revenue is recognized as the services or goods are provided.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Deferred outflow and inflow of resources: A deferred outflow or inflow of resources is a consumption or an acquisition, respectively, of net assets that is applicable to a future reporting period. On the government-wide financial statements, the deferred charge on refunding represents the reacquisition price in excess of the net carrying amount of the old debt, and is being amortized over the remaining life of the old debt. Property taxes for which there is an enforceable legal claim as of June 30, but which were levied to finance the next fiscal year's operations, have been recorded as deferred inflow of resources. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflow of resources.

Deferred outflows of resources on the District's statement of net position consist of unrecognized items not charged to pension expense including contributions from the District after the measurement date but before the end of the District's reporting period.

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

Capital assets: Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. The District has no infrastructure assets. The accounting treatment for 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 and Proprietary Fund 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. Land and building improvements are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District maintains a capitalization threshold for governmental activities of \$5,000 for machinery and equipment and \$20,000 for buildings and improvements. For business-type activities, the machinery and equipment capitalization threshold is \$1,000. Purchased software is included with machinery and equipment. The capitalization threshold for internally generated software is \$50,000. All reported capital assets except land are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	10-20
Buildings	50
Building improvements	20-30
Machinery and equipment	5-15

Governmental fund financial statements: In the governmental fund financial statements, capital assets are accounted for as capital expenditures of the governmental fund upon acquisition.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Salaries and benefits payable: Payroll and related expenditures for teachers with annual contracts corresponding to the school year, which are payable in July and August, have been accrued as liabilities. Earned but unpaid payroll for hourly and administrative employees as of June 30, 2017, has also been accrued as a liability.

Vacation pay: Vacation pay is earned by administrative personnel and noncertified employees at various rates based upon their years of service. Employees may accumulate up to twice the amount of vacation earned in a year. For governmental funds, a liability and expenditure is recognized as payments come due upon the occurrence of events such as resignations and retirements. However, the entire accrued vacation liability and related expense is recorded in the government-wide and proprietary fund financial statements when earned.

Long-term liabilities: Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund statement of net position. Long-term liabilities consist primarily of accrued vacation, early retirement benefits payable, other postemployment benefits, and capital outlay certificates payable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental funds do not report long-term liabilities. The face amount of debt issued is reported as other financing sources and payment of principal is reported as an expenditure. Bond premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Equity classifications:

Government-wide statements: Equity is classified as net position and is displayed in three components:

Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on its 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 net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Application of net position: It is the District's policy to first use restricted resources, prior to the use of unrestricted resources, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements: Equity is classified as fund balance and is displayed in the following components:

Nonspendable – consists of amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – consists of amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Business Manager, subject to approval by the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – consists of amounts constrained by the District's intent to use them for a specific purpose that are neither considered restricted or committed. The School Board has assigned fund balances for next year's budget. The Business Manager has the authority to revise the amounts assigned, subject to approval by the School Board.

Unassigned – consists of all amounts not included in other spendable classifications. Due to the funding sources and policies of the District, the general fund is generally the only fund that would report a positive amount in unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide financial statements.

Application of the fund balance: When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The government-wide statement of net position reports \$52,561,859 of restricted net position, of which \$18,467,664 is restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

Extraordinary and special items: Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and that are either unusual in nature or infrequent in occurrence. The District did not report any extraordinary or special items during the year.

Fund equity matters: As of June 30, 2017, the Capital Improvement Plan Project had a deficit fund balance of \$366,381, and the Post-Secondary Food Service Fund had a deficit net position of \$122,988. To address the deficit in the Capital Improvement Plan Project fund balance, the District plans to transfer funds to the Capital Improvement Plan Project from the Capital Outlay fund. To address the deficit in the Post-Secondary Food Service Fund balance, the District plans to make changes in staffing to lower the overall cost of operation and to implement programs to enhance customer traffic and increase sales; any remaining shortfall, as applicable, will be addressed through a transfer from the Post-Secondary Vocational Fund.

Sioux Falls School District 49-5

Notes to Financial Statements

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. Various restrictions on deposits and investments are imposed by statutes. 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 Federal Deposit Insurance Corporation (FDIC) and National Credit Union Association (NCUA). In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA", or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of a depository failure, the District's deposits may not be returned. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk for deposits or investments, but its practice is to follow the State requirements. As of June 30, 2017, \$87,549,227 of the District's bank balance of \$88,262,628 for checking and savings accounts was uninsured but collateralized in accordance with SDCL 4-6A-3.

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. Obligations of the United States government are not considered to be subject to credit risk.

Concentration of credit risk: The District places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. Income from savings accounts and certificates of deposit is recorded in the fund in which the investment is carried. Interest income from checking accounts is recorded in the General Fund.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 3. Accounts Receivable

Current taxes receivable are reported net of an allowance for doubtful accounts of \$38,794 in the General Fund, \$18,326 in the Capital Outlay Fund, and \$8,279 in the Special Education Fund.

Delinquent taxes receivable are reported net of an allowance for doubtful accounts of \$159,068 in the General Fund, \$51,019 in the Capital Outlay Fund, \$26,405 in the Special Education Fund, \$70,459 in the Debt Service Fund, and \$5,215 in the Pension Fund.

Accounts receivable are reported net of an allowance for doubtful accounts of \$459,628 in the Post-Secondary Vocational Fund, \$101,946 in the Post-Secondary Bookstore Fund, and \$16,741 in the Post-Secondary Childcare Fund.

An allowance is provided for student accounts receivable in the Post-Secondary funds when the accounts are 120 days past due. Student accounts are written off as uncollectible at the time management determines them unlikely to be collected, which is generally 365 days past due.

Note 4. Interfund Receivables, Payables and Transfers

At June 30, 2017, interfund receivables and payables were as follows:

Fund:	Interfund	
	Receivable	Payable
General	\$ -	\$ 2,061,501
Capital outlay	151,120	-
Special education	-	538,369
Post-Secondary	404,886	176,332
Food service	-	73,228
Nonmajor governmental	-	151,120
Nonmajor enterprise	-	482,213
Internal service	2,929,100	2,343
	<u>\$ 3,485,106</u>	<u>\$ 3,485,106</u>

The interfund receivable and payable balances consist of: 1) Medical insurance premiums withheld from employee paychecks plus the District's share at year end that will be paid to the Group Health Insurance Internal Service Fund after year end; and 2) \$34,768 paid by the Post-Secondary Vocational Fund to the Post-Secondary Childcare Fund to cover a negative cash balance and \$370,118 paid by the Post-Secondary Vocational Fund to the Post-Secondary Food Service Fund to cover a negative cash balance.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 4. Interfund Receivables, Payables and Transfers (Continued)

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

	Transfers to		
	General Fund	Nonmajor Governmental	Nonmajor Enterprise
Transfers from:			
Nonmajor Governmental	\$ 1,505,989	\$ -	\$ -
Capital Outlay Fund	2,560,000	1,900,000	-
Post-Secondary Vocational Fund	-	-	19,090
	<u>\$ 4,065,989</u>	<u>\$ 1,900,000</u>	<u>\$ 19,090</u>

During the year ended June 30, 2017, the Post-Secondary Vocational Fund transferred \$19,090 to the Post-Secondary TSI Fund to complete the close out of the fund.

In addition, the Bond Redemption Fund transferred \$11,795 to the General Fund to cover the costs of defeasing the 2004B General Obligation Bonds in the prior year, and the Pension Fund transferred \$1,494,194 to the General Fund to cover Early Retirement costs.

Also, the Capital Outlay Fund transferred \$2,560,000 to the General Fund to cover allowable bus transportation costs, and transferred \$1,900,000 to the Capital Improvement Plan Project fund to cover the costs of the planned capital outlays in that fund.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Transfers In	Additions	Transfers and Retirements	Balance June 30, 2017
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 11,413,397	\$ -	\$ 209,400	\$ -	\$ 11,622,797
Construction in progress	14,862,505	-	7,328,118	12,054,883	10,135,740
Total capital assets not being depreciated	26,275,902	-	7,537,518	12,054,883	21,758,537
Capital assets being depreciated:					
Buildings	355,078,882	11,955,433	4,800,037	-	371,834,352
Improvements other than buildings	18,144,312	99,450	2,226,136	20,590	20,449,308
Machinery and equipment	34,436,696	467,652	1,651,189	391,447	36,164,090
	407,659,890	12,522,535	8,677,362	412,037	428,447,750
Less accumulated depreciation for:					
Buildings	117,591,076	-	8,461,222	-	126,052,298
Improvements other than buildings	10,525,271	-	934,824	19,208	11,440,887
Machinery and equipment	22,827,499	371,660	2,412,932	332,548	25,279,543
	150,943,846	371,660	11,808,978	351,756	162,772,728
Total capital assets being depreciated, net	256,716,044	12,150,875	(3,131,616)	60,281	265,675,022
Governmental activities capital assets, net	\$ 282,991,946	\$ 12,150,875	\$ 4,405,902	\$ 12,115,164	\$ 287,433,559
Instruction					\$ 9,684,203
Support services					1,340,952
Co-curricular					783,823
Total depreciation expense, governmental activities					\$ 11,808,978

Sioux Falls School District 49-5

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Balance June 30, 2016	Transfers and Additions	Transfers and Retirements	Balance June 30, 2017
Business-type activities:				
Capital assets being depreciated:				
Building improvements	\$ 5,886,546	\$ -	\$ -	\$ 5,886,546
Improvements other than buildings	6,866	-	-	6,866
Machinery and equipment	5,849,984	346,698	821,132	5,375,550
	<u>11,743,396</u>	<u>346,698</u>	<u>821,132</u>	<u>11,268,962</u>
Less accumulated depreciation for:				
Building improvements	2,902,085	191,255	-	3,093,340
Improvements other than buildings	3,594	343	-	3,937
Machinery and equipment	4,424,361	194,374	663,417	3,955,318
	<u>7,330,040</u>	<u>385,972</u>	<u>663,417</u>	<u>7,052,595</u>
Business-type activity capital assets, net	<u>\$ 4,413,356</u>	<u>\$ (39,274)</u>	<u>\$ 157,715</u>	<u>\$ 4,216,367</u>
Food services				\$ 352,359
Community services				10,994
Bookstore services				20,177
Instruction				<u>2,442</u>
Total depreciation expense, business-type activities				<u><u>\$ 385,972</u></u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017, are as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Capital outlay certificates	\$ 137,650,000	\$ -	\$ 6,535,000	\$ 131,115,000	\$ 8,480,000
Plus: unamortized premium	2,686,006	-	751,012	1,934,994	-
Less: unamortized discount	(420,174)	-	(22,845)	(397,329)	-
Total capital outlay certificates	139,915,832	-	7,263,167	132,652,665	8,480,000
Other postemployment benefits:					
Other postemployment benefits	3,874,585	624,084	-	4,498,669	-
Early retirement plan obligation	2,533,042	1,838,181	1,368,051	3,003,172	1,117,600
Accrued vacation	1,811,270	1,357,463	1,246,155	1,922,578	1,922,578
Governmental activities long-term liabilities	\$ 148,134,729	\$ 3,819,728	\$ 9,877,373	\$ 142,077,084	\$ 11,520,178
Business-type activities:					
Accrued vacation	\$ 122,585	\$ 105,535	\$ 86,196	\$ 141,924	\$ 141,924
Other postemployment benefits	54,415	32,916	-	87,331	-
Business-type activities long-term liabilities	\$ 177,000	\$ 138,451	\$ 86,196	\$ 229,255	\$ 141,924

Capital outlay certificates: The capital outlay certificates are a limited general obligation debt which are payable from tax levies of the capital outlay fund. The debt service for the certificates is accounted for in the capital outlay fund. The certificates bear interest at fixed rates, which vary based upon maturity date. A summary of the certificates outstanding at June 30, 2017, is as follows:

Issue	Issue Date	Final Maturity		Interest Rate	Balance
		Date	Date		
2009	7/23/09	7/1/29		2.50%-6.25%	\$ 14,625,000
2010	9/24/10	7/1/22		1.00%-3.00%	6,230,000
2011	7/1/11	1/1/31		2.05%-5.00%	30,565,000
2012	9/18/12	1/1/26		2.00%-4.00%	19,075,000
2013	9/12/13	7/1/33		2.00%-4.50%	47,535,000
2015	10/15/15	7/1/35		2.00%-5.00%	13,085,000
					<u>\$ 131,115,000</u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for capital outlay certificates at June 30, 2017, are as follows:

Years ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 8,480,000	\$ 5,364,481	\$ 13,844,481
2019	8,750,000	5,040,325	13,790,325
2020	9,035,000	4,695,040	13,730,040
2021	8,940,000	4,347,462	13,287,462
2022	9,245,000	3,982,296	13,227,296
2023-2027	43,165,000	14,364,791	57,529,791
2028-2032	34,610,000	5,606,346	40,216,346
2033-2037	8,890,000	466,507	9,356,507
Total	<u>\$ 131,115,000</u>	<u>\$ 43,867,248</u>	<u>\$ 174,982,248</u>

Other postemployment benefits: See Note 8 for a description of the liability for other postemployment benefits. Other postemployment benefits typically are liquidated from the applicable fund.

