

WESSINGTON SPRINGS SCHOOL DISTRICT
SCHOOL DISTRICT NO. 36-2
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2018

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2018

Board Members:

Todd Grohs - Board President
Amber Kolousek - Vice President
Jim Burg
Dustin Weber
Tonya Aldrich
Jeff Assman
Gerry Orth

Superintendent:

Lance Witte

Business Manager:

Julie Kraft

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

**School Board
Wessington Springs School District No. 36-2
Jerauld County, South Dakota**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wessington Springs School District No. 36-2, Jerauld County, South Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon January 3, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as Finding Number 2018-01 to be a *significant deficiency*.

Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of This Report

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

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

Huron, South Dakota
January 3, 2019

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

PRIOR AUDIT FINDING

Finding Number 2017-01:

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

CURRENT AUDIT FINDING

Finding Number 2018-01:

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

Internal Control – Related Finding – Significant Deficiency

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

School Board
Wessington Springs School District No. 36-2
Jerauld County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wessington Springs School District No. 36-2, Jerauld County, South Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Wessington Springs School District's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Wessington Springs School District No. 36-2 as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2019 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota
January 3, 2019

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

This section of Wessington Springs School District No. 36-2 annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2018. Please read it in conjunction with the School's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues of \$4,460,783 generated from taxes and other revenues of the governmental and business-type programs were \$649,780 more than the \$3,811,003 governmental and business-type program expenditures.
- The total cost of the School's programs increased by 11.84%. General, Special Education and Food Service funds had decreases in expenditures due to controlling costs or changes in services. General Capital Outlay and Pension had slight decreases in revenues mostly due to less taxes received (Pension fund only receives interest payments) but did see a slight increase in state aid.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general governmental services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities that the School operates like businesses. The proprietary funds by the school are the Food Service Operation (Fund 51), and Preschool and Drivers Education (Fund 53).
- Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

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

Figure A-1

Major Features of Wessington Springs School's Government-wide and Fund Financial Statements

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund's statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short and long-term financial information. The Food Service, Drivers Education, and Preschool Enterprise funds are the only proprietary funds maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position increased as follows:

Table A-1
Wessington Springs School District No. 36-2
Statement of Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>		<i>Total Percentage Change 2017-2018</i>
	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	
Current and Other Assets	\$ 6,093,143	\$ 7,810,471	\$ 41,801	\$ 45,741	\$ 6,134,944	\$ 7,856,212	28.06%
Capital Assets (Net of Depreciation)	1,279,326	3,528,385	--	8,153	1,279,326	3,536,538	176.44%
<i>Total Assets</i>	<u>7,372,469</u>	<u>11,338,856</u>	<u>41,801</u>	<u>53,894</u>	<u>7,414,270</u>	<u>11,392,750</u>	<u>53.66%</u>
Pension Related Deferred Outflows	724,534	920,303	--	--	724,534	920,303	27.02%
<i>Total Deferred Outflows or Resources</i>	<u>724,534</u>	<u>920,303</u>	<u>--</u>	<u>--</u>	<u>724,534</u>	<u>920,303</u>	<u>27.02%</u>
Long-Term Liabilities Outstanding	1,144,821	4,488,119	--	--	1,144,821	4,488,119	292.04%
Other Liabilities	266,512	272,655	11,540	12,911	278,052	285,566	2.70%
<i>Total Liabilities</i>	<u>1,411,333</u>	<u>4,760,774</u>	<u>11,540</u>	<u>12,911</u>	<u>1,422,873</u>	<u>4,773,685</u>	<u>235.50%</u>
Taxes Levied for Future Period	1,210,360	1,203,005	--	--	1,210,360	1,203,005	-0.61%
Pension Related Deferred Inflows	14,447	195,459	--	--	14,447	195,459	1252.94%
<i>Total Deferred Inflows of Resources</i>	<u>1,224,807</u>	<u>1,398,464</u>	<u>--</u>	<u>--</u>	<u>1,224,807</u>	<u>1,398,464</u>	<u>14.18%</u>
Net Investment in Capital Assets	1,279,326	1,466,340	--	8,153	1,279,326	1,474,493	15.26%
Restricted	3,767,651	4,228,733	--	--	3,767,651	4,228,733	12.24%
Unrestricted	413,886	404,848	30,261	32,830	444,147	437,678	-1.46%
<i>Total Net Assets</i>	<u>5,460,863</u>	<u>6,099,921</u>	<u>30,261</u>	<u>40,983</u>	<u>5,491,124</u>	<u>6,140,904</u>	<u>11.83%</u>
<i>Beginning Net Position</i>	<u>5,226,414</u>	<u>5,460,863</u>	<u>32,552</u>	<u>30,261</u>	<u>5,258,966</u>	<u>5,491,124</u>	<u>4.41%</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 234,449</u>	<u>\$ 639,058</u>	<u>\$ (2,291)</u>	<u>\$ 10,722</u>	<u>\$ 232,158</u>	<u>\$ 649,780</u>	<u>179.89%</u>
<i>Percentage of Increase (Decrease) in Net Position</i>	<u>4.49%</u>	<u>11.70%</u>	<u>-7.04%</u>	<u>35.43%</u>	<u>4.41%</u>	<u>11.83%</u>	

The District's combined net position of approximately \$6.1 million is approximately \$650,000 or 11.83% larger than on June 30, 2017. The increase comes from increases in capital assets due to the middle/high school renovation project, debt service sinking fund payment (QSCB), SDRS pension and cash increases in the Special Education and Capital Outlay funds. Cash and cash equivalents increased 47% or about \$2 million due to bond proceeds for the renovation project. Capital assets increased about 176%, or \$2,250,000, due to the construction in progress. SDRS Pension Asset also contributed to the increase.

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

Changes in Net Position

The District's revenues (excluding transfers) totaled \$4,460,783 (See Table A-4). This was a decrease of approximately 2.06%. Approximately 62% of the District's revenue comes from property and other taxes, with another 26% from state aid, 2.46% for charges for services, 5.58% from grants (Title I, REAP, IDEA SRSA, FFVP & Artist-in-Resident) and 2.28% from miscellaneous revenue such as county sources, computer insurance, and activity tickets/admissions. (See Table A-2.)

**Table A-2
Wessington Springs School District No. 36-2
Sources of Revenues
Fiscal Year 2017-2018**

Taxes	\$ 2,759,100	61.85%
State Sources	1,165,904	26.14%
Operating Grants & Contributions	249,083	5.58%
Charges for Services	109,575	2.46%
Other General Revenues	101,565	2.28%
Unrestricted Investment Earnings	61,016	1.37%
Capital Contributions	8,582	0.19%
Revenue from Federal Sources	5,958	0.13%
Total Revenue	\$ 4,460,783	100.00%

Total costs of all programs and service totaled \$3,811,003. (See Table A-3) This was an 11.84% decrease. The School's expenses cover a range of services, encompassing instruction, support services and food services. The decrease is due to GASB Pension reporting as we did add a 2nd grade position.

