

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
SCHOOL DISTRICT OFFICIALS AND OFFICIAL NEWSPAPER
June 30, 2019

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Hamlin County Republican

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
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WILLIAM NEALE & CO., P.C.

Certified Public Accountants

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
Castlewood School District No. 28-1
Hamlin 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 Castlewood School District No. 28-1, South Dakota (School District), as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 23, 2019. The report on the governmental activities, the business-type activities, and the major proprietary funds was qualified because the School District did not record the other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets) in the financial statements.

Internal Control Over Financial Reporting

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

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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be a material weakness. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2019-01 to be a material weakness.

Compliance and Other Matters

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

School District's Response to Findings

The School District's response to the findings identified in our audit are 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.



Watertown, South Dakota
October 23, 2019

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2019

PRIOR AUDIT FINDINGS

2018-01

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function. The finding has not been corrected and has been restated as current audit finding number 2019-01.

2018-02

Finding: The total amount expended during the year in the Capital Outlay Fund was in excess of the total amount appropriated which is contrary to SDCL 13-11-2. The finding has been corrected.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
SCHEDULE OF CURRENT AUDIT FINDINGS
June 30, 2019

CURRENT AUDIT FINDINGS

2019-01

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function resulting in decreased reliability of reported financial data and increased potential of loss of public assets.

Analysis: The business manager initiated, authorized, recorded, processed, and reported the majority of the revenue transactions during the fiscal year. As a result, an inadequate segregation of duties over the revenue function existed.

Recommendation: We recommend that the school board be cognizant of this lack of segregation of duties over the revenue function and attempt to provide compensating internal controls whenever and wherever possible and practical.

Response: The school board has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical.



INDEPENDENT AUDITOR'S REPORT

School Board
Castlewood School District No. 28-1
Hamlin County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Castlewood School District No. 28-1, South Dakota (School District), as of June 30, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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.

Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Major Proprietary Funds

The School District did not record the other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets) in the financial statements, which is required by accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, and expense/expenditures in the financial statements is not reasonably determinable.

Qualified Opinions

In our opinion, except for the matters described in the "Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Major Proprietary Funds" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, Food Service Fund, and Preschool/Driver's Education Fund of Castlewood School District No. 28-1, South Dakota, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Capital Outlay Fund, Special Education Fund, Pension Fund, and the aggregate remaining fund information of Castlewood School District No. 28-1, South Dakota, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and Schedule of the School District Pension Contributions on pages 37 through 46 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.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

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


Watertown, South Dakota
October 23, 2019

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	\$ 1,202,943.62	\$ 50,660.16	\$ 1,253,603.78
Savings Certificates	150,000.00	-	150,000.00
Taxes Receivable	604,074.14	-	604,074.14
Other Assets	132,839.66	945.70	133,785.36
Inventories	-	3,717.69	3,717.69
Net Pension Asset	1,584.67	95.29	1,679.96
Capital Assets:			
Land, Improvements and Construction in Progress	24,820.00	-	24,820.00
Other Capital Assets, Net of Depreciation	<u>2,578,419.80</u>	<u>19,228.39</u>	<u>2,597,648.19</u>
TOTAL ASSETS	<u>4,694,681.89</u>	<u>74,647.23</u>	<u>4,769,329.12</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	<u>554,790.51</u>	<u>33,744.02</u>	<u>588,534.53</u>
LIABILITIES:			
Accounts Payable	93,571.79	888.41	94,460.20
Other Current Liabilities	211,320.01	17,182.68	228,502.69
Noncurrent Liabilities:			
Due Within One Year	99,422.64	275.00	99,697.64
Due in More than One Year	<u>11,890.73</u>	<u>2,079.65</u>	<u>13,970.38</u>
TOTAL LIABILITIES	<u>416,205.17</u>	<u>20,425.74</u>	<u>436,630.91</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	585,483.08	-	585,483.08
Pension Related Deferred Inflows	<u>125,327.06</u>	<u>8,241.05</u>	<u>133,568.11</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>710,810.14</u>	<u>8,241.05</u>	<u>719,051.19</u>
NET POSITION:			
Net Investment in Capital Assets	2,603,239.80	19,228.39	2,622,468.19
Restricted for:			
Capital Outlay	306,438.22	-	306,438.22
Special Education	238,177.91	-	238,177.91
Pension	77,050.81	-	77,050.81
SDRS Pension	431,048.12	25,598.26	456,646.38
NPIP Insurance Reserve	23,619.00	-	23,619.00
Unrestricted	<u>442,883.23</u>	<u>34,897.81</u>	<u>477,781.04</u>
TOTAL NET POSITION	<u>\$ 4,122,457.09</u>	<u>\$ 79,724.46</u>	<u>\$ 4,202,181.55</u>