Early retirement plan obligation: See Note 11 for a description of the liability under the early retirement plan. Early retirement benefits typically are liquidated from the applicable fund.

Accrued vacation: Accrued vacation is typically liquidated from the fund in which the related wages are recognized.

Legal debt margin: The District's legal debt limit is approximately \$1,049,600,000 (10 percent of assessed valuation). At June 30, 2017, the District's available debt capacity is approximately \$913,600,000.

Subsequent debt issuance: In November, 2017, the District issued \$66,180,000 of Limited Tax Capital Outlay Refunding Certificates (Series 2017). These certificates mature from fiscal year 2019 to 2034 and bear interest from 1.375 percent to 5.00 percent. The proceeds were used to refund the Series 2009B certificates maturing in fiscal years 2020 through 2030, the Series 2011A certificates maturing in fiscal years 2022 through 2031, and the Series 2013 certificates maturing in fiscal years 2023 through 2033.

Note 7. Long-Term Liabilities – Component Unit

Changes in long-term liabilities for the component unit for the year ended December 31, 2016, are as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Revenue bonds	\$ 4,583,017	\$ -	\$ 4,583,017	\$ -	\$ -
Bank note payable	-	3,900,000	99,239	3,800,761	130,085
Total	<u>\$ 4,583,017</u>	<u>\$ 3,900,000</u>	<u>\$ 4,682,256</u>	<u>\$ 3,800,761</u>	<u>\$ 130,085</u>

Sioux Falls School District 49-5

Notes to Financial Statements

Note 7. Long-Term Liabilities – Component Unit (Continued)

Series 2002A Multi-Family Housing Revenue Bonds with a balance of \$1,980,000 were issued August, 2002 by the South Dakota Housing Development Authority (Authority) with the proceeds loaned to the Housing Foundation pursuant to a loan agreement between the Housing Foundation, the Authority, and Wells Fargo Bank Minnesota, NA, as trustee, and a leasehold mortgage. The bonds bear interest from 2.00 percent to 5.35 percent and are due in installments from August, 2004 to August, 2033. Series 2004A Multi-Family Housing Revenue Bonds with a December 31, 2015, balance of \$2,603,017 were issued beginning in October, 2004, by the Authority with the proceeds loaned to the Housing Foundation pursuant to a loan agreement between the Housing Foundation, the Authority, and Citicorp North America, Inc., as trustee, and a leasehold mortgage. The bonds bear interest at 6.15 percent and are due in installments from August, 2006 to August, 2033. Both series of bonds were repaid in April 2016 with proceeds from a new bank note payable.

The bank note includes interest at 3.98 percent for five years and variable interest thereafter at 3 percent over the U.S. Treasury Securities Rate Adjusted to a Constant Maturity of one year, including an interest rate floor of 3.25 percent and ceiling of 6.25 percent. The loan is due on demand. If no demand is made, the loan is due in 59 monthly installments of \$23,711, followed by 60 monthly payments at an initial amount of \$22,742, and matures in a final balloon payment in April 2026 at an initial amount of \$2,330,140.

If no demand is made, annual debt service requirements to maturity for the bank note at December 31, 2016, are as follows:

	Component Unit		
	Principal	Interest	Total
Years ending December 31,			
2017	\$ 130,085	\$ 154,453	\$ 284,538
2018	135,441	149,096	284,537
2019	141,018	143,519	284,537
2020	146,825	137,712	284,537
2021	152,871	131,666	284,537
2022-2026	3,094,521	1,053,005	4,147,526
Total	\$ 3,800,761	\$ 1,769,451	\$ 5,570,212

Note 8. Other Postemployment Benefits

The District reflects an actuarially determined liability for the present value of projected retirement group health benefits for retired and active employees in the financial statements.

Plan description: The District maintains a group health self-insurance fund and contracts with an insurance company to provide life insurance benefits for active employees and their eligible dependents. In addition, retirees meeting eligibility requirements are allowed to remain on the medical and life insurance plans by paying 102 percent of the active employee premium through age 65. Eligibility for retiree benefits is established and amended through collective bargaining with each employee group. SDCL 13-10-3 allows any school district to provide group health and life insurance for its employees and their immediate families and former employees that have retired. The liability exists because of an implicit subsidy of costs of the benefits to retirees by the District. As of the valuation date of July 1, 2015, there were 2,638 active employees and 203 retirees covered by the plans.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

Funding policy: The District funds the other post-retirement benefits on a pay-as-you-go basis. Because the District does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Annual OPEB cost and net OPEB obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined. 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 un-funded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2017, changes in the District's net OPEB obligation, and the percentage of the annual OPEB cost contributed to the plan.

	<u>Governmental and Business- Type Activities</u>
Annual required contribution	\$ 1,366,000
Interest on net OPEB obligation	131,000
Adjustment to annual required contribution	<u>(117,000)</u>
Annual OPEB cost (expense)	1,380,000
Contributions made	<u>(723,000)</u>
Increase in net OPEB obligation	657,000
OPEB obligation - beginning	<u>3,929,000</u>
OPEB obligation - ending	<u><u>\$ 4,586,000</u></u>
Percentage of annual OPEB cost contributed	<u><u>52.4%</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 1,380,000	52.4%	\$ 4,586,000
June 30, 2016	1,380,000	52.4%	3,929,000
June 30, 2015	1,101,000	66.4%	3,272,000
June 30, 2014	1,101,000	66.4%	2,902,000

Funded status: As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016, through June 30, 2017, the District's unfunded actuarial accrued liability (UAAL) was \$14,280,000. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2016-2017 fiscal year was \$129,841,687 for a ratio of the UAAL to covered payroll of 11.0 percent.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

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, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2016, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a rate of 4.0 percent to discount expected liabilities to the valuation date. The initial healthcare trend rate was 7.5 percent for both medical and prescription drugs, reduced by 0.5 percent each year to an ultimate rate of 4.5 percent. Mortality rates are based on the RP-2014 Generational Table using MP 2015 Projection Scale, applied on a gender-specific basis, and retirement probability is based on the District's historical experience and data from the South Dakota Retirement System. Expected annual medical claim costs were developed from a combination of historical claim experience and manual claim costs developed using a representative database. The UAAL is being amortized as a level percentage of projected payroll over 30 years, open basis.

Note 9. Commitments and Contingencies

Sick leave: Substantially all employees accumulate sick leave for future use. These accumulations do not vest and are not recognized as expenditures by the District until the leave is used. At June 30, 2017, accumulated unused sick leave was approximately \$44,900,000.

Early retirement: The District's employment contract for teachers and administrative personnel provides for an early retirement benefit as described within Note 11. An estimation of the potential liability for those teachers and administrative personnel that will become eligible in future years to receive this benefit has not been made.

Construction contracts and open purchase orders: At June 30, 2017, there were total commitments of \$1,946,285, \$318,350, \$53,973, \$734,343 and \$614,617 remaining on the construction contracts for the Capital Outlay Fund, Post-Secondary Vocational Fund, Elementary Project Fund, Capital Improvement Plan Project Fund, and Hail Damage Project fund, respectively, for various construction and remodeling commitments. At June 30, 2017, there were commitments for open purchase orders of \$657,168, \$1,679,701, \$875,730, \$268,004, \$21,747 and \$1,030,744 in the General Fund, Capital Outlay Fund, Special Education Fund, Post-Secondary Vocational Fund, Capital Projects Funds and Enterprise Funds, respectively. In addition, there were commitments for equipment and building operating leases of \$1,316,079, \$125,000, \$209,592, and \$27,515 in the General Fund, Special Education Fund, Post-Secondary Vocational Fund, and Reprographhics Fund, respectively.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 9. Commitments and Contingencies (Continued)

Operating leases: The District leases the facilities for a portion of the Southeast Technical Institute from the South Dakota Board of Education. The facilities were constructed with proceeds from bonds issued by the South Dakota Health and Education Facilities Authority (Authority). The South Dakota Board of Education leases the facility from the Authority and then subleases it to the District on a rent-free basis. The lease agreement calls for rental payments coinciding with the bond retirement schedule. Currently, those rentals are being paid from the facility fee fund account maintained by the trustee. It is anticipated that these fees will be sufficient to make the lease payments throughout the term of the leases and therefore no rent expense has been recorded by the District. The facility fee is collected from each student attending the four vocational technical schools in the state. These fees are remitted to the trustee for the purpose of retiring the indebtedness against the facilities constructed at the various vocational-technical schools. The lease term is for 25 years, although there is a cancellation clause for non-appropriation of funds. At the conclusion of the lease, the District and the South Dakota Board of Education have the option of renewing the lease on an annual basis for \$100, subject to the restriction on use of the project for post-secondary vocational-technical education. The District is responsible for all repair and maintenance costs associated with the building. The cost of these facilities is not included in capital assets in the government-wide financial statements since the District does not have, nor will it obtain, ownership of the facilities under the terms of the sublease. The bonds used to construct these facilities are not obligations of the District and are being repaid by fees assessed by the South Dakota Board of Education; therefore, the bonds are not included in these financial statements.

The District leases printers, multi-function devices, and operating space under various leases as of June 30, 2017. Rental expense for the year ended June 30, 2017, was \$701,218.

Lease commitments for the printers, multi-function devices, and operating space as of June 30, 2017, are as follows:

Years ending June 30:

2018	\$	426,124
2019		388,700
2020		319,941
2021		253,802
2022		248,244
Thereafter		41,375
	\$	<u>1,678,186</u>

Legal and other matters: In the ordinary course of business, the District is party to a number of legal proceedings as a plaintiff or defendant; however management does not believe that the ultimate disposition of any of these proceedings will have a material effect on the District's financial position or results of operations.