**Table A-3
Wessington Springs School District No. 36-2
Statement of Expenditures
Fiscal Year 2017-2018**

Instruction	\$ 1,918,403	50.34%
Support Services	1,472,928	38.65%
Co-Curricular Activities	142,129	3.73%
Food Service	127,421	3.34%
Interest on Long-Term Debt	111,975	2.94%
Other Enterprise Activity	38,147	1.00%
Total Expenditures	\$ 3,811,003	100.00%

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

	<i>Government Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Total Percentage Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	
<i>Revenues</i>							
Program Revenues							
Charge for Services	\$ 19,189	\$ 21,917	\$ 83,779	\$ 87,658	\$ 102,968	\$ 109,575	6.42%
Operating Grants/Contributions	202,739	191,602	78,129	57,481	280,868	249,083	-11.32%
Capital grants and contributions	--	--	7,554	8,582	7,554	8,582	100.00%
General Revenues							
Taxes	2,872,368	2,759,100	--	--	2,872,368	2,759,100	-3.94%
Revenue State Sources	1,145,957	1,165,426	903	478	1,146,860	1,165,904	1.66%
Other							
Revenue from federal sources	--	5,958	--	--	--	5,958	100.00%
Other general revenues	93,718	101,565	--	--	93,718	101,565	8.37%
Unrestricted Investment Earnings	50,473	61,006	15	10	50,488	61,016	20.85%
	<u>4,384,444</u>	<u>4,306,574</u>	<u>170,380</u>	<u>154,209</u>	<u>4,554,824</u>	<u>4,460,783</u>	-2.06%
<i>Expenses</i>							
Instruction	2,174,015	1,918,403	--	--	2,174,015	1,918,403	-11.76%
Support Services	1,732,186	1,472,928	--	--	1,732,186	1,472,928	-14.97%
Interest on long-term debt	48,625	111,975	--	--	48,625	111,975	130.28%
Co-curricular Activities	178,969	142,129	--	--	178,969	142,129	-20.58%
Food Service	--	--	153,449	127,421	153,449	127,421	-16.96%
Other Enterprise Activity	--	--	35,422	38,147	35,422	38,147	7.69%
	<u>4,133,795</u>	<u>3,645,435</u>	<u>188,871</u>	<u>165,568</u>	<u>4,322,666</u>	<u>3,811,003</u>	-11.84%
Excess (Deficiency) of Revenues Over Expenses	250,649	661,139	(18,491)	(11,359)	232,158	649,780	179.89%
Transfers	(16,200)	(22,081)	16,200	22,081	--	--	0.00%
Increase (Decrease) in Net Position	<u>234,449</u>	<u>639,058</u>	<u>(2,291)</u>	<u>10,722</u>	<u>232,158</u>	<u>649,780</u>	179.89%
Beginning Adjusted Net Position	<u>5,226,414</u>	<u>5,460,863</u>	<u>32,552</u>	<u>30,261</u>	<u>5,258,966</u>	<u>5,491,124</u>	4.41%
Ending Net Position	<u>\$ 5,460,863</u>	<u>\$ 6,099,921</u>	<u>\$ 30,261</u>	<u>\$ 40,983</u>	<u>\$ 5,491,124</u>	<u>\$ 6,140,904</u>	11.83%

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

GOVERNMENTAL ACTIVITIES

Revenues for the School's governmental activities decreased by approximately 2% primarily due to IDEA funds in Special Education fund decreased and SDRS Pension GASB 68 reporting. Property taxes did decrease overall about \$107,168 mostly due to changes in the levies in the General and Capital Outlay funds. Nothing was spent from Pension also because of this pending General Fund cap requirement. Expenses for governmental activities decreased by approximately 12%. Expenses decreased due to controlling expenditures. Most of the renovation expenses will not happen until FY19.

BUSINESS-TYPE ACTIVITIES

Net position of the school's food service, preschool, and drivers education program increased 35%. This is due to increased funding from General Fund and the capital outlay purchase of the fire suppression system, as well as efficient use of food in the school lunch program. The remaining funds in PASS program were refunded, \$2,968, to the General Fund as the General Fund financed PASS in prior years. Preschool tuition varies depending on enrollment. We also hired a certified teacher to teach preschool.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The Capital Outlay, Special Education and Debt Service funds had increases in their fund balances. The General Fund held steady, trying to keep the cash balance cap at 25-28%. The Capital Outlay had less purchases. The Special Education fund balance increased due to lower expenditures because of changes in services. The Pension Fund's increase was from prior year taxes coming in and not spending any retirement from that fund. We hired an additional 2nd grade teacher, a para to replace the librarian at the elementary school and had an increase in enrollment which increases revenue. The Capital Projects and Debt Service Funds also showed increases in their net position due to receipt of GO Bonds and additional sinking payments, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

There were budget changes in the General Fund for the year due to increases in middle school distance learning, Title I and REAP salary & benefits, election services & advertising, expenses pertaining to the Spring Valley Colony, Curriculum Director, and board salaries & OASI.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET ADMINISTRATION

By the end of June 30, 2018, the School had invested \$3,536,538 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment, and construction work in progress. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$2,257,212, or 176.44%, over last year due mostly to the construction work project for the renovation to the existing middle/high school.

Table A-5
Capital Assets
(net of depreciation)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Dollar Change</i>	<i>Total % Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>		
Land	\$ 14,500	\$ 14,500	\$ --	\$ --	\$ --	0.00%
Construction in progress	--	2,354,404	--	--	2,354,404	100.00%
Buildings	720,844	673,894	--	--	(46,950)	-6.51%
Improvements Other than Buildings	10,812	6,019	--	--	(4,793)	-44.33%
Machinery & Equipment	533,170	479,568	--	8,153	(45,449)	-8.52%
Total Capital Assets	\$ 1,279,326	\$ 3,528,385	\$ --	\$ 8,153	\$ 2,257,212	176.44%

This year's major capital asset purchases were primarily purchasing of the following: construction work in progress on the middle/high school, scrubber, speaker system, and library books. The school disposed the following capital assets: Toshiba leased computers, library books, fuel tank and obsolete modules from industrial technology program. The Food Service fund added a fire suppression unit for the kitchen.

LONG-TERM DEBT

At year-end the School had \$4,488,119 in long-term obligations. This is an increase of 427.90% as shown on Table A-6 below. The increase is due to General Obligation Bonds for the middle/high school renovation project and the Energy Efficiency Loan for LED lighting at the grade school.

Table A-6
Outstanding Debt and Obligations

	<i>Governmental Activities</i>		<i>Total Dollar Change</i>	<i>Total % Change</i>
	<i>2017</i>	<i>2018</i>		
Qualified School Construction Bonds	\$ 830,000	\$ 830,000	\$ --	0.00%
General Obligation Bonds, Series 2018	--	3,500,000	3,500,000	100.00%
Plus: Unamortized Premiums	--	31,739	31,739	100.00%
Energy Efficiency Loan	--	107,837	107,837	100.00%
Compensated absences	20,184	18,543	(1,641)	-8.13%
Total Outstanding Debt	\$ 850,184	\$ 4,488,119	\$ 3,637,935	427.90%

The School is liable for the accrued sick leave payable, at \$10 per day, to the various employees who have five consecutive years or more of employment at the School District.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown increase in the Capital Outlay, Debt Service, and Special Education fund balances while the General and Pension funds stayed steady. The Capital Projects fund is new this year due to the middle/high school renovation project and will be completed in FY19. The changes in teacher compensation requirements along with the General Fund 30% cap and FY21 Capital Outlay Fund cap per students, will cause the district to continue to need to control expenditures and continue to find ways to attract students/families to our district and cyber school. Increasing student enrollment and grants will continue to play a factor in the offering of new and existing programs to our district as well as the flexibility to spend up to 45% of the Capital Outlay tax revenues. The General Fund had been increasing purposely in preparation for the sunset of the SB 111 in 2018 but the 30% cap changed that and FY17 & FY18 were years of decision on how to spend down towards that cap. It becomes increasingly harder to plan for the future as legislation changes our funding and we do not know from year to year what our enrollments will be due to open enrollment, which goes both ways. Because of the need to have used the Capital Outlay Fund and then have to decrease our General Fund budget, it is very difficult to compare year to year expenditures as they have shifted several times. Without increased funding from the State, we will need to consider an additional General Fund Opt out within the next 3-7 years and perhaps find ways to share staff with other districts. The Capital Outlay and Capital Projects Funds will decrease in FY19 due to the renovation project.