The notes to the financial statements are an integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Business-Type Activities
Primary Government:						
Governmental Activities:						
Instruction	\$ 1,622,263.92	\$ 5,231.65	\$ 96,481.83	\$ -	\$ (1,520,550.44)	\$ (1,520,550.44)
Support Services	1,306,973.35	18,012.77	2,140.84	5,098.00	(1,281,721.74)	(1,281,721.74)
*Interest on Long-Term Debt	3,696.66	-	-	-	(3,696.66)	(3,696.66)
Cocurricular Activities	253,010.98	57,598.10	33.00	-	(195,379.88)	(195,379.88)
Total Governmental Activities	3,185,944.91	80,842.52	98,655.67	5,098.00	(3,001,348.72)	(3,001,348.72)
Business-Type Activities:						
Food Service	196,891.19	114,922.01	72,280.60	-	(9,688.58)	(9,688.58)
Driver's Education	5,754.75	1,600.00	-	-	(4,154.75)	(4,154.75)
Preschool	41,887.15	4,540.00	-	-	(37,347.15)	(37,347.15)
Total Business-Type Activities	244,533.09	121,062.01	72,280.60	-	(51,190.48)	(51,190.48)
Total Primary Government	\$ 3,430,478.00	\$ 201,904.53	\$ 170,936.27	\$ 5,098.00	(3,001,348.72)	(3,052,539.20)

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

General Revenues:					
Taxes:					
Property Taxes	1,216,618.00				1,216,618.00
Utility Taxes	83,102.47				83,102.47
Revenue from State Sources:					
State Aid	1,327,447.00				1,327,447.00
Other	31,191.41				31,191.41
Unrestricted Investment Earnings	6,761.96		193.80		6,955.76
Other General Revenues	29,018.29				29,018.29
Transfers	(39,000.00)		39,000.00		-
Total General Revenues and Transfers	2,655,139.13		39,193.80		2,694,332.93
Change in Net Position	(346,209.59)		(11,996.68)		(358,206.27)
Net Position - Beginning	4,468,666.68		91,721.14		4,560,387.82
Net Position - Ending	\$ 4,122,457.09		\$ 79,724.46		\$ 4,202,181.55