Note 10. Pension Plan

Plan information: All District employees who meet enrollment qualifications participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer defined-benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained at <http://www.sdrs.gov/publications/>, or by writing to the SDRS, PO Box 1098, Pierre, South Dakota 57501-1098, or by calling 1-605-773-3731.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

Benefits provided: All District participants are Class A members of the SDRS. Class A members who retire at or after age 65 with three years of service or at or after age 55, where age and credited service equal 85, are entitled to an unreduced annual retirement benefit. Class A retirement benefits are determined as 1.7 percent prior to 2008, and 1.55 percent thereafter, of the employee's final three-year average compensation times the employee's years of service. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service are 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 percent or more – 3.1 percent COLA
- If the SDRS market value funded ratio is 80.0 percent to 99.9 percent, index with the CPI
 - 90.0 percent to 99.9 percent funded - 2.1 percent minimum and 2.8 percent maximum COLA
 - 80.0 percent to 89.9 percent funded - 2.1 percent minimum and 2.4 percent maximum COLA
- If the SDRS market value funded ratio is less than 80 percent - 2.1 percent 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. Class A members are required by state statute to contribute 6 percent of their salary to the plan. State statute also requires the District to contribute an amount equal to the member's contribution. State statute also requires the District 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 contribution from the District was \$8,689,253, \$7,970,328, and \$7,772,618, for the years ended June 30, 2017, 2016, and 2015, respectively.

Pension liabilities (assets), pension expense (revenue), and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016, SDRS is 96.89 percent funded, and accordingly, has a net pension liability. The proportionate shares of the components of the net pension liability of SDRS for the District as of June 30, 2016, are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate share of net position restricted for pension benefits	\$ 690,466,996	\$ 44,072,363	\$ 734,539,359
Less proportionate share of total pension liability	712,651,218	45,488,376	758,139,594
Proportionate share of net pension liability	<u>\$ (22,184,222)</u>	<u>\$ (1,416,013)</u>	<u>\$ (23,600,235)</u>

At June 30, 2017, the District reported a liability of \$23,600,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability 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 collective proportion was 0.069866553 percent, which was a decrease of 0.0010855 percent from its proportion measured at June 30, 2015.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$8,691,865. At June 30, 2017, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Governmental Activities	Business-Type Activities	Total
Differences between expected and actual experience	\$ 7,722,819	\$ 492,946	\$ 8,215,765
Changes in assumptions	13,287,297	848,126	14,135,423
Net difference between projected and actual investment earnings on pension plan assets	24,676,352	1,575,086	26,251,438
Changes in proportion	378,398	24,153	402,551
District contributions subsequent to the measurement date	8,167,898	521,355	8,689,253
Total deferred outflows of resources	<u>\$ 54,232,764</u>	<u>\$ 3,461,666</u>	<u>\$ 57,694,430</u>

The District did not report any deferred inflows of resources related to pensions at June 30, 2017.

\$8,689,253 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 related to pensions will be recognized in pension expense over the remaining service life of all system members as follows, with the exception of the differences between estimated and actual investment earnings, which are amortized over five years:

	Governmental Activities	Business-Type Activities	Total
Years ending June 30:			
2017	\$ 12,439,638	\$ 794,020	\$ 13,233,658
2018	7,568,964	483,125	8,052,089
2019	15,737,028	1,004,491	16,741,519
2020	10,319,236	658,675	10,977,911
	<u>\$ 46,064,866</u>	<u>\$ 2,940,311</u>	<u>\$ 49,005,177</u>

Actuarial assumptions: The total pension liability 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%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

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

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

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:

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

Discount rate: The discount rate used to measure the total pension asset was 7.25 percent through 2017 and 7.50 percent 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 will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

Sensitivity of 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 percent through 2017 and 7.50 percent 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 percent) or 1-percentage point higher (8.25/8.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of net pension liability (asset)	\$ 132,066,602	\$ 23,600,235	\$ (64,865,736)

Pension plan fiduciary net position: Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report which can be found at <http://sdrs.sd.gov>.

Note 11. Early Retirement Plan

The District has an employment contract which provides for an early retirement cash benefit of up to 90 percent of current contract salaries to teachers and administrative personnel who retire after having met certain age and length-of-service requirements. To collect these benefits, notification must be given no later than February 1st of the year in which such retirement will occur. Currently, 130 retirees are receiving benefits under this provision. An additional 127 employees are expected to be eligible for early retirement benefits by February 1, 2018, not all of whom are expected to elect early retirement. The benefit is paid in five annual installments due June 30 of each year and is paid in to a Special Pay Plan as a 403(b) tax-sheltered contribution and/or transferred to the District's Payroll Withholding Fund to be used to fund future medical insurance premiums. The early retirement benefits are funded from the applicable fund on a pay-as-you-go basis and are recorded as a liability in the government-wide financial statements at the time an employee elects early retirement.

Benefits paid during the year ended June 30, 2017, were \$1,370,785. The liability for future payments is \$3,003,172 and is payable in the following years: 2018 \$1,117,600; 2019 \$889,779; 2020 \$628,157; and 2021 \$367,636.

Note 12. Risk Management

General: 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; employee health; and natural disasters. The District carries commercial insurance for insurable risks of loss except for employee health insurance and unemployment claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Worker's compensation: The School District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage the past three years.

Unemployment insurance: The District has the option of funding for unemployment payments by either making payments to the state fund or by self-insuring. The District has elected to self-insure and pays unemployment claims from the applicable fund. The District paid \$10,896 of unemployment insurance claims during the year ended June 30, 2017.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 12. Risk Management (Continued)

Group health insurance: The District has established a group health self-insurance fund to pay for medical claims of District employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$300,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding \$300,000 with an unlimited maximum are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2017 and 2016 were as follows:

	2017	2016
Benefit claims payable, at beginning of year	\$ 3,300,000	\$ 3,300,000
Employee health and related benefits incurred, including changes in estimates	29,783,621	26,966,701
Employee health and related benefits paid	(29,783,621)	(26,966,701)
Benefit claims payable, at end of year	<u>\$ 3,300,000</u>	<u>\$ 3,300,000</u>

Note 13. Pending GASB Statements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and will be effective for the District beginning with its year ended June 30, 2018. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The District's management anticipates the adoption of this Statement will require recognition of the entire OPEB liability, including a more comprehensive measure of OPEB expense, and include expanded disclosure requirements in the District's financial statements.

GASB 83 *Certain Asset Retirement Obligations* is effective of the District for the year ending June 30, 2019. Statement 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. Under Statement 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The guidance also identifies the circumstances that trigger recognition of these transactions. The District's management has not yet determined the impact that the adoption of this Statement will have on its financial statements.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 13. Pending GASB Statements (Continued)

GASB 84 *Fiduciary Activities* is effective for the District for the year ending June 30, 2021. Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement 84 provides that governments should report activities meeting certain criteria in a fiduciary fund in the basic financial statements and present a statement of fiduciary net position and a statement of changes in fiduciary net position. Statement 84 also describes four fiduciary funds that should be reported, if applicable: pension/employee benefit trust funds; investment trust funds; private purpose trust funds; and custodial funds with fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The District's management has not yet determined the impact that the adoption of this Statement will have on its financial statements.

GASB 85 *Omnibus 2017* is effective for the district for the year ending June 30, 2018. Statement 85 addresses issues found during the application of:

- Blending a component unit in circumstances in which the primary government is a business-type activity reporting in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension and other postemployment benefits (OPEB) liabilities and related expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements; and
- Simplifying certain aspects of the alternative measurement method for OPEB.

The District's management does not anticipate that the adoption of this Statement will have a material impact on its financial statements.

GASB 86 *Certain Debt Extinguishment Issues* will be effective for the District for the year ending June 30, 2018. Statement 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Under Superceded Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, government entities must consider debt to be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be use/d solely for satisfying scheduled payments of both principal and interest of the defeased debt. Statement 86 generally follows the same requirements as Statement 7 when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. When a qualifying debt refunding occurs, the District's management anticipates that the adoption of this statement will require its government-wide and proprietary fund statements to recognize the gain or loss on a debt defeasance in the period of defeasance.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 13. Pending GASB Statements (Continued)

GASB 87 *Leases* will be effective for the District beginning with its fiscal year ending June 30, 2021. Among other things, Statement 87 requires that government lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability and (c) note disclosures about the lease.

Under Statement 87, government lessors must:

- Recognize: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable; and (c) note disclosures about the lease.

The District's management is currently evaluating the impact the adoption of this Statement will have on its financial statements.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Taxes	\$ 66,754,260	\$ 66,754,260	\$ 67,205,678	\$ 451,418
Tuition and fees	362,983	367,201	495,865	128,664
Earnings on investments and deposits	150,000	150,000	228,684	78,684
Co-curricular activities	258,200	259,300	201,739	(57,561)
Other	1,890,000	5,916,687	6,399,742	483,055
Total local sources	69,415,443	73,447,448	74,531,708	1,084,260
Intermediate sources, county apportionment	1,020,000	1,020,000	966,024	(53,976)
State sources:				
Unrestricted grants in aid:				
State aid	71,203,491	71,203,491	71,183,613	(19,878)
State apportionment	1,800,000	1,800,000	1,771,730	(28,270)
Bank franchise taxes	1,620,000	3,120,000	3,069,919	(50,081)
Restricted grants in aid	41,000	70,268	100,160	29,892
Other	-	4,163	91,314	87,151
Total state sources	74,664,491	76,197,922	76,216,736	18,814
Federal sources:				
Restricted grants in aid:				
Received directly from federal government	2,615,135	2,671,544	2,707,110	35,566
Received from federal government through the state	7,977,465	9,213,350	9,067,139	(146,211)
Other federal revenue	22,000	26,000	16,802	(9,198)
Total federal sources	10,614,600	11,910,894	11,791,051	(119,843)
Other	208,511	210,866	227,246	16,380
Total revenues	155,923,045	162,787,130	163,732,765	945,635
Expenditures:				
Instruction:				
Regular programs:				
Elementary programs	42,598,347	42,928,907	43,490,396	(561,489)
Middle school programs	20,695,494	20,859,108	21,211,413	(352,305)
High school programs	24,511,241	25,120,266	25,481,710	(361,444)
Total regular programs	87,805,082	88,908,281	90,183,519	(1,275,238)

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Special programs:				
Programs for the gifted and talented	745,282	763,268	821,553	(58,285)
Programs for the culturally different	4,621,152	4,635,396	4,622,068	13,328
Programs for the educationally deprived	4,611,071	5,125,974	4,817,192	308,782
Other	2,229,024	6,772,084	5,213,209	1,558,875
Total special programs	12,206,529	17,296,722	15,474,022	1,822,700
Total instruction	100,011,611	106,205,003	105,657,541	547,462
Support services:				
Pupils:				
Attendance and social work services	711,401	714,470	711,753	2,717
Guidance services	4,827,809	4,834,676	4,999,683	(165,007)
Health services	1,088,005	1,086,104	1,181,051	(94,947)
Total pupils	6,627,215	6,635,250	6,892,487	(257,237)
Instructional staff:				
Improvement of instructional services	5,025,638	5,271,080	5,164,263	106,817
Educational media services	2,988,796	3,037,078	3,312,187	(275,109)
Total instructional staff	8,014,434	8,308,158	8,476,450	(168,292)
General and administrative:				
Board of Education services	1,006,508	1,006,508	1,047,019	(40,511)
Executive administration services	1,629,560	1,630,532	1,834,451	(203,919)
Total general and administrative	2,636,068	2,637,040	2,881,470	(244,430)
School administration:				
Office of the principal services	10,740,680	10,808,838	11,020,461	(211,623)
Other	1,223,127	1,241,028	1,126,369	114,659
Total school administration	11,963,807	12,049,866	12,146,830	(96,964)
Business:				
Fiscal services	1,519,720	1,520,396	1,437,789	82,607
Operation and maintenance of plant	17,716,982	17,717,375	16,812,581	904,794
Pupil transportation services	4,126,223	4,635,653	4,913,038	(277,385)
Food services	239,568	689,686	772,234	(82,548)
Internal services	1,000	1,000	12,085	(11,085)
Total business	23,603,493	24,564,110	23,947,727	616,383