One of the primary sources of revenue to the School is based on a complex funding formula that has changed dramatically in how it is calculated. Fall student enrollment (332) determines the Formula Number of Certified Instruction Staff (CIS) FTE by dividing the enrollment by the ratio number determined from enrollments falling between 200-600 students (ratio range will be 12-15) which in our case is 12.99. $332 \text{ students} \div 12.99 = 25.56$ for the Formula Number of Certified Instructional Staff FTE at Wessington Springs. This 25.56 is multiplied by the Target Certified Instructional Staff Salary determined by the State target CIS of \$62,753 $\{(\$48,645.50) \text{ plus } 29\% \text{ for benefits } (\$14,107.50)\}$. This total of \$1,603,849 is the need based on CIS salaries/benefits. Then the \$1,603,849 is multiplied by the overhead cost percentage (31.04%) to determine the state aid share for non-teacher expenses (\$497,835). These two numbers combine for the State Aid Total Need for Formula FTE, \$2,101,683. To that is added the LEP Adjustment. Twenty-five percent of eligible WS LEP students (20 this year) determines the weighted LEP Student Count. That determines the ratio of LEP Adjustment Teachers (approximately 38% for WS). LEP Adjustment Teachers (38%) times the \$62,753 to determine both the salaries and benefits (24,154.35) and 31.04% overhead costs (\$7,497.51) for a total of \$31,652 State Aid Total Need for LEP only. The \$31,652 plus the \$2,101,683 comprise the Total General State Aid Need of \$2,133,335. Other revenues are to be equalized over the next 5 years and a per student dollar is supposed to come back to the districts as more and more other revenues are shared statewide. But there is not a set amount for this and it does not appear to be at the rate originally expected. It is a very complex budget situation with many moving targets. See attached FY18 General State Aid Need Budgeting calculator.

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES: (continued)

FY2018 Estimate of General State Aid Need - Budgeting			
		Teacher Ratio	
Target Student to Teacher Ratio	District Size		
Maximum Student/Teacher Ratio	530	15	
Minimum Student/Teacher Ratio	530	15	
Enter estimated count of students: State Aid Fall Enrollment 2017			Count of LEP students scoring (composite) less than 4.0 on
Formula Number of Certified Instructional Staff FTEs			LEP Adjustment
A. Base # of Instructional Staff (Fall 2017)	332		Number of LEP students
B. Target Students/Certified Instructional Staff Ratio	15.00		# LEP students
Formula Number of Certified Instructional Staff FTEs	22.13		Number of LEP students/Certified Instructional Staff
			LEP Adjustment (Target)
			20.00
Formula Certified Instructional Staff Salary/Benefit Need			Calculation for LEP Teacher Salary/Benefit Need
Target Cost for Instructional Staff Salary	\$ 44,044.80		Target Cost for Instructional Staff Salary
B. Target Cost for Instructional Staff Salary %	20%		B. Target Cost for Instructional Staff Salary %
Target Cost for Instructional Staff Salary = Base %	\$ 8,808.96		Target Cost for Instructional Staff Salary = Base %
Need based on Certified Instructional Staff Salaries/Benefits	\$ 1,608,849		Need based on Certified Instructional Staff Salaries/Benefits
			\$ 24,134.33
Overhead Costs			Overhead Costs
A. % of Chargeable Costs	11.25%		A. % of Chargeable Costs
State Aid Share for Non-Teacher Expenses	\$ 497,835		State Aid Share for Non-Teacher Expenses
			\$ 7,497.51
State Aid Total Need for Formula FTE	\$ 2,101,683		State Aid Total Need for LEP Only
			\$ 31,652
			TOTAL GENERAL STATE AID NEED
			\$2,133,335
MINUS			
			Local Effort - Property Taxes
			\$ 1,179,805
			Local Effort - Other Revenue Equalization
			\$ -
			General State Aid
			\$ 933,530

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2018**

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

**Table A-7
Wessington Springs School District No. 36-2
ADM for the Last Nine Years**

<i>YEAR</i>	<i>ADM</i>	<i>Percent (Decrease) in ADM</i>
2018	332	1.22%
2017	328	-3.24%
2016	339	6.27%
2015	319	13.52%
2014	281	0.00%
2013	281	2.55%
2012	274	-5.84%
2011	291	-2.02%
2010	297	3.48%

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 School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Wessington Springs School's Business Office, 302 Dakota Avenue N. Wessington Springs, SD 57382.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF NET POSITION – GOVERNMENT-WIDE
JUNE 30, 2018

	<i>PRIMARY GOVERNMENT</i>		
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 4,591,788	\$ 41,435	\$ 4,633,223
Incidental imprest account	1,000	--	1,000
Taxes receivable	1,223,471	--	1,223,471
Inventories	3,357	4,306	7,663
Other assets	158,419	--	158,419
Net pension asset	8,612	--	8,612
Restricted Assets:			
Cash and cash equivalents	1,823,824	--	1,823,824
Capital Assets:			
Land and construction in progress	2,368,904	--	2,368,904
Other capital assets, net of depreciation	1,159,481	8,153	1,167,634
TOTAL ASSETS	11,338,856	53,894	11,392,750
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	920,303	--	920,303
TOTAL DEFERRED OUTFLOWS OF RESOURCES	920,303	--	920,303
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,259,159	\$ 53,894	\$ 12,313,053
LIABILITIES:			
Accounts payable	\$ 3,699	\$ 24	\$ 3,723
Other current liabilities	268,956	12,887	281,843
Noncurrent Liabilities:			
Due within one year	19,452	--	19,452
Due in more than one year	4,468,667	--	4,468,667
TOTAL LIABILITIES	4,760,774	12,911	4,773,685
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,203,005	--	1,203,005
Pension related deferred inflows	195,459	--	195,459
TOTAL DEFERRED INFLOWS OF RESOURCES	1,398,464	--	1,398,464
NET POSITION:			
Net investment in capital assets	1,466,340	8,153	1,474,493
Restricted for:			
Capital outlay	2,293,354	--	2,293,354
Special education	670,560	--	670,560
Other governmental funds	531,363	--	531,363
SDRS pension purposes	733,456	--	733,456
Unrestricted	404,848	32,830	437,678
TOTAL NET POSITION	\$ 6,099,921	\$ 40,983	\$ 6,140,904

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE
FOR THE YEAR ENDED JUNE 30, 2018**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 1,918,403	\$ –	\$ 191,602	\$ –	\$ (1,726,801)	\$ –	\$ (1,726,801)
Support services	1,472,928	4,881	–	–	(1,468,047)	–	(1,468,047)
Interest on long term debt*	111,975	–	–	–	(111,975)	–	(111,975)
Co-curricular activities	142,129	17,036	–	–	(125,093)	–	(125,093)
Total Governmental Activities	3,645,435	21,917	191,602	–	(3,431,916)	–	(3,431,916)
<i>Business-Type Activities:</i>							
Food service	127,421	71,928	57,481	8,582	–	10,570	10,570
Driver's education	4,311	3,300	–	–	–	(1,011)	(1,011)
Preschool program	33,836	12,430	–	–	–	(21,406)	(21,406)
Total Business-Type Activities	165,568	87,658	57,481	8,582	–	(11,847)	(11,847)
Total Primary Government	\$ 3,811,003	\$ 109,575	\$ 249,083	\$ 8,582	(3,431,916)	(11,847)	(3,443,763)
GENERAL REVENUES.							
<i>Taxes:</i>							
					2,651,987	–	2,651,987
					107,113	–	107,113
<i>Revenue from State Sources:</i>							
					1,165,426	478	1,165,904
					5,958	–	5,958
					61,006	10	61,016
					101,565	–	101,565
					(22,081)	22,081	–
Total General Revenues and Transfers					4,070,974	22,569	4,093,543
					639,058	10,722	649,780
<i>Change in Net Position</i>							
<i>Net Position-Beginning</i>					5,460,863	30,261	5,491,124
<i>Net Position-Ending</i>					\$ 6,099,921	\$ 40,983	\$ 6,140,904