The notes to the financial statements are an integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 462,104.84	\$ 456,424.86	\$ 250,869.14	\$ 33,544.78	\$ 1,202,943.62
Savings Certificates	107,000.00	-	-	43,000.00	150,000.00
Taxes Receivable - Current	304,430.44	141,846.84	150,630.77	-	596,908.05
Taxes Receivable - Delinquent	3,704.26	1,826.99	1,494.01	140.83	7,166.09
Accounts Receivable	110.00	-	-	-	110.00
Judgments Receivable	1,583.13	-	-	-	1,583.13
Due from Other Governments	106,282.47	-	-	-	106,282.47
Interest Receivable	879.86	-	-	365.20	1,245.06
Deposits	23,619.00	-	-	-	23,619.00
TOTAL ASSETS	<u>\$ 1,009,714.00</u>	<u>\$ 600,098.69</u>	<u>\$ 402,993.92</u>	<u>\$ 77,050.81</u>	<u>\$ 2,089,857.42</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 13,509.39	\$ 72,617.35	\$ 7,445.05	\$ -	\$ 93,571.79
Contracts Payable	149,974.86	-	6,840.90	-	156,815.76
Payroll Deductions and Withholdings and Employer Matching Payable	48,691.48	-	3,029.69	-	51,721.17
Total Liabilities	<u>212,175.73</u>	<u>72,617.35</u>	<u>17,315.64</u>	<u>-</u>	<u>302,108.72</u>
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	2,465.63	817.49	640.59	75.11	3,998.82
Taxes Levied for Future Period	299,083.82	138,898.89	147,500.37	-	585,483.08
Total Deferred Inflows of Resources	<u>301,549.45</u>	<u>139,716.38</u>	<u>148,140.96</u>	<u>75.11</u>	<u>589,481.90</u>
Fund Balances:					
Nonspendable					
NPIP Insurance Reserve	23,619.00	-	-	-	23,619.00
Restricted					
Capital Outlay	-	387,764.96	-	-	387,764.96
Special Education	-	-	237,537.32	-	237,537.32
Pension	-	-	-	76,975.70	76,975.70
Assigned					
Subsequent Year's Budget	142,300.00	-	-	-	142,300.00
Unassigned	330,069.82	-	-	-	330,069.82
Total Fund Balances	<u>495,988.82</u>	<u>387,764.96</u>	<u>237,537.32</u>	<u>76,975.70</u>	<u>1,198,266.80</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,009,714.00</u>	<u>\$ 600,098.69</u>	<u>\$ 402,993.92</u>	<u>\$ 77,050.81</u>	<u>\$ 2,089,857.42</u>

The notes to the financial statements are an
integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 617,725.61	\$ 298,078.85	\$ 291,361.67	\$ -	\$ 1,207,166.13
Prior Years' Ad Valorem Taxes	4,295.06	2,234.36	1,927.19	71.70	8,528.31
Utility Taxes	83,102.47	-	-	-	83,102.47
Penalties and Interest on Taxes	1,664.52	876.62	765.71	1.58	3,308.43
Earnings on Investments and Deposits	3,197.28	1,894.68	915.72	754.28	6,761.96
Cocurricular Activities:					
Admissions	25,430.53	-	-	-	25,430.53
Rentals	580.00	-	-	-	580.00
Other Pupil Activity Income	31,587.57	-	-	-	31,587.57
Other Revenue from Local Sources:					
Rentals	6,170.97	-	-	-	6,170.97
Contributions and Donations	1,497.89	1,940.84	-	-	3,438.73
Services Provided Other LEAs	18,012.77	-	-	-	18,012.77
Refund of Prior Years' Expenditures	23.35	-	202.06	-	225.41
Charges for Services	2,774.61	-	2,457.04	-	5,231.65
Other	7,478.17	145.96	-	-	7,624.13
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	10,743.71	-	-	-	10,743.71
Revenue in Lieu of Taxes	306.21	238.58	209.28	-	754.07
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	1,358,638.41	-	-	-	1,358,638.41
Restricted Grants-in-Aid	200.00	3,026.94	-	-	3,226.94
Other State Revenue	705.00	-	-	-	705.00
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid Received from Federal Government Through the State	76,136.00	-	-	-	76,136.00
Other Federal Revenue	-	20,247.00	-	-	20,247.00
Total Revenues	<u>2,250,270.13</u>	<u>328,683.83</u>	<u>297,838.67</u>	<u>827.56</u>	<u>2,877,620.19</u>