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Central:				
Planning and research	341,725	341,725	287,773	53,952
Data processing services	2,638,758	2,668,319	2,647,231	21,088
Total central	<u>2,980,483</u>	<u>3,010,044</u>	<u>2,935,004</u>	<u>75,040</u>
Total support services	<u>55,825,500</u>	<u>57,204,468</u>	<u>57,279,968</u>	<u>(75,500)</u>
Community services:				
Nonpublic schools	173,267	173,767	155,107	18,660
Other	917	917	1,235	(318)
Total community services	<u>174,184</u>	<u>174,684</u>	<u>156,342</u>	<u>18,342</u>
Nonprogrammed charges:				
Unemployment payments	25,000	25,000	6,536	18,464
Early retirement payments	1,070,905	1,190,905	1,181,885	9,020
Total nonprogrammed charges	<u>1,095,905</u>	<u>1,215,905</u>	<u>1,188,421</u>	<u>27,484</u>
Co-curricular activities:				
Male activities	1,046,659	1,300,775	1,254,631	46,144
Female activities	902,227	1,046,316	975,399	70,917
Combined activities	832,877	2,522,854	2,548,720	(25,866)
Total co-curricular activities	<u>2,781,763</u>	<u>4,869,945</u>	<u>4,778,750</u>	<u>91,195</u>
Other	231,927	506,267	488,516	17,751
Total expenditures	<u>160,120,890</u>	<u>170,176,272</u>	<u>169,549,538</u>	<u>626,734</u>
Revenues over (under) expenditures	<u>(4,197,845)</u>	<u>(7,389,142)</u>	<u>(5,816,773)</u>	<u>1,572,369</u>
Other financing sources, transfers in	1,486,101	4,060,000	4,065,989	5,989
Net change in fund balances	<u>(2,711,744)</u>	<u>(3,329,142)</u>	<u>(1,750,784)</u>	<u>1,578,358</u>
Fund balance - beginning	16,900,632	16,900,632	16,900,632	-
Fund balance - ending	<u>\$ 14,188,888</u>	<u>\$ 13,571,490</u>	<u>\$ 15,149,848</u>	<u>\$ 1,578,358</u>

See notes to required supplementary information.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Capital Outlay Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Taxes	\$ 29,881,634	\$ 29,881,634	\$ 30,123,216	\$ 241,582
Tuition and fees	43,659	43,659	50,285	6,626
Earnings on investments and deposits	35,000	35,000	41,843	6,843
Other	64,000	347,785	381,556	33,771
Total local sources	30,024,293	30,308,078	30,596,900	288,822
State sources, restricted grants in aid	-	26,000	26,013	13
Federal sources:				
Restricted grants in aid:				
Received directly from federal government	-	-	1,295	1,295
Received from federal government through the state	-	21,375	385,606	364,231
Other federal revenue	328,308	568,777	696,813	128,036
Total federal sources	328,308	590,152	1,083,714	493,562
Total revenues	30,352,601	30,924,230	31,706,627	782,397
Expenditures:				
Instruction:				
Regular programs:				
Elementary programs	1,438,975	1,607,824	1,441,891	165,933
Middle school programs	375,681	976,210	1,025,752	(49,542)
High school programs	1,777,595	1,918,209	1,869,021	49,188
Total regular programs	3,592,251	4,502,243	4,336,664	165,579
Special programs:				
Programs for the mild disabilities	-	-	70,513	(70,513)
Programs for severe disabilities	-	-	192,277	(192,277)
Day programs	-	800	-	800
Early childhood programs	-	-	2,793	(2,793)
Other	31,259	44,071	30,458	13,613
Total special programs	31,259	44,871	296,041	(251,170)
Total instruction	3,623,510	4,547,114	4,632,705	(85,591)
Support services:				
Pupils:				
Health services	5,000	5,000	550	4,450
Speech pathology services	-	-	17,688	(17,688)
Student therapy services	-	-	14,665	(14,665)
Total pupils	5,000	5,000	32,903	(27,903)

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Capital Outlay Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Instructional staff:				
Improvement of instructional services	-	-	1,537	(1,537)
Educational media services	12,789	14,239	20,540	(6,301)
Total instructional staff	12,789	14,239	22,077	(7,838)
General and administrative, executive administration services				
	-	-	1,175	(1,175)
School administration:				
Office of the principal services	48,003	56,028	40,902	15,126
Other	-	-	2,521	(2,521)
Total school administration	48,003	56,028	43,423	12,605
Business:				
Fiscal services	25,618	25,618	29,960	(4,342)
Facilities acquisition	6,629,378	9,430,255	8,726,295	703,960
Operation and maintenance of plant	430,000	435,000	380,920	54,080
Pupil transportation services	2,563,200	2,803,669	285,383	2,518,286
Total business	9,648,196	12,694,542	9,422,558	3,271,984
Central:				
Planning and research	16,584	16,584	10,037	6,547
Data processing services	446,058	967,323	938,812	28,511
Total central	462,642	983,907	948,849	35,058
Total support services	10,176,630	13,753,716	10,470,985	3,282,731
Nonprogrammed charges, payments to other educational institutions	618,068	618,068	625,687	(7,619)
Debt service	12,262,976	12,262,976	12,262,974	2
Co-curricular activities:				
Male activities	63,213	86,062	77,041	9,021
Female activities	32,413	39,113	35,488	3,625
Combined activities	13,920	58,477	52,119	6,358
Total co-curricular activities	109,546	183,652	164,648	19,004
Total expenditures	26,790,730	31,365,526	28,156,999	3,208,527
Revenues over (under) expenditures	3,561,871	(441,296)	3,549,628	3,990,924

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Capital Outlay Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers out	-	(1,900,000)	(4,460,000)	(2,560,000)
Sale of surplus property	-	26,265	47,335	21,070
Total other financing sources (uses)	-	(1,873,735)	(4,412,665)	(2,538,930)
Net change in fund balances	3,561,871	(2,315,031)	(863,037)	1,451,994
Fund balance - beginning	12,914,633	12,914,633	12,914,633	-
Fund balance - ending	<u>\$ 16,476,504</u>	<u>\$ 10,599,602</u>	<u>\$ 12,051,596</u>	<u>\$ 1,451,994</u>

See notes to required supplementary information.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Special Education Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Taxes	\$ 12,764,432	\$ 12,764,432	\$ 12,948,203	\$ 183,771
Tuition and fees	137,000	137,000	208,643	71,643
Earnings on investments and deposits	20,000	20,000	51,122	31,122
Other	740,000	743,917	514,071	(229,846)
Total local sources	13,661,432	13,665,349	13,722,039	56,690
State sources:				
Restricted grants in aid	19,732,181	19,732,181	19,608,901	(123,280)
Tuition	30,000	30,000	4,032	(25,968)
Other	-	-	2	2
Total state sources	19,762,181	19,762,181	19,612,935	(149,246)
Federal sources, received from federal government through the state				
	8,166,000	8,166,000	7,782,320	(383,680)
Total revenues	41,589,613	41,593,530	41,117,294	(476,236)
Expenditures:				
Instruction:				
Special programs:				
Programs for mild disabilities	18,279,570	18,298,922	16,007,093	2,291,829
Programs for severe disabilities	7,521,802	7,543,441	7,894,006	(350,565)
Day programs	1,967,534	1,975,034	2,364,998	(389,964)
Early childhood programs	1,662,956	1,662,956	1,735,338	(72,382)
Prolonged assistance programs	408,473	407,104	459,485	(52,381)
Other	1,500,989	1,500,989	1,748,149	(247,160)
Total special programs	31,341,324	31,388,446	30,209,069	1,179,377
Total instruction	31,341,324	31,388,446	30,209,069	1,179,377
Support services:				
Pupils:				
Health services	10,000	10,000	22,073	(12,073)
Speech pathology services	2,115,962	2,115,962	2,246,963	(131,001)
Student therapy services	1,878,244	1,878,244	1,811,382	66,862
Orientation and mobility services	137,772	137,772	121,867	15,905
Total pupils	4,141,978	4,141,978	4,202,285	(60,307)

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Special Education Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Instructional staff, improvement of instructional services	56,223	56,223	44,234	11,989
Special education:				
Administrative costs	1,793,975	1,792,178	2,519,228	(727,050)
Transportation costs	2,088,022	2,088,022	2,288,596	(200,574)
Other	3,589,889	3,597,875	2,838,765	759,110
Total special education	7,471,886	7,478,075	7,646,589	(168,514)
Total support services	11,670,087	11,676,276	11,893,108	(216,832)
Nonprogrammed charges, early retirement payments	228,000	228,000	93,221	134,779
Total expenditures	43,239,411	43,292,722	42,195,398	1,097,324
Revenues over (under) expenditures	(1,649,798)	(1,699,192)	(1,078,104)	621,088
Net change in fund balances	(1,649,798)	(1,699,192)	(1,078,104)	621,088
Fund balance - beginning	5,952,750	5,952,750	5,952,750	-
Fund balance - ending	\$ 4,302,952	\$ 4,253,558	\$ 4,874,646	\$ 621,088

See notes to required supplementary information.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Post-Secondary Vocational Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Tuition and fees	\$ 12,009,298	\$ 12,009,298	\$ 11,523,105	\$ (486,193)
Earnings on investments and deposits	15,000	15,000	22,329	7,329
Other	392,421	421,428	499,635	78,207
Total local sources	12,416,719	12,445,726	12,045,069	(400,657)
State sources:				
Restricted grants in aid	6,697,980	6,697,980	6,886,778	188,798
Other	1,033,240	2,544,990	2,499,627	(45,363)
Total state sources	7,731,220	9,242,970	9,386,405	143,435
Federal sources:				
Restricted grants in aid:				
Received from federal government through the state	828,052	828,052	841,762	13,710
Other federal revenue	940,461	940,461	1,046,340	105,879
Total federal sources	1,768,513	1,768,513	1,888,102	119,589
Total revenues	21,916,452	23,457,209	23,319,576	(137,633)
Expenditures:				
Instruction:				
Adult/continuing education programs:				
Adult basic education programs	283,159	283,159	273,482	9,677
Adult continuing education programs	80,838	80,838	64,579	16,259
Total adult/continuing education programs	363,997	363,997	338,061	25,936
Post-secondary occupational programs	12,490,780	12,519,787	12,424,971	94,816
Total instruction	12,854,777	12,883,784	12,763,032	120,752
Support services:				
Pupils, guidance services	225,570	225,570	266,146	(40,576)
Instructional staff, improvement of instructional services	1,218,920	1,218,920	1,049,230	169,690

(continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Post-Secondary Vocational Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
General and administrative, board of education services	216,500	216,500	213,380	3,120
School administration, other	3,287,180	3,287,180	3,426,649	(139,469)
Business:				
Fiscal services	800,604	800,604	800,852	(248)
Facilities acquisition	1,966,596	3,478,346	3,426,010	52,336
Operation and maintenance of plant	1,772,713	1,772,713	1,691,876	80,837
Total business	4,539,913	6,051,663	5,918,738	132,925
Central, data processing services	1,458,682	1,458,682	1,339,640	119,042
Total support services	10,946,765	12,458,515	12,213,783	244,732
Nonprogrammed charges:				
Early retirement payments	31,898	31,898	73,461	(41,563)
Unemployment payments	-	-	4,360	(4,360)
Total nonprogrammed charges	31,898	31,898	77,821	(45,923)
Co-curricular activities, combined activities	10,223	10,223	9,595	628
Total expenditures	23,843,663	25,384,420	25,064,231	320,189
Revenues over (under) expenditures	(1,927,211)	(1,927,211)	(1,744,655)	182,556
Other financing sources (uses):				
Transfers out	-	-	(19,090)	(19,090)
Sale of surplus property	-	-	74,431	74,431
Total other financing sources (uses)	-	-	55,341	55,341
Net change in fund balances	(1,927,211)	(1,927,211)	(1,689,314)	237,897
Fund balance - beginning	6,959,887	6,959,887	6,959,887	-
Fund balance - ending	\$ 5,032,676	\$ 5,032,676	\$ 5,270,573	\$ 237,897

See notes to required supplementary information.