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

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	GENERAL FUND	CAPITAL OUTLAY FUND	SPECIAL EDUCATION FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash and cash equivalents	\$ 1,336,053	\$ 2,387,352	\$ 691,400	\$ --	\$ 176,983	\$ 4,591,788
Taxes receivable - current	536,912	413,601	252,492	--	--	1,203,005
Taxes receivable - delinquent	8,098	7,839	4,279	--	250	20,466
Accounts receivable	--	6,000	--	--	--	6,000
Due from other government	137,497	--	14,922	--	--	152,419
Inventory	3,357	--	--	--	--	3,357
Advance payments	1,000	--	--	--	--	1,000
Restricted cash	--	--	--	1,469,694	354,130	1,823,824
TOTAL ASSETS	\$ 2,022,917	\$ 2,814,792	\$ 963,093	\$ 1,469,694	\$ 531,363	\$ 7,801,859
LIABILITIES AND FUND BALANCES:						
<i>Liabilities:</i>						
Accounts payable	\$ 3,211	\$ --	\$ 488	\$ --	\$ --	\$ 3,699
Contracts payable	165,811	--	30,778	--	--	196,589
Payroll deductions and withholding and employer matching payable	63,592	--	8,775	--	--	72,367
Total Liabilities	232,614	--	40,041	--	--	272,655
<i>Deferred Inflows of Resources:</i>						
Taxes levied for a future period	536,912	413,601	252,492	--	--	1,203,005
Unavailable revenue - property taxes	8,098	7,839	4,279	--	250	20,466
Total Deferred Inflows of Resources	545,010	421,440	256,771	--	250	1,223,471
<i>Fund Balances:</i>						
Nonspendable	3,357	--	--	--	--	3,357
Restricted						
Capital outlay fund	--	2,393,352	--	--	--	2,393,352
Special education fund	--	--	666,281	--	--	666,281
Pension fund	--	--	--	--	176,983	176,983
Debt service fund	--	--	--	--	354,130	354,130
Capital projects fund	--	--	--	1,469,694	--	1,469,694
Assigned	224,187	--	--	--	--	224,187
Unassigned	1,017,749	--	--	--	--	1,017,749
Total Fund Balances	1,245,293	2,393,352	666,281	1,469,694	531,113	6,305,733
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,022,917	\$ 2,814,792	\$ 963,093	\$ 1,469,694	\$ 531,363	\$ 7,801,859

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

<i>Total Fund Balances - Governmental Funds</i>			\$ 6,305,733
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>			
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	<p>The cost of capital assets are</p>	<p>6,178,393</p>	
	<p>Accumulated depreciation is</p>	<p><u>(2,650,008)</u></p>	
	<p><i>Net</i></p>		<p>3,528,385</p>
<p>Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.</p>			<p>920,303</p>
<p>Long-term liabilities, including bonds payable, capital outlay certificates, energy efficiency loans, accrued leave payable and early retirement payable are not due and payable in the current period and therefore are not reported in</p>	<p>General Obligation Bonds</p>	<p></p>	
	<p>Series 2018</p>	<p>(3,531,739)</p>	
	<p>Qualified School</p>	<p></p>	
	<p>Construction Bonds</p>	<p>(830,000)</p>	
	<p>Energy Efficiency Loan</p>	<p>(107,837)</p>	
	<p>Accrued leave payable</p>	<p><u>(18,543)</u></p>	
	<p><i>Net</i></p>		<p>(4,488,119)</p>
<p>Assets, such as taxes receivable (delinquent) that are not available to pay for current period expenditures, are deferred in the funds.</p>			<p>20,466</p>
<p>Proportionate Share of Net Pension Asset</p>			<p>8,612</p>
<p>Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.</p>			<p><u>(195,459)</u></p>
<i>Net Position-Governmental Funds</i>			<u>\$ 6,099,921</u>

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES						
<i>Revenue from Local Sources:</i>						
<i>Taxes:</i>						
Ad valorem taxes	\$ 1,179,000	\$ 894,760	\$ 546,746	\$ --	\$ --	\$ 2,620,506
Prior years' ad valorem taxes	14,071	7,012	3,639	--	310	25,032
Gross receipts taxes	107,113	--	--	--	--	107,113
Penalties and interest on taxes	4,438	2,874	1,616	--	57	8,985
<i>Earnings on investments and deposits</i>	4,521	47,836	1,737	2,568	4,344	61,006
<i>Co-curricular Activities:</i>						
Admissions	17,036	--	--	--	--	17,036
<i>Other Revenue from Local Sources:</i>						
Rentals	480	--	--	--	--	480
Contributions and donations	7,513	13,428	--	--	--	20,941
Charges for services	4,164	--	717	--	--	4,881
Other	33,983	--	--	--	--	33,983
<i>Revenue from Intermediate Sources:</i>						
<i>County sources:</i>						
County apportionment	33,725	--	--	--	--	33,725
<i>Revenue from State Sources:</i>						
<i>Grants-in-Aid:</i>						
Unrestricted grants-in-aid	1,165,426	--	--	--	--	1,165,426
<i>Revenue from Federal Sources:</i>						
<i>Grants-in-Aid:</i>						
Restricted grants-in-aid received from federal government through an intermediate source	4,678	929	309	--	42	5,958
Restricted grants-in-aid received from federal government through the state	120,923	--	70,679	--	--	191,602
TOTAL REVENUES	2,697,071	966,839	625,443	2,568	4,753	4,296,674

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
EXPENDITURES:						
<i>Instruction:</i>						
<i>Regular Programs:</i>						
Elementary	\$ 760,930	\$ 134,673	\$ --	\$ --	\$ --	\$ 895,603
Middle/junior high	171,471	16,529	--	--	--	188,000
High school	464,651	44,622	--	--	--	509,273
<i>Special Programs:</i>						
Programs for special education	--	--	390,572	--	--	390,572
Educationally deprived	115,314	--	--	--	--	115,314
<i>Support Services:</i>						
<i>Pupils:</i>						
Guidance	53,098	--	5,937	--	--	59,035
Health	1,071	--	--	--	--	1,071
Psychological	--	--	25,193	--	--	25,193
Speech pathology	--	--	46,980	--	--	46,980
Student therapy services	--	--	22,563	--	--	22,563
<i>Instructional Staff:</i>						
Improvement of instruction	23,168	--	--	--	--	23,168
Educational media	115,130	2,468	--	--	--	117,598
<i>General Administration:</i>						
Board of education	87,207	--	--	--	--	87,207
Executive administration	105,460	155	--	--	--	105,615
<i>School Administration:</i>						
Office of the principal	224,615	603	--	--	--	225,218
Other	466	--	--	--	--	466
<i>Business:</i>						
Fiscal services	106,038	2,253	--	--	--	108,291
Operation and maintenance of plant	301,992	126,866	--	--	--	428,858
Pupil transportation	160,039	8,744	--	--	--	168,783
Food service	5,719	10,323	--	--	--	16,042