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Expenditures:					
Current:					
Instruction:					
Regular Programs:					
Elementary	647,390.20	34,440.56	-	-	681,830.76
Middle /Junior High	135,153.91	3,923.94	-	-	139,077.85
High School	350,505.73	8,663.35	-	-	359,169.08
Special Programs:					
Programs for Special Education	-	-	233,132.66	-	233,132.66
Educationally Deprived	81,961.31	-	-	-	81,961.31
Support Services:					
Pupils:					
Attendance and Social Work	882.26	-	-	-	882.26
Guidance	55,540.12	-	217.56	-	55,757.68
Health	44,904.20	-	-	-	44,904.20
Psychological	-	-	5,903.40	-	5,903.40
Speech Pathology	-	-	10,272.10	-	10,272.10
Student Therapy	-	-	6,982.68	-	6,982.68
Instructional Staff:					
Improvement of Instruction	5,960.32	-	128.00	-	6,088.32
Educational Media	135,703.82	17,434.44	-	-	153,138.26
General Administration:					
Board of Education	31,667.23	-	775.08	-	32,442.31
Executive Administration	67,294.96	-	-	-	67,294.96
School Administration:					
Office of Principal	227,653.05	-	-	-	227,653.05
Other	310.69	-	-	-	310.69
Business:					
Fiscal Services	87,499.21	4,670.35	-	-	92,169.56
Facilities Acquisition & Construction	-	50,892.76	-	-	50,892.76
Operation and Maintenance of Plant	243,319.65	95,352.11	-	-	338,671.76
Pupil Transportation	82,099.27	-	-	-	82,099.27
Central:					
Staff	641.71	-	-	-	641.71
Special Education:					
Administrative Costs	-	-	1,925.85	-	1,925.85
Transportation Costs	-	-	336.00	-	336.00
Other Special Education Costs	-	-	6,697.51	-	6,697.51
Debt Services	-	90,907.73	-	-	90,907.73

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Cocurricular Activities:					
Male Activities	54,289.92	5,035.30	-	-	59,325.22
Female Activities	52,588.92	1,555.30	-	-	54,144.22
Transportation	22,082.26	-	-	-	22,082.26
Combined Activities	70,520.90	-	-	-	70,520.90
Capital Outlay	-	97,856.82	-	-	97,856.82
Total Expenditures	<u>2,397,969.64</u>	<u>410,732.66</u>	<u>266,370.84</u>	<u>-</u>	<u>3,075,073.14</u>
Excess of Revenues Over (Under) Expenditures	<u>(147,699.51)</u>	<u>(82,048.83)</u>	<u>31,467.83</u>	<u>827.56</u>	<u>(197,452.95)</u>
Other Financing Sources (Uses):					
Transfers In	100,000.00	-	-	-	100,000.00
Transfers Out	(39,000.00)	(100,000.00)	-	-	(139,000.00)
Sale of Surplus Property	2,000.00	1,500.00	-	-	3,500.00
Total Other Financing Sources (Uses)	<u>63,000.00</u>	<u>(98,500.00)</u>	<u>-</u>	<u>-</u>	<u>(35,500.00)</u>
Net Change in Fund Balances	(84,699.51)	(180,548.83)	31,467.83	827.56	(232,952.95)
Fund Balance - Beginning	<u>580,688.33</u>	<u>568,313.79</u>	<u>206,069.49</u>	<u>76,148.14</u>	<u>1,431,219.75</u>
FUND BALANCE - ENDING	<u>\$ 495,988.82</u>	<u>\$ 387,764.96</u>	<u>\$ 237,537.32</u>	<u>\$ 76,975.70</u>	<u>\$ 1,198,266.80</u>

The notes to the financial statements are an
integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds			\$ (232,952.95)
Amounts reported for governmental activities in the statement of activities are different because:			
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.			97,856.82
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.			(179,557.45)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	Other Long-Term Liabilities	83,517.85	83,517.85
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 statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".			(2,384.87)
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 Payable	2,323.36	2,323.36
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 the governmental funds. (e.g., accrued interest expense)			3,693.22
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.			(118,705.57)
Change in Net Position of Governmental Activities			\$ (346,209.59)