Sioux Falls School District 49-5

**Schedule of Funding Progress for Other Postemployment Benefits
June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified 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)
July 1, 2015	\$ -	\$ 14,280,000	\$ 14,280,000	0.0%	\$ 129,841,687	11.0%
July 1, 2013	-	11,121,000	11,121,000	0.0%	121,523,622	9.2%
July 1, 2011	-	13,092,000	13,092,000	0.0%	106,508,973	12.3%

The District has elected to have biennial valuations performed.

Sioux Falls School District 49-5

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)

South Dakota Retirement System

Last 3 Fiscal Years *

	2015	2016	2017
District's proportion of the net pension liability (asset)	7.082%	7.095%	6.987%
District's proportionate share of net pension liability (asset)	\$ (51,024,154)	\$ (30,092,793)	\$ 23,600,235
District's covered-employee payroll (approximately)	\$ 129,193,000	\$ 132,577,000	\$ 144,439,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-39.49%	-22.70%	16.34%
Plan fiduciary net position as a percentage of the total pension liability (asset)	-107.3%	-104.1%	96.89%

*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 previous fiscal year.

Sioux Falls School District 49-5

Schedule of District Contributions

South Dakota Retirement System

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	\$ 6,100	\$ 6,458	\$ 6,819	\$ 7,048	\$ 6,731	\$ 6,814	\$ 7,431	\$ 7,773	\$ 7,970	\$ 8,689
Contributions in relation to the contractually required contribution	6,100	6,458	6,819	7,048	6,731	6,814	7,431	7,773	7,970	8,689
Contribution deficiency (excess)	\$ -									
District's covered-employee payroll	\$ 101,491	\$ 107,461	\$ 113,457	\$ 117,203	\$ 111,865	\$ 113,340	\$ 123,553	\$ 129,193	\$ 132,577	\$ 144,439
Contributions as a percentage of covered-employee payroll	6.01%	6.01%	6.01%	6.01%	6.02%	6.01%	6.01%	6.02%	6.01%	6.02%

Sioux Falls School District 49-5

Notes to Required Supplementary Information

Note 1. Budget Matters

The District's Board annually adopts a budget and approves the related appropriations for the general fund, special revenue funds and proprietary funds in accordance with provisions of South Dakota codified law. Budgets were also adopted for all capital projects funds. The appropriated budget amounts are, in all material respects, prepared on the same basis of accounting used to prepare the fund financial statements.

Legal spending control for District monies is at the fund level, but management control is exercised at the budgetary line item levels within each fund. Encumbrance accounting is used by the District during the year. Unexpended budgeted amounts lapse at the end of the budget year.

Note 2. Basis of Presentation

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

Note 3. Changes of Benefit Terms – Pension Liability

No significant changes in benefit terms for the pension liability were disclosed in the actuarial valuation report as of June 30, 2016.

Note 4. Changes of Assumptions – Pension Liability

No significant changes in assumptions for the pension liability were disclosed in the actuarial valuation report as of June 30, 2016.

Sioux Falls School District 49-5

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special	Debt	Capital Projects Funds				Total Nonmajor Governmental Funds
	Revenue Fund	Service Fund	Elementary Project	Capital Improvement Plan Project	Hail Damage Project	Middle School Project	
	Pension	Bond Redemption					
Assets							
Cash	\$ (4,971)	\$ (276)	\$ 503,264	\$ -	\$ 423,315	\$ 8,461	\$ 929,793
Delinquent taxes receivable, net	16,273	98,016	-	-	-	-	114,289
Accounts receivable	-	-	50,000	-	-	-	50,000
Interest receivable	846	5	-	-	-	-	851
Total assets	\$ 12,148	\$ 97,745	\$ 553,264	\$ -	\$ 423,315	\$ 8,461	\$ 1,094,933
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 1,801	\$ 215,261	\$ 232,047	\$ -	\$ 449,109
Due to other funds	-	-	-	151,120	-	-	151,120
Total liabilities	-	-	1,801	366,381	232,047	-	600,229
Deferred inflows of resources, unavailable revenue - property taxes	12,148	97,745	-	-	-	-	109,893
Fund balances:							
Restricted:							
Construction projects	-	-	551,463	(366,381)	-	8,461	193,543
Committed:							
Hail damage project	-	-	-	-	191,268	-	191,268
Total fund balances	-	-	551,463	(366,381)	191,268	8,461	384,811
Total liabilities, deferred inflows of resources and fund balances	\$ 12,148	\$ 97,745	\$ 553,264	\$ -	\$ 423,315	\$ 8,461	\$ 1,094,933

Sioux Falls School District 49-5

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	Special Revenue Fund	Debt Service Fund Bond Redemption	Capital Projects Funds				Total Nonmajor Governmental Funds
			Elementary Project	Capital Improvement Plan Project	Hail Damage Project	Middle School Project	
Revenues							
Local sources:							
Taxes	\$ 1,489,383	\$ 11,242	\$ -	\$ -	\$ -	\$ -	\$ 1,500,625
Earnings on investments and deposits	7,545	1,153	1	356	-	-	9,055
Other	-	-	-	15,000	-	-	15,000
Total local sources	1,496,928	12,395	1	15,356	-	-	1,524,680
Total revenues	1,496,928	12,395	1	15,356	-	-	1,524,680
Expenditures							
Current:							
Instruction:							
Regular Programs, elementary programs	-	-	12,942	-	-	-	12,942
Total instruction	-	-	12,942	-	-	-	12,942
Support services:							
Business:							
Fiscal services	-	600	-	-	-	-	600
Facilities acquisition	-	-	-	51,053	-	-	51,053
Total business	-	600	-	51,053	-	-	51,653
Total support services	-	600	-	51,053	-	-	51,653
Nonprogrammed charges, early retirement payments	2,734	-	-	-	-	-	2,734
Capital outlay	-	-	1,638,294	3,983,465	1,110,742	-	6,732,501
Total expenditures	2,734	600	1,651,236	4,034,518	1,110,742	-	6,799,830
Revenues over (under) expenditures	1,494,194	11,795	(1,651,235)	(4,019,162)	(1,110,742)	-	(5,275,150)
Other financing sources (uses)							
Transfers in	-	-	-	1,900,000	-	-	1,900,000
Transfers out	(1,494,194)	(11,795)	-	-	-	-	(1,505,989)
Compensation for loss of capital assets - hail insurance proceeds	-	-	-	-	475,681	-	475,681
Total other financing sources	(1,494,194)	(11,795)	-	1,900,000	475,681	-	869,692
Net change in fund balances	-	-	(1,651,235)	(2,119,162)	(635,061)	-	(4,405,458)
Fund balance- beginning	-	-	2,202,698	1,752,781	826,329	8,461	4,790,269
Fund balance (deficit) - ending	\$ -	\$ -	\$ 551,463	\$ (366,381)	\$ 191,268	\$ 8,461	\$ 384,811

Sioux Falls School District 49-5

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

	Community Services	House Construction	Post- Secondary Bookstore	Post- Secondary Child Care	Post- Secondary Food Services	Post- Secondary TSI	Totals
Assets and Deferred Outflows of Resources							
Current assets:							
Cash	\$ 2,551,446	\$ 164,332	\$ 638,463	\$ -	\$ -	\$ -	\$ 3,354,241
Accounts receivable	-	-	849,025	7,392	3,754	-	860,171
Inventory and prepaid expenses	-	-	464,323	-	14,319	-	478,642
Total current assets	2,551,446	164,332	1,951,811	7,392	18,073	-	4,693,054
Capital assets:							
Buildings and improvements	-	-	23,720	-	-	-	23,720
Improvements other than building	-	-	-	6,866	-	-	6,866
Machinery and equipment-local funds	128,765	19,521	253,108	15,798	200,420	-	617,612
Less accumulated depreciation	(69,102)	(15,510)	(195,712)	(19,592)	(21,645)	-	(321,561)
Total capital assets (net of accumulated depreciation)	59,663	4,011	81,116	3,072	178,775	-	326,637
Total noncurrent assets	59,663	4,011	81,116	3,072	178,775	-	326,637
Total assets	2,611,109	168,343	2,032,927	10,464	196,848	-	5,019,691
Deferred outflows of resources, pension-related							
deferred outflows	1,439,073	-	46,931	91,441	82,976	-	1,660,421
Total assets and deferred outflows of resources	\$ 4,050,182	\$ 168,343	\$ 2,079,858	\$ 101,905	\$ 279,824	\$ -	\$ 6,680,112
Liabilities, Deferred Inflows of Resources and Net Position							
Current liabilities:							
Accounts payable	\$ 58,289	\$ -	\$ 50,468	\$ -	\$ 2,290	\$ -	\$ 111,047
Accrued wages and related benefits payable	645,265	-	8,616	10,488	13,055	-	677,424
Due to other funds	67,955	-	2,343	40,040	371,875	-	482,213
Total current liabilities	771,509	-	61,427	50,528	387,220	-	1,270,684
Noncurrent liabilities:							
Net OPEB obligation	37,014	-	1,174	2,325	1,715	-	42,228
Net pension liability	619,081	-	18,975	34,692	13,877	-	686,625
Total noncurrent liabilities	656,095	-	20,149	37,017	15,592	-	728,853
Total liabilities	1,427,604	-	81,576	87,545	402,812	-	1,999,537
Net position:							
Invested in capital assets	59,663	4,011	81,116	3,072	178,775	-	326,637
Restricted for SDRS pension	819,992	-	27,956	56,749	69,099	-	973,796
Unrestricted	1,742,923	164,332	1,889,210	(45,461)	(370,862)	-	3,380,142
Total net position	2,622,578	168,343	1,998,282	14,360	(122,988)	-	4,680,575
Total liabilities, deferred inflows of resources and net position	\$ 4,050,182	\$ 168,343	\$ 2,079,858	\$ 101,905	\$ 279,824	\$ -	\$ 6,680,112

Sioux Falls School District 49-5

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2017

	Community Services	House Construction	Post- Secondary Bookstore	Post- Secondary Child Care	Post- Secondary Food Services	Post- Secondary TSI	Totals
Operating revenue:							
Tuition	\$ 4,535,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,535,753
Bookstore sales	-	-	2,521,226	-	-	-	2,521,226
Other	1,819,699	-	8,859	273,913	151,517	-	2,253,988
Total operating revenue	6,355,452	-	2,530,085	273,913	151,517	-	9,310,967
Operating expenses:							
Salaries	4,423,608	-	121,258	203,898	134,703	-	4,883,467
Employee benefits	1,174,650	-	37,459	80,899	26,021	-	1,319,029
Purchased services	482,053	1,233	12,655	1,263	5,026	-	502,230
Supplies	265,835	-	13,606	7,723	148,002	-	435,166
Non-capitalized equipment	-	-	-	-	1,112	-	1,112
Cost of sales - purchases	-	-	2,016,292	-	-	-	2,016,292
Miscellaneous	53,257	-	75,468	14,492	1,986	2	145,205
Pension expense	248,254	-	6,892	10,037	(63,990)	65,293	266,486
Depreciation - local funds	10,505	2,442	20,177	489	21,645	-	55,258
Total operating expenses	6,658,162	3,675	2,303,807	318,801	274,505	65,295	9,624,245
Operating income (loss)	(302,710)	(3,675)	226,278	(44,888)	(122,988)	(65,295)	(313,278)
Nonoperating revenues:							
State sources, other state revenue	1,513	-	-	-	-	-	1,513
Income (loss) before transfers	(301,197)	(3,675)	226,278	(44,888)	(122,988)	(65,295)	(311,765)
Transfers in	-	-	-	-	-	19,090	19,090
Change in net position	(301,197)	(3,675)	226,278	(44,888)	(122,988)	(46,205)	(292,675)
Net position - beginning	2,923,775	172,018	1,772,004	59,248	-	46,205	4,973,250
Net position - ending	\$ 2,622,578	\$ 168,343	\$ 1,998,282	\$ 14,360	\$ (122,988)	\$ -	\$ 4,680,575