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
EXPENDITURES:						
<i>Special Education:</i>						
Administrative costs	\$ --	\$ --	\$ 32,875	\$ --	\$ --	\$ 32,875
Transportation costs	--	--	30	--	--	30
Other special education costs	--	--	4,758	--	--	4,758
<i>Debt Services</i>	--	47,725	--	63,174	1,076	111,975
<i>Cocurricular Activities:</i>						
Combined activities	128,026	6,886	--	--	--	134,912
Capital Outlay	568	31,762	--	2,354,404	--	2,386,734
TOTAL EXPENDITURES	<u>2,824,963</u>	<u>433,609</u>	<u>528,908</u>	<u>2,417,578</u>	<u>1,076</u>	<u>6,206,134</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(127,892)</u>	<u>533,230</u>	<u>96,535</u>	<u>(2,415,010)</u>	<u>3,677</u>	<u>(1,909,460)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	152,968	--	--	352,965	49,724	555,657
Transfers out	(25,049)	(552,689)	--	--	--	(577,738)
Proceeds of general long-term liabilities	--	107,837	--	3,531,739	--	3,639,576
Sale of surplus property	290	6,000	--	--	--	6,290
Compensation for loss of capital assets	6,146	--	--	--	--	6,146
TOTAL OTHER FINANCING SOURCES (USES)	<u>134,355</u>	<u>(438,852)</u>	<u>--</u>	<u>3,884,704</u>	<u>49,724</u>	<u>3,629,931</u>
<i>Net Change in Fund Balances</i>	6,463	94,378	96,535	1,469,694	53,401	1,720,471
<i>Changes in Nonspendable</i>	(9,007)	--	--	--	--	(9,007)
<i>FUND BALANCE - Beginning of Year</i>	1,247,837	2,298,974	569,746	--	477,712	4,594,269
<i>FUND BALANCE - End of Year</i>	<u>\$ 1,245,293</u>	<u>\$ 2,393,352</u>	<u>\$ 666,281</u>	<u>\$ 1,469,694</u>	<u>\$ 531,113</u>	<u>\$ 6,305,733</u>

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<i>Total net change in fund balances - governmental funds</i>	\$	1,720,471
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		2,386,734
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(122,193)
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	General Obligation Bonds Energy Efficiency Loan <i>Net</i>	3,531,739 <u>107,837</u> (3,639,576)
In the statement of activities, gain and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(15,482)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund's statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		(2,536)
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.	Accrued Leave	1,641
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 (e.g., pension expense).		319,006
Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. This amount represents the "change in" inventory of supplies.		<u>(9,007)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>639,058</u></u>

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2018

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUNDS</i>	<i>TOTAL</i>
<i>ASSETS:</i>			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 30,544	\$ 10,891	\$ 41,435
Inventory of supplies	620	--	620
Inventory of stores purchased for resale	762	--	762
Inventory of donated food	2,924	--	2,924
<i>Total Current Assets</i>	34,850	10,891	45,741
 <i>Capital Assets:</i>			
Machinery and equipment - local funds	22,722	--	22,722
Accumulated depreciation	(14,569)	--	(14,569)
<i>Total Noncurrent Assets</i>	8,153	--	8,153
<i>TOTAL ASSETS</i>	\$ 43,003	\$ 10,891	\$ 53,894
 <i>LIABILITIES AND NET POSITION:</i>			
<i>Liabilities:</i>			
<i>Current Liabilities:</i>			
Accounts payable	\$ 24	\$ --	\$ 24
Contract payable	--	6,125	6,125
Payroll deductions and withholdings	3,733	1,021	4,754
Unearned revenue	2,008	--	2,008
<i>Total Current Liabilities</i>	5,765	7,146	12,911
 <i>Net Position:</i>			
Net investment in capital assets	8,153	--	8,153
Unrestricted net position	29,085	3,745	32,830
<i>Total Net Position</i>	37,238	3,745	40,983
<i>TOTAL LIABILITIES AND NET POSITION</i>	\$ 43,003	\$ 10,891	\$ 53,894

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD</i>	<i>OTHER</i>	<i>TOTAL</i>
	<i>SERVICE</i>	<i>ENTERPRISE</i>	
	<i>FUND</i>	<i>FUND</i>	<i>FUND</i>
OPERATING REVENUES:			
<i>Sales:</i>			
To pupils	\$ 56,482	\$ --	\$ 56,482
To adults	2,471	--	2,471
Ala Carte	12,619	--	12,619
Other charges for goods and services	356	15,730	16,086
<i>Total Operating Revenue</i>	71,928	15,730	87,658
OPERATING EXPENSES:			
Salaries	44,383	27,720	72,103
Employee benefits	26,425	4,837	31,262
Purchased services	1,827	358	2,185
Supplies	3,501	5,047	8,548
Cost of sales - purchased food	36,766	--	36,766
Cost of sales - donated food	14,090	--	14,090
Miscellaneous	--	185	185
Depreciation - local funds	429	--	429
<i>Total Operating Expenses</i>	127,421	38,147	165,568
<i>Operating Income (Loss)</i>	(55,493)	(22,417)	(77,910)
<i>Non-operating Revenue (Expense):</i>			
<i>Investment earnings</i>	10	--	10
<i>State Sources:</i>			
Cash reimbursements	478	--	478
<i>Federal Sources:</i>			
Cash reimbursements	41,117	--	41,117
Donated food	16,364	--	16,364
<i>Total Non-operating Revenue (Expense)</i>	57,969	--	57,969
<i>(Loss) Before Transfers</i>	2,476	(22,417)	(19,941)
<i>Capital contributions</i>	8,582	--	8,582
<i>Transfer in</i>	5,049	20,000	25,049
<i>Transfer out</i>	--	(2,968)	(2,968)
<i>Change in Net Position</i>	16,107	(5,385)	10,722
<i>NET POSITION - Beginning of Year</i>	21,131	9,130	30,261
<i>NET POSITION - End of Year</i>	\$ 37,238	\$ 3,745	\$ 40,983

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUND</i>	<i>TOTALS</i>
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 72,013	\$ 16,515	\$ 88,528
Cash payments to suppliers	(41,492)	(5,645)	(47,137)
Cash payments to employees	(70,728)	(30,876)	(101,604)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(40,207)</u>	<u>(20,006)</u>	<u>(60,213)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Investment earnings	10	–	10
Cash reimbursements - state	478	–	478
Cash reimbursements - federal	41,117	–	41,117
Operating transfers - in	5,049	20,000	25,049
Operating transfers - out	–	(2,968)	(2,968)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>46,654</u>	<u>17,032</u>	<u>63,686</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,447	(2,974)	3,473
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>24,097</u>	<u>13,865</u>	<u>37,962</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 30,544</u>	<u>\$ 10,891</u>	<u>\$ 41,435</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:			
Operating (loss)	\$ (55,493)	\$ (22,417)	\$ (77,910)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:			
Depreciation expense	429	–	429
Noncash cost of sales - commodities	14,090	–	14,090
Change in Assets and Liabilities:			
Accounts receivable	85	785	870
Inventories	938	–	938
Accounts and other payables	(336)	(55)	(391)
Accrued wages payable	80	1,681	1,761
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (40,207)</u>	<u>\$ (20,006)</u>	<u>\$ (60,213)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Value of commodities received	<u>\$ 16,364</u>	<u>\$ –</u>	<u>\$ 16,364</u>

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<i>Private -Purpose Trust Funds</i>	<i>Agency Funds</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 500	\$ 73,400	\$ 73,900
TOTAL ASSETS	\$ 500	\$ 73,400	\$ 73,900
LIABILITIES			
Amounts held for others	\$ --	\$ 73,400	\$ 73,400
TOTAL LIABILITIES	\$ --	73,400	73,400
NET POSITION			
Held in trust for others	500	--	500
TOTAL LIABILITIES AND NET POSITION	\$ 500	\$ 73,400	\$ 73,900

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2018

	<i>Private-Purpose Trust Funds</i>
DEDUCTIONS	
Trust deductions for scholarships awarded	<u>\$ 500</u>
CHANGE IN NET POSITION	<u>(500)</u>
NET POSITION - BEGINNING	<u>1,000</u>
NET POSITION - ENDING	<u><u>\$ 500</u></u>

*The accompanying Notes to Financial Statements are
an integral part of this financial statement.*

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a. Financial Reporting Entity:

The reporting entity of Wessington Springs School District No. 36-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 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.