The notes to the financial statements are an integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Enterprise Funds		
	Food Service Fund	Preschool/ Driver's Education Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 40,269.46	\$ 10,390.70	\$ 50,660.16
Accounts Receivable	0.70	945.00	945.70
Inventory of Supplies	1,556.42	-	1,556.42
Inventory of Stores Purchased for Resale	1,573.59	-	1,573.59
Inventory of Donated Food	587.68	-	587.68
Total Current Assets	43,987.85	11,335.70	55,323.55
Noncurrent Assets:			
Net Pension Asset	62.90	32.39	95.29
Capital Assets:			
Machinery and Equipment - Local Funds	87,618.35	-	87,618.35
Machinery and Equipment - Federal Funds	3,406.00	-	3,406.00
Less: Accumulated Depreciation	(71,795.96)	-	(71,795.96)
Total Noncurrent Assets	19,291.29	32.39	19,323.68
Total Assets	63,279.14	11,368.09	74,647.23
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	21,974.94	11,769.08	33,744.02
LIABILITIES:			
Current Liabilities:			
Accounts Payable	-	888.41	888.41
Contracts Payable	384.72	7,772.40	8,157.12
Payroll Deductions and Withholdings and Employer Matching Payable	2,610.27	1,345.81	3,956.08
Deposits Payable	5,069.48	-	5,069.48
Total Current Liabilities	8,064.47	10,006.62	18,071.09
Noncurrent Liabilities:			
Accrued Leave Payable	1,781.02	573.63	2,354.65
Total Noncurrent Liabilities	1,781.02	573.63	2,354.65
Total Liabilities	9,845.49	10,580.25	20,425.74
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	5,114.43	3,126.62	8,241.05
NET POSITION:			
Net Investment in Capital Assets	19,228.39	-	19,228.39
Restricted for SDRS Pension	16,923.41	8,674.85	25,598.26
Unrestricted	34,142.36	755.45	34,897.81
Total Net Position	\$ 70,294.16	\$ 9,430.30	\$ 79,724.46

The notes to the financial statements are an
integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Enterprise Funds		
	Food Service Fund	Preschool/ Driver's Education Fund	Total
Operating Revenue:			
Food Sales:			
Student	\$ 108,607.54	\$ -	\$ 108,607.54
Adult	5,562.54	-	5,562.54
Ala Carte	461.00	-	461.00
Other	290.93	-	290.93
Other Charges for Goods and Services	-	6,140.00	6,140.00
Total Operating Revenue	<u>114,922.01</u>	<u>6,140.00</u>	<u>121,062.01</u>
Operating Expenses:			
Salaries	59,765.32	36,156.29	95,921.61
Employee Benefits	44,232.60	10,392.90	54,625.50
Purchased Services	2,118.15	844.03	2,962.18
Supplies	4,774.20	225.68	4,999.88
Cost of Sales - Purchased Food	66,381.93	-	66,381.93
Cost of Sales - Donated Food	17,916.47	-	17,916.47
Insurance	-	23.00	23.00
Miscellaneous	7.10	-	7.10
Depreciation - Local Funds	1,695.42	-	1,695.42
Total Operating Expenses	<u>196,891.19</u>	<u>47,641.90</u>	<u>244,533.09</u>
Operating Income (Loss)	<u>(81,969.18)</u>	<u>(41,501.90)</u>	<u>(123,471.08)</u>
Nonoperating Revenue (Expense):			
Investment Earnings	187.60	6.20	193.80
State Sources:			
Cash Reimbursements	748.10	-	748.10
Federal Sources:			
Cash Reimbursements	55,799.94	-	55,799.94
Donated Food	15,732.56	-	15,732.56
Total Nonoperating Revenue (Expense)	<u>72,468.20</u>	<u>6.20</u>	<u>72,474.40</u>
Income (Loss) Before Transfers	(9,500.98)	(41,495.70)	(50,996.68)
Transfers In	<u>-</u>	<u>39,000.00</u>	<u>39,000.00</u>
Change in Net Position	(9,500.98)	(2,495.70)	(11,996.68)
Net Position - Beginning	<u>79,795.14</u>	<u>11,926.00</u>	<u>91,721.14</u>
NET POSITION - ENDING	<u>\$ 70,294.16</u>	<u>\$ 9,430.30</u>	<u>\$ 79,724.46</u>