Sioux Falls School District 49-5

Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Group Health Insurance	Reprographics	Totals
Assets			
Current assets:			
Cash	\$ 10,785,587	\$ 272,278	\$ 11,057,865
Accounts receivable	659,326	-	659,326
Due from other funds	2,929,100	-	2,929,100
Inventory and prepaid expenses	-	25,900	25,900
Total current assets	14,374,013	298,178	14,672,191
Noncurrent assets:			
Capital assets:			
Machinery and equipment-local funds	-	418,428	418,428
Less accumulated depreciation	-	(367,663)	(367,663)
Total capital assets (net of accumulated depreciation)	-	50,765	50,765
Total assets	\$ 14,374,013	\$ 348,943	\$ 14,722,956
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 43,521	\$ 57,516	\$ 101,037
Accrued wages and related benefits payable	-	8,850	8,850
Incurred but not reported claims	3,300,000	-	3,300,000
Due to other funds	-	2,343	2,343
Total current liabilities	3,343,521	68,709	3,412,230
Total liabilities	3,343,521	68,709	3,412,230
Net position:			
Invested in capital assets, net of related debt	-	50,765	50,765
Unrestricted	11,030,492	229,469	11,259,961
Total net position	11,030,492	280,234	11,310,726
Total liabilities and net position	\$ 14,374,013	\$ 348,943	\$ 14,722,956

Sioux Falls School District 49-5

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017**

	Group Health Insurance	Reprographics	Totals
Operating revenue:			
Charges equivalent to insurance premiums	\$ 33,898,993	\$ -	\$ 33,898,993
Other	82,460	305,211	387,671
Total operating revenue	33,981,453	305,211	34,286,664
Operating expenses:			
Salaries	-	134,798	134,798
Employee benefits	-	39,558	39,558
Purchased services	3,175,178	43,921	3,219,099
Supplies	77,609	24,235	101,844
Insurance claims	29,091,878	-	29,091,878
Depreciation - local funds	-	39,950	39,950
Total operating expenses	32,344,665	282,462	32,627,127
Operating income	1,636,788	22,749	1,659,537
Nonoperating revenues (expenses):			
Local sources, investment earnings	74,731	-	74,731
Total nonoperating revenues (expenses)	74,731	-	74,731
Change in net position	1,711,519	22,749	1,734,268
Net position - beginning	9,318,973	257,485	9,576,458
Net position - ending	\$ 11,030,492	\$ 280,234	\$ 11,310,726

Sioux Falls School District 49-5

Combining Statement of Net Position
 Fiduciary Agency Funds
 June 30, 2017

	Flexible Spending Accounts	Student Activity	Payroll Withholding	Total Agency Funds
Assets				
Cash	\$ 207,972	\$ 4,153,102	\$ 1,321,608	\$ 5,682,682
Accounts receivable	-	-	4,960	4,960
Total assets	\$ 207,972	\$ 4,153,102	\$ 1,326,568	\$ 5,687,642
Liabilities				
Benefits payable	\$ 207,972	\$ -	\$ 1,326,568	\$ 1,534,540
Amounts held for others	-	4,153,102	-	4,153,102
Total liabilities	\$ 207,972	\$ 4,153,102	\$ 1,326,568	\$ 5,687,642

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 2,461,247	\$ 2,461,247	\$ 2,658,781	\$ (197,534)
Administrative, building	5,353,227	5,353,227	5,706,509	(353,282)
Clerical	4,363,928	4,365,015	4,237,462	127,553
Custodial and maintenance	6,906,149	6,906,149	6,626,246	279,903
Custodial manager	868,616	868,616	886,209	(17,593)
Technical/specialist	2,027,057	2,029,457	2,225,932	(196,475)
Instructional	75,976,534	76,489,451	76,867,106	(377,655)
Executive clerical	164,658	164,658	169,747	(5,089)
Employment contract	2,672,477	2,795,518	2,858,309	(62,791)
Education assistant	1,577,613	1,601,598	1,484,685	116,913
Total regular salaries	102,371,506	103,034,936	103,720,986	(686,050)
Temporary:				
Administrative	10,420	10,420	39,786	(29,366)
Clerical	3,000	3,000	32,978	(29,978)
Custodial and maintenance	94,158	94,158	103,242	(9,084)
Substitute teachers	2,289,065	2,392,924	2,136,503	256,421
Other	365,230	595,807	503,390	92,417
Total temporary salaries	2,761,873	3,096,309	2,815,899	280,410
Early retirement payments	1,070,905	1,190,905	1,181,885	9,020
Total salaries	106,204,284	107,322,150	107,718,770	(396,620)
Employee benefits:				
Retirement:				
South Dakota Retirement System	6,093,522	6,145,889	6,221,686	(75,797)
Social Security	7,526,105	7,599,079	7,615,698	(16,619)
Total retirement benefits	13,619,627	13,744,968	13,837,384	(92,416)

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Insurance:				
Long-term disability	36,944	37,236	35,756	1,480
Workers' compensation	912,433	1,045,087	1,042,873	2,214
Hospital/medical	17,145,969	18,821,753	18,730,636	91,117
Dental	1,235,776	1,242,188	1,216,029	26,159
Administrator life	3,936	3,936	3,124	812
Basic life	18,284	18,399	14,887	3,512
Total insurance benefits	19,353,342	21,168,599	21,043,305	125,294
Total employee benefits	32,972,969	34,913,567	34,880,689	32,878
Purchased services:				
Professional	3,554,739	4,245,928	4,635,317	(389,389)
Property	547,402	578,354	694,132	(115,778)
Transportation and travel	5,144,715	6,675,640	6,925,152	(249,512)
Communication	350,295	350,892	382,944	(32,052)
Advertising	66,480	66,480	34,221	32,259
Printing and publishing	867,656	952,573	1,080,731	(128,158)
Tuition	1,037,908	1,077,919	1,101,440	(23,521)
Utilities	3,914,747	3,914,747	3,309,660	605,087
Repair and maintenance	817,446	821,129	700,861	120,268
Total purchased services	16,301,388	18,683,662	18,864,458	(180,796)
Supplies and materials:				
Supplies	3,844,625	5,363,656	4,365,997	997,659
Textbooks	1,316,543	1,319,448	1,240,130	79,318
Library books	252,404	288,718	259,575	29,143
Periodicals	276,769	311,174	403,045	(91,871)
Food	66,939	754,378	784,040	(29,662)
Non-capitalized equipment	30,564	44,174	45,190	(1,016)
Total supplies and materials	5,787,844	8,081,548	7,097,977	983,571
Other:				
Dues and fees	195,281	432,576	427,709	4,867
Insurance and judgments	350,506	350,506	178,917	171,589
Miscellaneous	(1,691,382)	392,263	381,018	11,245
Total other	(1,145,595)	1,175,345	987,644	187,701
Total expenditures	\$ 160,120,890	\$ 170,176,272	\$ 169,549,538	\$ 626,734

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Capital Outlay Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	\$ 205,400	\$ 230,400	\$ 197,936	\$ 32,464
Transportation	2,560,000	2,560,000	-	2,560,000
Total purchased services	2,765,400	2,790,400	197,936	2,592,464
Capital acquisitions:				
Land	-	-	209,446	(209,446)
Buildings and improvements	3,719,183	5,234,951	5,671,821	(436,870)
Land improvements	2,756,995	4,084,787	2,912,976	1,171,811
New equipment	972,155	1,923,446	2,534,398	(610,952)
Vehicles	186,000	431,469	455,280	(23,811)
Replacement equipment	3,494,953	4,004,422	3,274,131	730,291
Total capital acquisitions	11,129,286	15,679,075	15,058,052	621,023
Other:				
Redemption of principal	6,535,000	6,535,000	6,535,000	-
Interest	5,727,976	5,727,976	5,727,974	2
Dues and fees	15,000	15,000	12,350	2,650
Miscellaneous	618,068	618,075	625,687	(7,612)
Total other	12,896,044	12,896,051	12,901,011	(4,960)
Total expenditures	\$ 26,790,730	\$ 31,365,526	\$ 28,156,999	\$ 3,208,527

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Special Education Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 753,422	\$ 753,422	\$ 786,393	\$ (32,971)
Administrative, building	61,055	61,055	60,914	141
Clerical	319,530	319,530	305,673	13,857
Technical/specialist	2,171,025	2,171,025	2,156,911	14,114
Instructional	16,409,832	16,410,582	15,544,930	865,652
Executive clerical	46,526	46,526	46,600	(74)
Employment contract	2,320,912	2,320,912	2,404,827	(83,915)
Education assistant	4,749,672	4,749,672	4,374,331	375,341
Total regular salaries	26,831,974	26,832,724	25,680,579	1,152,145
Temporary:				
Administrative	29,100	29,100	24,324	4,776
Substitute teachers	826,714	826,714	710,647	116,067
Other	46,980	46,980	14,440	32,540
Total temporary salaries	902,794	902,794	749,411	153,383
Early retirement payments	228,000	228,000	93,221	134,779
Total salaries	27,962,768	27,963,518	26,523,211	1,440,307
Employee benefits:				
Retirement:				
South Dakota Retirement System	1,630,284	1,630,284	1,539,914	90,370
Social Security	1,987,995	1,987,995	1,863,902	124,093
Total retirement benefits	3,618,279	3,618,279	3,403,816	214,463
Insurance:				
Long-term disability	9,854	9,854	7,768	2,086
Workers' compensation	243,191	243,191	257,837	(14,646)
Hospital/medical	4,649,920	4,649,920	4,890,625	(240,705)
Dental	329,563	329,563	334,519	(4,956)
Administrator life	547	547	343	204
Basic life	4,929	4,929	4,241	688
Total insurance benefits	5,238,004	5,238,004	5,495,333	(257,329)
Total employee benefits	8,856,283	8,856,283	8,899,149	(42,866)

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Special Education Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	1,583,241	1,583,262	1,581,165	2,097
Property	66,233	66,233	63,698	2,535
Transportation and travel	2,207,142	2,209,256	2,331,061	(121,805)
Communication	1,200	1,570	10,752	(9,182)
Printing and publishing	1,500	6,300	31,419	(25,119)
Tuition	1,191,466	1,191,466	1,636,327	(444,861)
Repair and maintenance	235,500	235,500	123,705	111,795
Total purchased services	5,286,282	5,293,587	5,778,127	(484,540)
Supplies and materials:				
Supplies	826,027	868,620	708,906	159,714
Textbooks	62,599	57,948	164,830	(106,882)
Library books	8,870	14,245	10,606	3,639
Periodicals	2,600	2,318	4,734	(2,416)
Food	10,327	11,052	15,572	(4,520)
Non-capitalized equipment	975	2,131	9,669	(7,538)
Total supplies and materials	911,398	956,314	914,317	41,997
Capital acquisitions, new equipment	150,000	150,000	52,510	97,490
Other:				
Dues and fees	19,580	19,913	15,015	4,898
Insurance and judgments	46,350	46,350	7,330	39,020
Miscellaneous	6,750	6,757	5,739	1,018
Total other	72,680	73,020	28,084	44,936
Total expenditures	\$ 43,239,411	\$ 43,292,722	\$ 42,195,398	\$ 1,097,324