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

Governmental Funds:

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

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Governmental Funds: (continued)

Special Revenue Fund Types: (continued)

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District’s share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

Debt Service Fund – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Bond Redemption Fund – The QSCB Fund is the only debt service fund. This fund was established to collect money in the sinking funds for payment of term bonds. The Capital Outlay fund transfers money to this fund on a yearly basis. At the end of the term, the bonds will be paid off. This is not a major fund.

Capital Projects Fund – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Construction in Progress Fund – This fund is the only capital projects fund maintained by the School District. This fund was established to be used to account for the construction of the School’s remodel to their existing middle/high school. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods and services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- 1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)**
- 2. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.**

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Fund Financial Statements: (continued)

Proprietary Funds: (continued)

Enterprise Funds: (continued)

3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education and the preschool program. This fund is financed by user charges and operating transfers from the General Fund. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the Scholarship Fund as its only private-purpose trust fund which is used to administer scholarships for students. The fund is financed through contributions and interest.

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

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

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

Measurement Focus:

Government-Wide Financial Statements:

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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

Measurement Focus: (continued)

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2018 are utility taxes, money owed for the sale of a fuel tank, and grants due from federal governments.

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

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

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

d. **Interfund Eliminations and Reclassifications:**

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

e. **Inventory:**

Inventory is valued at the lower of cost or market. The cost valuation method is first in first out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

For the governmental activities and proprietary fund types, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the government-wide and the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a Nonspendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The school had approximately \$3,300 in governmental activity inventories as of June 30, 2018.

f. **Deposits and Investments:**

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely (primarily) of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

g. **Capital Assets:**

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

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

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized. Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All	--	--
Land improvements	\$5,000	Straight-line	20 years
Buildings	\$5,000	Straight-line	50 years
Machinery and equipment	\$5,000	Straight-line	5-30 years

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

Fund Financial Statements:

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

h. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of bonds payable, capital outlay certificates, energy efficiency loans, and compensated absences.

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

i. Program Revenues:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Accumulated Unpaid Vacation and Sick Leave:

Annual leave is earned by the employees at the rate of zero to 20 days per year depending on position. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of ten to twelve days per year depending on position. Upon termination, employees who have worked five consecutive years or more for the district are entitled to receive \$10 per day up to 80 days for unused sick leave days if they leave the School District.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

l. **Unavailable Revenue:**

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

m. **Cash and Cash Equivalents:**

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

n. **Equity Classifications:**

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

o. **Application of Net Position:**

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

p. **Fund Balance Classification Policies and Procedures:**

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

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

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

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

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

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

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The School District does not have a formal minimum fund balance policy.

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

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

q. **Use of Estimates:**

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

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

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

r. *Pensions:*

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

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

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

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

No investments were held as of June 30, 2018 or during the year then ended. "Investments" presented in the financial statements were certificates of deposit having maturities in excess of 90 days when acquired.

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

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

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

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District’s policy is to credit all income from deposits and investments to the General Fund for all governmental funds except for Debt Service Fund which accumulates interest to help pay off the term bonds.

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

3. PROPERTY TAX:

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

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

4. CHANGES IN CAPITAL ASSETS:

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

	<u>Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 14,500	\$ --	\$ --	\$ 14,500
Construction in progress	--	2,354,404	--	2,354,404
<i>Total capital assets not being depreciated</i>	<u>14,500</u>	<u>2,354,404</u>	<u>--</u>	<u>2,368,904</u>
Capital assets being depreciated:				
Buildings	2,319,682	--	--	2,319,682
Improvements	311,503	--	--	311,503
Equipment	1,321,932	32,330	175,958	1,178,304
<i>Total capital assets being depreciated</i>	<u>3,953,117</u>	<u>32,330</u>	<u>175,958</u>	<u>3,809,489</u>
Less accumulated depreciation for:				
Buildings	1,598,838	46,950	--	1,645,788
Improvements	300,691	4,793	--	305,484
Equipment	788,762	70,450	160,476	698,736
<i>Total accumulated depreciation</i>	<u>2,688,291</u>	<u>122,193</u>	<u>160,476</u>	<u>2,650,008</u>
<i>Total capital assets being depreciated, net</i>	<u>1,264,826</u>	<u>(89,863)</u>	<u>15,482</u>	<u>1,159,481</u>
<i>Net Capital Assets</i>	<u>\$ 1,279,326</u>	<u>\$ 2,264,541</u>	<u>\$ 15,482</u>	<u>\$ 3,528,385</u>

Depreciation expenses was charged to functions as follows:

Instruction	\$ 38,206
Support services	67,199
Co-curricular activities	16,788
<i>Total Depreciation Expense</i>	<u>\$ 122,193</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

4. CHANGES IN CAPITAL ASSETS: (continued)

	<u>Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 14,140	\$ 8,582	\$ --	\$ 22,722
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>14,140</u>	<u>429</u>	<u>--</u>	<u>14,569</u>
<i>Total capital assets being depreciated, net</i>	<u>\$ --</u>	<u>\$ 8,153</u>	<u>\$ --</u>	<u>\$ 8,153</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 429</u>

5. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

	<u>Balance 7/1/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2018</u>	<u>Amounts Due Within 1 Year</u>
Governmental Activities:					
Qualified School Construction Bonds	\$ 830,000	\$ --	\$ --	\$ 830,000	\$ --
General Obligation Bonds	--	3,500,000	--	3,500,000	--
Plus: Unamortized Premiums	--	31,739	--	31,739	1,587
Net Pension Liability	295,637	--	295,637	--	--
Energy efficiency loan	--	107,837	--	107,837	16,865
Compensated Absences	<u>20,184</u>	<u>3,509</u>	<u>5,150</u>	<u>18,543</u>	<u>1,000</u>
<i>Total Governmental Activities</i>	<u>\$ 1,145,821</u>	<u>\$ 3,643,085</u>	<u>\$ 300,787</u>	<u>\$ 4,488,119</u>	<u>\$ 19,452</u>

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

5. LONG-TERM LIABILITIES: (continued)

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

Qualified School Construction Bonds	During December 2010, the School District entered into an agreement to receive Qualified School Construction Bonds in the amount of \$830,000. These are term bonds and payment is not due in full until the term is up. The interest rate on these bonds is 5.75%. The term is up in July 2027. The Capital Outlay Fund makes deposits annually of \$49,724 into a Debt Service (Sinking) Fund. When the term is up, the bonds will be mature and the Debt Service Fund will retire the bonds.	<u>\$ 830,000</u>
General Obligation Bonds, Series 2018	The School District issued \$3,500,000 of General Obligation Bonds, Series 2018. The bonds are payable August 1, 2018 through August 1, 2037 with fixed interest rates from 2.0% to 3.75% that vary depending on the term of maturity. The Capital Outlay Fund makes this payment.	<u>\$ 3,500,000</u>
Energy Efficiency Conservation Block Grant Loan	Starting August 1, 2017, the School District entered into a loan agreement with South Dakota Energy Management Office in the amount of \$107,837. The School was able to purchase LED lighting with the understanding that the School is required to track energy usage and cost savings information. There is no interest on this loan. Final payment is due July 31, 2027. The Capital Outlay Fund makes payments on this debt.	<u>\$ 107,837</u>
Compensated Absences	Payable from the fund to which payroll expenditures are charged.	<u>\$ 18,543</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

5. LONG-TERM LIABILITIES: (continued)

The annual requirements to amortize the Qualified School Construction Bonds, the Limited Tax General Obligation Capital Outlay Certificates, and the Energy Efficiency Loans outstanding at June 30, 2018, are as follows:

Annual Requirements to Maturity for Long-Term Debt June 30, 2018

Year Ending June 30,	Quality School Construction Bonds		General Obligation Bonds, Series 2018		Energy Efficiency Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ --	\$ 47,725	\$ 100,000	\$ 92,063	\$ 16,865	\$ --	\$ 116,865
2020	--	47,725	145,000	108,023	10,108	--	155,108	155,748
2021	--	47,725	150,000	104,848	10,108	--	160,108	152,573
2022	--	47,725	155,000	100,422	10,108	--	165,108	148,147
2023	--	47,725	160,000	96,235	10,108	--	170,108	143,960
2024-2028	830,000	238,625	855,000	418,044	50,540	--	1,735,540	656,669
2029-2033	--	--	1,005,000	280,162	--	--	1,005,000	280,162
2034-2037	--	--	930,000	107,750	--	--	930,000	107,750
TOTALS	\$ 830,000	\$ 477,250	\$ 3,500,000	\$ 1,307,547	\$ 107,837	\$ --	\$ 4,437,837	\$ 1,784,797

6. OPERATING LEASES:

The School District entered into a five-year operational agreement with the Spring Valley Hutterian Brethren, Inc. on July 1, 2017. The agreement states that the Springs Valley colony leases the school building on the colony premises to the Wessington Springs School District for \$7,500 per year. Rental payments made by the school shall be used exclusively for building improvements and maintenance for the school building. Various covenants and restrictions apply to this lease agreement. Payments are made from the Capital Outlay Fund.

The School District entered into an agreement to lease a copier for a forty-eight (48) month period in July 2016. The monthly payment is approximately \$514 for the lease and \$.0050 per black and white copy and \$.0500 per color copy per year. The agreement contains various covenants, restrictions, and provisions. Payments are made from the Capital Outlay Fund.

The School District entered into a lease agreement with Total Building, LLC on December 1, 2016 through November 30, 2018 with the payments per month at \$700 for the lease of half of a building to house school busses in. Payments are made from the Capital Outlay Fund.

The following are the minimum payments on existing operating leases:

Year	Spring Valley School	Copier	Bus Garage	Total
2019	\$ 7,500	\$ 514	\$ 700	\$ 8,714
2020	7,500	514	--	8,014
2021	7,500	514	--	8,014
2022	7,500	514	--	8,014

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. INTERFUND ACTIVITY:

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

Transfer from General Fund to Food Service Fund to assist in covering costs of that program especially pertaining to the non-program foods.	\$	5,049
Transfer from General Fund to the Preschool Fund to assist in covering costs of the school's preschool program.	\$	20,000
Transfer from the Capital Outlay Fund to the Capital Projects Fund to deposit money towards construction costs for the remodel of the high school.	\$	352,965
Transfer from the PASS Fund to the General Fund due to the school no longer operating the PASS program.	\$	2,968
Transfer from the Capital Outlay Fund to the General Fund for General Fund expenditures.	\$	150,000
Transfer from the Capital Outlay Fund to the Debt Service Fund to deposit money towards paying off the Qualified School Construction Bonds when their term is complete.	\$	49,724

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

8. RESTRICTED NET POSITION:

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
<i>Major Purposes:</i>		
Capital Outlay	Law	\$ 2,293,354
Special Education	Law	670,560
Pension Fund	Law	177,233
Debt Service	Debt covenants	354,130
SDRS Pension Purposes	Law	733,456
<i>Total</i>		<u>\$ 4,228,733</u>

9. ASSIGNED FUND BALANCES FOR CASH FLOW:

As authorized by SDCL 13-11-12, the School Board has determined that a year-end minimum fund balance of \$224,187 is necessary to protect the School District's cash liquidity from July 1, through mid-November of the subsequent fiscal year. This amount is reported as Assigned Fund Balance in the General Fund.

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

10. PENSION PLAN:

a. Plan Information:

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

b. Benefits Provided:

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

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

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

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

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

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

*WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

10. *PENSION PLAN: (continued)*

c. *Contributions:*

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

<u><i>Year</i></u>	<u><i>Amount</i></u>
2018	\$ 113,672
2017	\$ 115,695
2016	\$ 99,853

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

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

Proportionate share of pension liability	\$ 11,040,882
Less proportionate share of net pension restricted for pension benefits	<u>11,049,494</u>
<i>Proportionate share of net pension (asset)</i>	<u><u>\$ (8,612)</u></u>

At June 30, 2018, the School District reported an (asset) of (8,612) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2017 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the School District's proportion was .09489400%, which is an increase of .0073730% from its proportion measured as of June 30, 2016.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. PENSION PLAN: (continued)

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

For the year ended June 30, 2018, the School District recognized pension expense (reduction of pension expense) of (\$319,006). At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 137,984	\$ --
Changes in assumption	668,647	--
Net difference between projected and actual earnings on pension plan investments	--	165,569
Changes in proportion and difference between district contributions and proportionate share of contributions	--	29,890
District contributions subsequent to the measurement date	113,672	--
TOTAL	\$ 920,303	\$ 195,459

\$113,672 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year Ended June 30,</i>		
2019	\$	162,931
2020		282,467
2021		207,817
2022		(42,043)
2023		--
Thereafter		--
TOTAL	\$	611,172

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. PENSION PLAN: (continued)

e. Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.5% at entry to 3.00%
Discount Rate	6.50% net of plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. PENSION PLAN: (continued)

f. Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

g. Sensitivity of liability (asset) to changes in the discount rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
District's proportionate share of the net pension liability	\$ 1,577,237	\$ (8,612)	\$ (1,300,008)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

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

11. RESTRICTED CASH AND INVESTMENT:

Assets are restricted for use for a specific purpose through segregation of balances in separate accounts. As of June 30, 2018, \$354,130 was restricted in the Debt Service Fund for sinking fund requirements and \$1,469,694 was restricted in the Capital Projects Fund for the remodeling of the middle/high school.

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

12. RISK MANAGEMENT:

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

Employee Health Insurance – The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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

Liability Insurance – The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

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

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

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

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

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

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018**

	<i>BUDGETED AMOUNTS</i>		<i>ACTUAL AMOUNTS BUDGETARY</i>	<i>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</i>
	<i>ORIGINAL</i>	<i>FINAL</i>	<i>BASIS</i>	
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,209,727	\$ 1,209,727	\$ 1,179,000	\$ (30,727)
Prior years' ad valorem taxes	5,000	5,000	14,071	9,071
Gross receipts taxes	105,665	105,665	107,113	1,448
Penalties and interest on taxes	2,000	2,000	4,438	2,438
<i>Earnings on investments and deposits</i>	2,000	2,000	4,521	2,521
<i>Cocurricular Activities:</i>				
Admissions	17,000	17,000	17,036	36
<i>Other Revenue from Local Sources:</i>				
Rentals	1,000	1,000	480	(520)
Contributions and donations	2,000	2,000	7,513	5,513
Charges for services	2,400	2,400	4,164	1,764
Other	36,500	36,500	33,983	(2,517)
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	35,835	35,835	33,725	(2,110)
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	1,078,110	1,078,110	1,165,426	87,316
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid received from federal government through an intermediate source	3,000	3,000	4,678	1,678
Restricted grants-in-aid received from federal government through the state	102,920	102,920	120,923	18,003
Other Federal Revenue	5,000	5,000	-	(5,000)
TOTAL REVENUES:	\$ 2,608,157	\$ 2,608,157	\$ 2,697,071	\$ 88,914