The notes to the financial statements are an
integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Enterprise Funds		
	Food Service Fund	Preschool/ Driver's Education Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 114,348.62	\$ 6,575.00	\$ 120,923.62
Payments to Suppliers	(74,255.32)	(1,212.70)	(75,468.02)
Payments to Employees	(97,704.80)	(44,756.33)	(142,461.13)
Net Cash Provided (Used) by Operating Activities	(57,611.50)	(39,394.03)	(97,005.53)
Cash Flows from Noncapital Financing Activities:			
Cash Reimbursements - State	748.10	-	748.10
Cash Reimbursements - Federal	55,799.94	-	55,799.94
Transfers In	-	39,000.00	39,000.00
Net Cash Provided (Used) by Noncapital Financing Activities	56,548.04	39,000.00	95,548.04
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(4,728.75)	-	(4,728.75)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,728.75)	-	(4,728.75)
Cash Flows from Investing Activities:			
Investment Earnings	187.60	6.20	193.80
Net Cash Provided (Used) by Investing Activities	187.60	6.20	193.80
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (5,604.61)	\$ (387.83)	\$ (5,992.44)
Cash and Cash Equivalents at Beginning of Year	\$ 45,874.07	\$ 10,778.53	\$ 56,652.60
Cash and Cash Equivalents at End of Year	40,269.46	10,390.70	50,660.16
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (5,604.61)	\$ (387.83)	\$ (5,992.44)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (81,969.18)	\$ (41,501.90)	\$ (123,471.08)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,695.42	-	1,695.42
Value of Commodities Used	17,916.47	-	17,916.47
Change in Assets and Liabilities:			
Receivables	101.02	435.00	536.02
Inventories	(152.81)	-	(152.81)
Net Pension Asset	184.17	87.09	271.26
Pension Related Deferred Outflows	4,816.78	1,997.86	6,814.64
Accounts and Other Payables	(821.13)	(119.99)	(941.12)
Accrued Wages Payable	1,388.58	(906.65)	481.93
Deposits Payable	(674.41)	-	(674.41)
Accrued Leave Payable	60.04	573.63	633.67
Pension Related Deferred Inflows	(156.45)	40.93	(115.52)
Net Cash Provided (Used) by Operating Activities	\$ (57,611.50)	\$ (39,394.03)	\$ (97,005.53)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 15,732.56	\$ -	\$ 15,732.56

The notes to the financial statements are an integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 16,097.73
 Total Assets	 <u>16,097.73</u>
LIABILITIES:	
Accounts Payable	60.00
Amounts Held for Others	13,223.74
Advance from Other Fund (Imprest)	<u>2,813.99</u>
 Total Liabilities	 <u>16,097.73</u>
 NET POSITION	 <u>\$ -</u>

The notes to the financial statements are an
integral part of this statement.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 Castlewood School District No. 28-1 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District does not have any component units.

The School District participates in the Northeast Educational Services Cooperative with twenty-two other school districts and the Northeast Technical High School with seven other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 Law (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

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

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

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

Proprietary Funds:

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

- a. *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.)*
- b. *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.*
- c. *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.

The Preschool/Driver's Education Fund – A fund used to record financial transactions related to the preschool and driver's education programs. This fund is financed by student tuition and transfers from the General Fund. This is a major fund.

Fiduciary Funds:

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

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 agency funds for the purpose of accounting for the assets held in a trustee capacity for various classes and clubs within the School District. The agency funds are used to account for the revenues and expenditures that are incidental to each class and club.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 fund types 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 for the School District is 60 days. The revenues which are accrued at June 30, 2019 are utility taxes received through the counties and State and restricted grants-in-aid received from Federal government through the State. 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 a 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 fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

e. 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.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Government-wide Financial Statements:

All capital assets are valued at historical cost. Donated capital assets are valued at their 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.

For governmental activities capital assets, construction period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital 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 financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A	N/A
Improvements Other than Buildings	\$ 10,000	Straight-line	10-15 yrs.
Buildings	\$ 25,000	Straight-line	15-50 yrs.
Machinery and Equipment	\$ 300/5,000	Straight-line	5-15 yrs.

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 financial statements.

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of compensated absences and promissory note.

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

g. Program Revenues:

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and 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.

k. Application of Net Position:

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

i. Fund Balance Classification Policies and Procedures:

In accordance with Governmental 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, which is the School Board, and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are 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/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

m. Pensions

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

2. DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

As of June 30, 2019, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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.