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Post-Secondary Vocational Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Salaries:				
Regular:				
Administrative, central	\$ 975,234	\$ 975,234	\$ 982,438	\$ (7,204)
Clerical	486,168	486,168	481,234	4,934
Custodial and maintenance	631,838	631,838	582,813	49,025
Custodial manager	114,223	114,223	114,153	70
Technical/specialist	865,219	865,219	782,300	82,919
Instructional	5,989,245	5,989,245	6,115,886	(126,641)
Executive clerical	55,183	55,183	55,214	(31)
Employment contract	1,960,618	1,960,618	1,822,175	138,443
Total regular salaries	11,077,728	11,077,728	10,936,213	141,515
Temporary:				
Substitute teachers	16,000	16,000	4,590	11,410
Other	202,788	202,788	236,759	(33,971)
Total temporary salaries	218,788	218,788	241,349	(22,561)
Early retirement payments	31,898	31,898	73,461	(41,563)
Total salaries	11,328,414	11,328,414	11,251,023	77,391
Employee benefits:				
Retirement:				
South Dakota Retirement System	664,667	664,667	628,664	36,003
Social Security	858,000	858,000	802,759	55,241
Total retirement benefits	1,522,667	1,522,667	1,431,423	91,244
Insurance:				
Long-term disability	5,596	5,596	4,487	1,109
Workers' compensation	124,634	124,634	126,562	(1,928)
Hospital/medical	1,640,409	1,640,409	1,602,897	37,512
Dental	109,008	109,008	105,075	3,933
Administrator life	576	576	352	224
Basic life	2,035	2,035	1,290	745
Total insurance benefits	1,882,258	1,882,258	1,840,663	41,595
Total employee benefits	3,404,925	3,404,925	3,272,086	132,839

(continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Post-Secondary Vocational Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Purchased services:				
Professional	1,426,565	1,426,565	1,430,728	(4,163)
Property	203,589	203,589	201,972	1,617
Transportation and travel	142,975	158,600	127,389	31,211
Communication	101,052	101,052	103,371	(2,319)
Advertising	291,800	291,800	287,622	4,178
Printing and publishing	193,510	193,510	135,604	57,906
Utilities	538,000	538,000	522,294	15,706
Repair and maintenance	456,235	456,235	383,540	72,695
Total purchased services	3,353,726	3,369,351	3,192,520	176,831
Supplies and materials:				
Supplies	1,112,918	1,121,439	932,026	189,413
Library books	24,000	24,000	3,664	20,336
Periodicals	6,500	6,500	764	5,736
Food	43,800	45,126	69,251	(24,125)
Non-capitalized equipment	285,263	285,263	303,514	(18,251)
Total supplies and materials	1,472,481	1,482,328	1,309,219	173,109
Capital acquisitions:				
Buildings and improvements	1,665,854	3,177,604	3,110,605	66,999
Land improvements	225,742	225,742	229,463	(3,721)
New equipment	714,300	714,300	1,147,535	(433,235)
Total capital acquisitions	2,605,896	4,117,646	4,487,603	(369,957)
Other:				
Dues and fees	1,286,921	1,290,446	1,303,209	(12,763)
Insurance and judgments	110,000	110,000	79,116	30,884
Miscellaneous	31,300	31,310	24,115	7,195
Bad debt expense	250,000	250,000	145,340	104,660
Total other	1,678,221	1,681,756	1,551,780	129,976
Total expenditures	\$ 23,843,663	\$ 25,384,420	\$ 25,064,231	\$ 320,189

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture:				
Pass-Through the S.D. Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program (Note B)	N/A	10.553	\$ 954,172	\$ -
National School Lunch Program, including commodities (Note B)	N/A	10.555	5,733,646	-
Summer Food Service Program for Children (Note B)	N/A	10.559	<u>92,003</u>	-
Total child nutrition cluster			6,779,821	-
Child and Adult Care Food Program (Note B)	N/A	10.558	393,413	-
Child Nutrition Discretionary Grant	N/A	10.579	15,000	-
Fresh Fruit and Vegetable Program	N/A	10.582	<u>415,082</u>	-
Total U.S. Department of Agriculture			<u>7,603,316</u>	-
U.S. Department of Defense:				
Pass-Through the S.D. Department of Military and Veterans' Affairs:				
National Guard ChalleNGe Program—Starbased Program	N/A	12.404	<u>297</u>	-
U.S. Department of the Interior:				
Direct Federal Funding:				
Indian Education Assistance to Schools—Johnson O'Malley (Note B)	N/A	15.130	<u>12,505</u>	-
U.S. Department of Labor:				
Direct Federal Funding:				
Trade Adjustment Assistance Community College and Career Training Grant	N/A	17.282	<u>1,028,721</u>	-
National Endowment for the Arts:				
Pass-Through the S.D. Department of Education:				
Promotion of the Arts Partnership Agreements	N/A	45.025	4,854	-
Promotion of the Humanities Federal/State Partnership	N/A	45.129	<u>4,000</u>	-
Total National Endowment for the Arts			<u>8,854</u>	-
National Science Foundation:				
Pass-Through the S.D. Department of Education:				
Office of Experimental Program to Stimulate Competitive Research	N/A	47.081	<u>20,929</u>	-
Department of Veterans Affairs:				
Direct Federal Funding:				
Post-9/11 Veterans Educational Assistance	N/A	64.028	<u>1,104</u>	-
Environmental Protection Agency Office of Air and Radiation:				
Pass-Through the S.D. Department of Education:				
National Clean Diesel Emissions Reduction Program	N/A	66.039	<u>280,988</u>	<u>280,988</u>

(continued)

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Education:				
Direct Federal Funding:				
Student Financial Assistance Program Cluster:				
Federal Supplemental Educational Opportunity Grants	N/A	84.007	\$ 62,597	\$ -
Federal Work-Study Program	N/A	84.033	49,012	-
Federal Pell Grant Program	N/A	84.063	2,987,850	-
Federal Direct Student Loans (Note C)	N/A	84.268	9,433,657	-
Total student financial assistance cluster			12,533,116	-
Indian Education—Grants to Local Educational Agencies	N/A	84.060	290,735	-
Pass-Through the S.D. Department of Labor:				
Adult Education—Basic Grants to States	N/A	84.002	186,294	-
Pass-Through the S.D. Department of Education:				
Title I Grants to Local Educational Agencies	S010A160041	84.010	6,027,298	-
Migrant Education—State Grant Program	S011A160042	84.011	403,481	-
Special Education Cluster (IDEA):				
Special Education—Grants to States (Note B)	H027A160091	84.027	7,856,777	-
Special Education—Preschool Grants	H173A160091	84.173	200,771	-
Total special education cluster			8,057,548	-
Career and Technical Education—Basic Grants to States	V048A160041	84.048	829,495	-
Migrant Education—Coordination Program	S144F160042	84.144	4,000	-
Education of Homeless Children and Youth	S196A160043	84.196	84,718	-
Title III—English Language Acquisition Grants	S365A160041	84.365	513,572	-
Title II, Part B—Mathematics and Science Partnerships	N/A	84.366	110,929	-
Title II, Part A—Improving Teacher Quality State Grants	S367A160039	84.367	1,164,388	-
College Access Challenge Grant Program	N/A	84.378	46,984	-
Total U.S. Department of Education			30,252,558	-

(continued)

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Federal Grantor/Pass Through Grantor/Program Title	Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services:				
Direct Federal Funding:				
Head Start	N/A	93.600	\$ 2,421,743	\$ -
Pass-Through the S.D. Department of Social Services:				
Temporary Assistance for Needy Families	N/A	93.558	12,000	-
Pass-Through the S.D. Department of Human Services:				
Grants to States for Operation of State Offices of Rural Health	N/A	93.913	6,000	-
Pass-Through the S.D. Department of Health:				
Maternal and Child Health Services Block Grant to the States	N/A	93.994	8,989	-
Pass-Through Lutheran Social Services:				
Refugee and Entrant Assistance Discretionary Grants	N/A	93.576	71,103	71,103
Pass-Through Avera Health:				
Telehealth programs	N/A	93.211	59,004	-
Total U.S. Department of Health and Human Services			2,578,839	71,103
Total federal financial assistance			\$ 41,788,111	\$ 352,091

See Notes to Schedule of Expenditures of Federal Awards.

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2017**

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note B. Reporting

Certain federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported are based upon reimbursements rather than specific expenditures.

Note C. Federal Direct Student Loan Programs

During the fiscal year ended June 30, 2017, the District issued new loans to students under the Federal Direct Student Loan Program (FDLP). The loan program includes Stafford Loans, unsubsidized Stafford Loans and PLUS Program Loans for graduate and professional students. The value of loans issued for the FDLP is based on disbursed amounts. The loan amounts issued during the year are disclosed on the Schedule. The District is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the District's basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of the District at June 30, 2017.

Note D. Summary of Significant Accounting Policies

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

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards**

Independent Auditor's Report

To the School Board
Sioux Falls School District 49-5

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 discretely presented component unit and remaining fund information of Sioux Falls School District 49-5 (District) 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, and have issued our report thereon dated December 15, 2017. Our report includes a reference to other auditors who audited the financial statements of Southeast Technical Institute Housing Foundation, a discretely presented component unit, as described in our report on the Sioux Falls School District 49-5 financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over financial reporting as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001 that we consider to be a significant deficiency.

The District's response to the internal control over financial reporting findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Compliance and Other Matters

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

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.

RSM US LLP

Sioux Falls, South Dakota
December 15, 2017

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance**

Independent Auditor's Report

To the School Board
Sioux Falls School District

Report on Compliance for Each Major Federal Program

We have audited the Sioux Falls School District 49-5's (District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Trade Adjustment Assistance Community College and Career Technical Training Grant

As described in findings 2017-003 and 2017-004 in the accompanying schedule of findings and questioned costs, the District did not fully comply with the payroll and procurement documentation requirements applicable to the Trade Adjustment Assistance Community College and Career Technical Training Grant. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the preceding paragraph, the Sioux Falls School District 49-5 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.

In addition, the results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2017-005. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District'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 the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2017-002, 2017-003, and 2017-004 that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District'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.

RSM US LLP

Sioux Falls, South Dakota
December 15, 2017

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ X Yes _____ None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ X Yes _____ None reported

Type of auditor's report issued on compliance for major programs:

Modified

- Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ X Yes _____ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster:
84.007	Federal Supplementary Education Opportunity Grants
84.003	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
17.282	Trade Adjustment Assistance Community College and Career Training Grant

Dollar threshold used to distinguish between type A and type B programs

\$1,253,643

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

II. Financial Statement Findings

A. Significant Deficiency in Internal Control Over Financial Reporting

Finding 2017-001: Supervisor review of purchasing card expenditures at Southeast Technical Institute

Condition: There was no supervisor review documented for certain purchasing card expenditures at Southeast Technical Institute.

Criteria: District policies require a supervisor to review all purchasing card expenditures in a timely manner and document the review.

Questioned Costs: None.

Context: Of eighteen Southeast Technical Institute expenditures purchasing card expenditures selections, none had documentation available to document the review of the expenditure by a supervisor. Total purchasing card expenditures at Southeast Technical Institute were \$512,930 for the year ended June 30, 2017.

Effect: Not following the District's policies related to reviews of purchasing card expenditures results in an increased risk of misstatement within these expenditures.

Cause: The District's policies and procedures to have a supervisor document a review of all purchasing card expenditures are not being consistently followed or enforced.