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

	<u>BUDGETED AMOUNTS</u>		<u>AMOUNTS BUDGETARY</u>	<u>FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 910,575	\$ 921,219	\$ 760,930	\$ 160,289
Middle school	206,535	209,535	171,471	38,064
High school	587,951	587,951	464,651	123,300
<i>Special Programs:</i>				
Educationally deprived	127,940	139,078	115,314	23,764
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	56,881	56,881	53,098	3,783
Health	1,500	1,500	1,071	429
<i>Instructional Staff:</i>				
Improvement of instruction	26,930	27,055	23,168	3,887
Educational media	148,874	148,874	115,698	33,176
<i>General Administration:</i>				
Board of education	86,170	91,810	87,207	4,603
Executive administration	111,525	111,525	105,460	6,065
<i>School Administration:</i>				
Office of the principal	234,384	239,845	224,615	15,230
Other	5,000	5,000	466	4,534
<i>Business:</i>				
Fiscal services	118,999	118,999	106,038	12,961
Operation and maintenance of plant	450,770	450,770	301,992	148,778
Pupil transportation	187,095	187,095	160,039	27,056
Food service	6,100	6,100	5,719	381
<i>Nonprogrammed Charges</i>				
Other nonprogrammed costs	5,000	5,000	--	5,000
<i>Cocurricular Activities:</i>				
Combined activities	176,272	176,272	128,026	48,246
<i>Contingencies</i>				
	75,000	75,000	--	75,000
TOTAL EXPENDITURES:	<u>3,523,501</u>	<u>3,559,509</u>	<u>2,824,963</u>	<u>734,546</u>

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(915,344)</u>	<u>(951,352)</u>	<u>(127,892)</u>	<u>823,460</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	405,000	405,000	152,968	(252,032)
Transfers out	(28,224)	(33,273)	(25,049)	8,224
Sale of surplus property	-	-	290	290
Compensation for loss of general capital assets	-	-	6,146	6,146
TOTAL OTHER FINANCING SOURCES (USES):	<u>376,776</u>	<u>371,727</u>	<u>134,355</u>	<u>(237,372)</u>
<i>Net Change in Fund Balances</i>	(538,568)	(579,625)	6,463	586,088
<i>Change in Nonspendable</i>	-	-	(9,007)	(9,007)
<i>FUND BALANCE, Beginning of Year</i>	<u>1,247,837</u>	<u>1,247,837</u>	<u>1,247,837</u>	<u>-</u>
<i>FUND BALANCE, End of Year</i>	<u>\$ 709,269</u>	<u>\$ 668,212</u>	<u>\$ 1,245,293</u>	<u>\$ 577,081</u>

WESSINGTON SPRINGS CHOOl DISTRICT NO. 36-2
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>BUDGETARY</u> <u>BASIS</u>	<u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 900,000	\$ 900,000	\$ 894,760	\$ (5,240)
Prior years' ad valorem taxes	-	-	7,012	7,012
Penalties and interest on taxes	-	-	2,874	2,874
<i>Earnings on Investments and Deposits</i>	39,000	39,000	47,836	8,836
<i>Other Revenue from Local Sources:</i>				
Contributions and donations	-	-	13,428	13,428
<i>Revenue from Federal Sources:</i>				
Restricted grants-in-aid received from federal government through an intermediate source	-	-	929	929
TOTAL REVENUES:	<u>939,000</u>	<u>939,000</u>	<u>966,839</u>	<u>27,839</u>
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	150,000	160,644	134,673	25,971
Middle school	38,000	41,000	16,529	24,471
High school	102,000	102,000	44,622	57,378
Preschool	300	300	-	300
<i>Support Services:</i>				
<i>Instructional Staff:</i>				
Educational media	11,700	11,700	3,005	8,695
<i>General Administration:</i>				
Executive administration	4,000	4,000	155	3,845
<i>School Administration:</i>				
Office of principal	4,900	4,900	603	4,297
<i>Business:</i>				
Fiscal services	6,500	6,500	2,253	4,247
Operation and maintenance of plant	204,700	219,700	158,091	61,609
Pupil transportation	66,800	66,800	8,744	58,056
Food service	17,000	25,600	10,323	15,277
<i>Debt services</i>	47,725	47,725	47,725	-
<i>Cocurricular Activities:</i>				
Combined activities	41,750	41,750	6,886	34,864
TOTAL EXPENDITURES:	<u>695,375</u>	<u>732,619</u>	<u>433,609</u>	<u>299,010</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>243,625</u>	<u>206,381</u>	<u>533,230</u>	<u>326,849</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(454,725)	(455,075)	(552,689)	(97,614)
Proceeds of General Long-Term Liabilities	-	-	107,837	107,837
Sale of surplus property	-	-	6,000	6,000
<i>Total Other Financing Sources (Uses)</i>	<u>(454,725)</u>	<u>(455,075)</u>	<u>(438,852)</u>	<u>16,223</u>
<i>Net Change in Fund Balances</i>	(211,100)	(248,694)	94,378	343,072
<i>FUND BALANCE - Beginning of Year</i>	2,298,974	2,298,974	2,298,974	-
<i>FUND BALANCE - End of Year</i>	<u>\$ 2,087,874</u>	<u>\$ 2,050,280</u>	<u>\$ 2,393,352</u>	<u>\$ 343,072</u>

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY</u>	<u>FINAL BUDGET- POSITIVE (NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 550,000	\$ 550,000	\$ 546,746	\$ (3,254)
Prior years' ad valorem taxes	--	--	3,639	3,639
Penalties and interest on taxes	--	--	1,616	1,616
<i>Earnings on Investments and Deposits</i>	--	--	1,737	1,737
<i>Other Revenue from Local Sources:</i>				
Charges for services	500	500	717	217
<i>Revenue from Federal Sources:</i>				
Restricted grants-in-aid received from federal government through an intermediate source	--	--	309	309
Restricted grants-in-aid received from federal government through the state	85,514	85,514	70,679	(14,835)
TOTAL REVENUES:	636,014	636,014	625,443	(10,571)
EXPENDITURES:				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	504,452	504,452	390,572	113,880
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	6,600	6,600	5,937	663
Psychological	27,000	27,000	25,193	1,807
Speech pathology	52,000	52,000	46,980	5,020
Audiology	3,000	3,000	--	3,000
Student therapy services	25,000	25,000	22,563	2,437
<i>Special Education:</i>				
Administrative costs	34,031	34,031	32,875	1,156
Transportation costs	12,420	12,420	30	12,390
Other special education costs	46,000	46,000	4,758	41,242
TOTAL EXPENDITURES:	710,503	710,503	528,908	181,595
<i>Excess of Revenue Over (Under) Expenditures</i>	(74,489)	(74,489)	96,535	171,024
<i>Net Change in Fund Balances</i>	(74,489)	(74,489)	96,535	171,024
<i>FUND BALANCE - Beginning of Year</i>	569,746	569,746	569,746	--
<i>FUND BALANCE - End of Year</i>	\$ 495,257	\$ 495,257	\$ 666,281	\$ 171,024

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

- a. Prior to the first regular Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenues funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2018

2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:

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

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0948940%	0.0875210%	0.0854057%	0.0825265%
District's proportionate share of net pension liability (asset)	\$ (8,612)	\$ 295,637	\$ (362,230)	\$ (594,570)
District's covered-employee payroll	\$ 1,928,249	\$ 1,664,209	\$ 1,559,264	\$ 1,443,162
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.45%	17.76%	-23.23%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	96.89%	104.10%	107.30%

**WESSINGTON SPRINGS SCHOOL DISTRICT NO. 36-2
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually required contribution	\$ 113,672	\$ 115,695	\$ 99,853	\$ 93,556
Contributions in relation to the contractually required contribution	<u>113,672</u>	<u>115,695</u>	<u>99,853</u>	<u>99,556</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (6,000)</u>
District's covered-employee payroll	\$ 2,086,441	\$ 1,928,250	\$ 1,664,217	\$ 1,659,267
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%