Custodial Credit Risk – Deposits

The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2019, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Custodial Credit Risk - Investments

The risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk

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

Assignment of Investment Income

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

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. All receivables are considered collectible; therefore, no allowances for estimated uncollectibles have been established.

4. INVENTORY

Inventory held for consumption is stated at cost. Inventory for resale is stated at the lower of cost or market. The cost valuation method is first in, first out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

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

5. PROPERTY TAXES

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 not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Balance 7/1/18	Increases	Decreases	Balance 6/30/19
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 24,820.00	\$ -	\$ -	\$ 24,820.00
Capital assets, being depreciated:				
Buildings	4,453,635.91	-	-	4,453,635.91
Improvements Other than Buildings	296,866.35	-	-	296,866.35
Machinery and Equipment – Local	803,779.30	92,758.82	67,358.11	829,180.01
Machinery and Equipment – Federal	11,814.00	5,098.00	-	16,912.00
Total	<u>5,566,095.56</u>	<u>97,856.82</u>	<u>67,358.11</u>	<u>5,596,594.27</u>
Less: accumulated depreciation for:				
Buildings	2,333,418.94	93,528.99	-	2,426,947.93
Improvements Other than Buildings	204,656.08	17,863.92	-	222,520.00
Machinery and Equipment – Local	356,086.11	67,144.94	67,358.11	355,872.94
Machinery and Equipment – Federal	11,814.00	1,019.60	-	12,833.60
Total accumulated depreciation	<u>2,905,975.13</u>	<u>179,557.45</u>	<u>67,358.11</u>	<u>3,018,174.47</u>
Total capital assets, being depreciated, net	<u>2,660,120.43</u>	<u>(81,700.63)</u>	<u>-</u>	<u>2,578,419.80</u>
Governmental activity capital assets, net	<u>\$ 2,684,940.43</u>	<u>\$ (81,700.63)</u>	<u>\$ -</u>	<u>\$ 2,603,239.80</u>

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June 30, 2019

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 52,067.43
Support Services	88,384.71
Cocurricular Activities	<u>39,105.31</u>
Total depreciation expense – governmental activities	<u>\$179,557.45</u>

	Balance 7/1/18	Increases	Decreases	Balance 6/30/19
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and Equipment - Local	\$ 82,889.60	\$ 4,728.75	\$ -	\$ 87,618.35
Machinery and Equipment - Federal	3,406.00	-	-	3,406.00
Total	<u>86,295.60</u>	<u>4,728.75</u>	<u>-</u>	<u>91,024.35</u>
Less: accumulated depreciation for:				
Machinery and Equipment – Local	66,694.54	1,695.42	-	68,389.96
Machinery and Equipment - Federal	3,406.00	-	-	3,406.00
Total Accumulated Depreciation	<u>70,100.54</u>	<u>1,695.42</u>	<u>-</u>	<u>71,795.96</u>
Total capital assets, being depreciated, net	<u>16,195.06</u>	<u>3,033.33</u>	<u>-</u>	<u>19,228.39</u>
Business-type activity capital assets, net	<u>\$ 16,195.06</u>	<u>\$ 3,033.33</u>	<u>\$ -</u>	<u>\$ 19,228.39</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Service	\$1,695.42
Total depreciation expense – business-type activities	<u>\$1,695.42</u>

7. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Balance 7/1/18	Additions	Deletions	Balance 6/30/19	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 162,879.00	\$ -	\$ 83,517.85	\$ 79,361.15	\$ 79,361.15
Compensated Absences	34,005.27	19,708.33	21,761.38	31,952.22	20,061.49
Total Governmental Activities	<u>196,884.27</u>	<u>19,708.33</u>	<u>105,279.23</u>	<u>111,313.37</u>	<u>99,422.64</u>
Business-Type Activities:					
Compensated Absences	1,991.29	638.36	275.00	2,354.65	275.00
	<u>\$ 198,875.56</u>	<u>\$ 20,346.69</u>	<u>\$ 105,554.23</u>	<u>\$ 113,668.02</u>	<u>\$ 99,697.64</u>