Recommendation: Procedures should be implemented and enforced to ensure that all purchasing card expenditures at Southeast Technical Institute are reviewed by a supervisor in a timely manner and that review should be adequately documented.

Views of responsible officials: We agree with the finding and recommendation.

III. Findings and Questioned Costs for Federal Awards

A. Significant Deficiencies in Internal Control Over Compliance

Finding 2017-002: Trade Adjustment Assistance Community College and Career Technical Training Grant - CFDA Number 17.282

Condition: There was no supervisor review documented for purchasing card expenditures charged to Trade Adjustment Assistance Community College and Career Technical Training Grant.

Criteria: District policies require a supervisor to review all purchasing card expenditures in a timely manner and document the review.

Questioned Costs: None.

Context: Eighteen of the 40 expenditure selections did not have documentation of a review of the expenditure by a supervisor. Total purchasing card expenditures charged to the Trade Adjustment Assistance Community College and Career Technical Training Grant were \$44,183 during the year ended June 30, 2017.

Sioux Falls School District 49-5

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

Effect: Not following the District's policies related to reviews of purchasing card expenditures results in an increased risk of misstatement and unallowable costs within these expenditures.

Cause: The District's policies and procedures to have a supervisor document a review of all purchasing card expenditures that are charged to federal awards are not being consistently followed or enforced.

Recommendation: Procedures should be implemented and enforced to ensure that all purchasing card expenditures are reviewed by a supervisor in a timely manner and that review should be adequately documented.

Views of responsible officials: We agree with the finding and recommendation.

Finding 2017-003: Trade Adjustment Assistance Community College and Career Technical Training Grant - CFDA Number 17.282

Condition: Payroll charges for two employees tested for the first half of the 2016-2017 fiscal year were not supported by the required payroll documentation for amounts charged to federal awards, such as semi-annual certifications or monthly personnel activity reports. Payroll charges of six of the eight employees for the second half of the 2016-2017 fiscal year were not supported by the required payroll documentation for amounts charged to federal awards, such as semi-annual certifications or monthly personnel activity reports.

Criteria: 2 CFR 200.430 (i) requires that personnel services charged to a federal award must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated. In addition, the Uniform Guidance requires that the documentation must reasonably reflect the total activity for which the employee is compensated and support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award.

Questioned Costs: Questioned costs of \$15,393 were noted from a sample of Trade Adjustment Assistance Community College and Career Technical Training Grant payroll expenditures totaling \$56,072. The estimated amount of likely questioned costs is \$107,011, based on the payroll expenses for employees that did not have the required payroll documentation available for the periods tested. The total population of the Trade Adjustment Assistance Community College and Career Technical Training Grant payroll expenditures was \$464,891, and the total population of the award is \$942,333.

Context: Ten of the 20 payroll entries tested for the 2016-2017 fiscal year had amounts charged to the federal award that were not supported by the required payroll documentation.

Effect: As a result of not obtaining the required payroll documentation from these employees, an estimated \$107,011 of payroll costs charged to this federal program did not have adequate documentation.

Cause: The District's policies and procedures to obtain the required payroll documentation, such as semi-annual certification or personnel activity reports, from all employees whose time is charged to federal awards are not being consistently followed or enforced.

Sioux Falls School District 49-5

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

Recommendation: Procedures should be implemented and enforced to ensure that the required payroll documentation, such as semi-annual certifications or personnel activity reports, is obtained from all employees working on a single cost objective and employees working on multiple cost objectives that are charged to federal awards.

Views of responsible officials: We agree with the finding and recommendation.

Finding 2017-004: Trade Adjustment Assistance Community College and Career Technical Training Grant - CFDA Number 17.282

Condition: Southeast Technical Institute entered into two contract agreements to sublease outdoor parking space for two mobile training units for \$25,000 each for a period of fourteen months and seven months, respectively. The contracts did not contain details on how the contract value was determined, or explain why the cost for each contract was the same even though the contracts included different lengths of time.

Criteria: For costs charged to federal awards, 2 CFR 200.404 indicates a cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amounts involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

Questioned Costs: There was \$50,000 in questioned costs identified as a result of this finding. \$25,000 of the questioned costs were related to the fiscal year ended June 30, 2017, and the other \$25,000 was related to the prior fiscal year.

Context: The finding was identified during a review by the U.S. Department of Labor which covered a period from October 1, 2013 through June 30, 2016.

Effect: As a result of not obtaining or maintaining complete documentation for procurement of these contracts, the District returned \$50,000 in questioned costs to the federal government during the year ended June 30, 2017.

Cause: The District's policies and procedures to document the business rationale of procurements are not being consistently followed or enforced.

Recommendation: Procedures should be implemented and enforced to ensure that the reasonableness of all contracts is evaluated and properly documented prior to procurement.

Views of responsible officials: We agree with the finding and recommendation.

B. Instances of Noncompliance

See Findings 2017-003 and 2017-004 reported for Significant Deficiencies in Internal Control over Major Programs.

Finding 2017-005: Student Financial Aid Program Cluster: Federal Supplemental Educational Opportunity Grants - 84.007, Federal Work-Study Program - 84.033, Federal Pell Grant Program - 84.063, Federal Direct Student Loans – 84.268

Condition: A formal internal review of the drug and alcohol abuse prevention program was not performed for the years ended June 30, 2015 and 2016.

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Criteria: 34 CFR 86.100 requires that an institute's drug prevention program must, at a minimum, have a biennial review by the institute of its program to (1) determine its effectiveness and implement changes to the program if they are needed; and (2) ensure that the applicable disciplinary sanctions are consistently enforced.

Questioned Costs: None.

Context: A formal review of the drug and alcohol abuse prevention program was not performed for the years ended June 30, 2015 and 2016.

Effect: Failure to comply with federal standards could ultimately result in ineligibility for Southeast Technical Institute to receive federal funds, if failure to comply was determined to be severe.

Cause: The District's policies and procedures to perform the biennial review are not being followed or enforced.

Recommendation: Procedures should be implemented and enforced to ensure that the biennial reviews of the drug and alcohol abuse prevention program are performed in a timely manner and made available to the students in accordance with 34 CFR 86.100.

Views of responsible officials: We agree with the finding and recommendation.

Sioux Falls School District 49-5

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016**

No matters were reported.



Instructional Planning Center

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Sioux Falls, South Dakota 57105-5898
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Kate Parker, President
Kent Alberty, Vice President
Cynthia H. Mickelson, Member
Carly R. Reiter, Member
Todd Thoeke, Member

Dr. Brian L. Maher, Superintendent

SOUTHEAST TECHNICAL INSTITUTE

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/17

Identifying Number: 2017-001: Supervisor review of purchasing card expenditures at Southeast Technical Institute

Finding: There was no supervisor review documented for certain purchasing card expenditures at Southeast Technical Institute.

Corrective Action Taken or Planned:

The Southeast Technical Institute Finance Office will work with the Sioux Falls School District Purchasing Department to ensure all supervisors are properly trained in how to access purchasing card activity of their employees via the online system. Additionally, the Southeast Technical Institute Finance Office will perform periodic inspections of cardholders' statements to ensure that the necessary supervisory review has taken place and is properly documented. Cardholders that are not submitting their credit card statements for supervisory review on a timely basis will be subject to revocation of their purchasing card privileges.

Contact person: Rich Kluin, Vice President – Finance and Operations, Southeast Technical Institute

Status of finding – The above corrective actions will be implemented beginning 01/01/2018.

SOUTHEAST TECHNICAL INSTITUTE

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/17 (Continued)

Identifying Number: 2017-002: Trade Adjustment Assistance Community College and Career Technical Training Grant – CFDA Number 17.282.

Finding: There was no supervisor review documented for purchasing card expenditures charged to Trade Adjustment Assistance Community College and Career Technical Training Grant (TAACCCT Grant).

Corrective Action Taken or Planned:

The Southeast Technical Institute Finance Office will work with the Sioux Falls School District Purchasing Department to ensure all supervisors are properly trained in how to access purchasing card activity of their employees via the online system. Additionally, the Southeast Technical Institute (STI) Finance Office will require that all credit card purchases utilizing federal grant funds will be submitted to the (STI) Finance Office for additional review and documentation of such review. Cardholders that are not submitting their credit card statements for supervisory review on a timely basis will be subject to revocation of their purchasing card privileges.

Contact person: Rich Kluin, Vice President – Finance and Operations, Southeast Technical Institute

Status of finding – The above corrective actions will be implemented beginning 01/01/2018. The TAACCCT Grant has concluded as of 09/30/17.

SOUTHEAST TECHNICAL INSTITUTE

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/17 (Continued)

Identifying Number: 2017-003: Trade Adjustment Assistance Community College and Career Technical Training Grant – CFDA Number 17.282.

Finding: Payroll charges for two employees tested for the first half of the 2016-2017 fiscal year were not supported by the required payroll documentation for amounts charged to federal awards, such as semi-annual certifications or monthly personnel activity reports. Payroll charges for six of the eight employees for the second half of the 2016-2017 fiscal year were not supported by the required payroll documentation for amounts charged to federal awards, such as semi-annual certifications or monthly personnel activity reports.

Corrective Action Taken or Planned:

The Southeast Technical Institute (STI) Human Resources Office will distribute and collect semi-annual certifications on a timely basis and within the certification period. The STI Human Resources Office will collect personnel activity reports on a monthly basis for personnel not required to submit semi-annual certifications. The Southeast Technical Institute Finance Office will conduct periodic inspections and reviews of collected documents on not less than a quarterly basis to ensure compliance with semi-annual certification and monthly personnel activity reporting and documentation collection requirements.

Contact person: Rich Kluin, Vice President – Finance and Operations, Southeast Technical Institute

Status of finding – The above corrective action was implemented immediately upon notification. The TAACCCT Grant has concluded as of 09/30/17.

SOUTHEAST TECHNICAL INSTITUTE

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/17 (Continued)

Identifying Number: 2017-004: Trade Adjustment Assistance Community College and Career Technical Training Grant – CFDA Number 17.282.

Finding: Southeast Technical Institute entered into two contract agreements to sublease outdoor parking space for two mobile training units for \$25,000 each for a period of fourteen months and seven months, respectively. The contracts did not contain details on how the contract value was determined, or explain why the cost for each contract was the same even though the contracts included different lengths of time.

Corrective Action Taken or Planned:

The Southeast Technical Institute (STI) Finance Office will review, evaluate, and document all contracts involving federal funds for necessity, reasonableness, and proper allocation prior to execution. The STI Finance Office will assume responsibility for determining compliance with, and enforcement of, all federal procurement requirements.

Contact person: Rich Kluin, Vice President – Finance and Operations, Southeast Technical Institute

Status of finding – The above corrective action was implemented immediately upon notification. The TAACCCT Grant has concluded as of 09/30/17.

SOUTHEAST TECHNICAL INSTITUTE

CORRECTIVE ACTION PLAN YEAR ENDED 6/30/17 (Continued)

Identifying Number: 2017-005: Student Financial Aid Program Cluster: Federal Supplemental Educational Opportunity Grants – 84.007, Federal Work-Study Program – 84.033, Federal Pell Grant Program – 84.063, Federal Direct Student Loans – 84.268.

Finding: A formal internal review of the drug and alcohol abuse prevention program was not performed for the years ended June 30, 2015 and 2016.

Corrective Action Taken or Planned:

Southeast Technical Institute will conduct annual reviews of the drug and alcohol abuse prevention program to ensure compliance with the biennial review required under 34 CFR 86.100.

Contact person: Tracy Noldner, Vice President of Student Affairs and Institutional Research, Southeast Technical Institute

Status of finding – The above corrective action was implemented immediately upon notification.