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Liabilities payable at June 30, 2019 are comprised of the following:

Governmental Activities:

Notes Payable:

Citizens State Bank, maturing August 15, 2019,
 Interest rate at 4%, payable by the Capital Outlay Fund \$ 79,361.15

Compensated Absences:

Vested vacation and sick leave liability, payable by the
 General Fund and Special Education Fund \$ 31,952.22

Business-Type Activities:

Compensated Absences:

Vested vacation and sick leave liability, payable by the
 Food Service Fund and Preschool/Driver's Education Fund \$ 2,354.65

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2019 are as follows:

Year Ending June 30,	Notes Payable	
	Principal	Interest
2020	<u>\$ 79,361.15</u>	<u>\$ 3,183.15</u>

8. OPERATING LEASES

On June 24, 2014, the School District entered into a 60 month lease for a Kyocera 5501i copier. The monthly lease payment is \$127.77. The School District is also charged a monthly maintenance fee of \$137.50 plus \$.0055 per copy in excess of 300,000 copies annually. During the year ended June 30, 2019, the total payments paid by the Capital Outlay Fund were \$3,055.47.

On June 28, 2016, the School District entered into a 60 month lease for a Kyocera 3501i copier. The monthly lease payment is \$64.00. The School District is also charged a monthly maintenance fee of \$.00625 per copy. During the year ended June 30, 2019, the total payments paid by the Capital Outlay Fund were \$1,224.88.

On June 18, 2019, the School District entered into a 60 month lease for a Kyocera 6002i copier. The monthly lease payment is \$113.79. During the year ended June 30, 2019, the total payments paid by the Capital Outlay Fund were \$0.00.

The following are the minimum payments required for existing operating leases:

Year Ending June 30,	Amount
2020	\$ 2,133.48
2021	2,133.48
2022	1,365.48
2023	1,365.48
2024	1,365.48

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 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

9. RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2019 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 306,438.22
Special Education	Law	238,177.91
Pension	Law	77,050.81
SDRS Pension	GASB	456,646.38
NPIP Insurance Reserve	Contractual Agreement	23,619.00
		<u>\$1,101,932.32</u>

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>	
	<u>General Fund</u>	<u>Preschool/Driver's Education</u>
General Fund	\$ -	\$ 39,000.00
Capital Outlay	100,000.00	-

The School District transferred the funds from the General Fund to the Preschool/Driver's Education Fund for the payment of expenses relating to the preschool and driver's education programs. The School District transferred funds from the Capital Outlay Fund to the General Fund in accordance with SDCL 13-16-6.

11. PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement

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benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2019, 2018, and 2017 were \$94,483.87, \$89,907.74, and \$86,926.02, respectively, equal to the required contributions each year.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2018, SDRS is 100.02% 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, 2019 are as follows:

Proportionate share of total pension liability	\$ 8,811,990.04
Less proportionate share of net position restricted for pension benefits	<u>8,813,670.00</u>
Proportionate share of net pension asset	<u>(\$ 1,679.96)</u>

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 June 30, 2019

At June 30 2019, the School District reported an asset of \$1,679.96 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018 and the total pension liability 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, 2018, the School District's proportion was .0720323%, which is an increase of .00007275% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense (reduction of expense) of \$118,705.57. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience.	\$ 63,496.30	\$ -
Changes in assumption.	426,512.42	-
Net difference between projected and actual earnings on pension plan investments.	-	126,965.77
Changes in proportion and difference between District contributions and proportionate share of contributions.	4,041.94	6,602.34
School District contributions subsequent to the measurement date.	<u>94,483.87</u>	<u>-</u>
TOTAL	<u>\$ 588,534.53</u>	<u>\$ 133,568.11</u>

\$94,483.87 reported as deferred outflows 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2020	\$ 229,825.84
2021	169,055.49
2022	(23,956.16)
2023	(14,442.66)
TOTAL	<u>\$ 360,482.51</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense

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 NOTES TO THE FINANCIAL STATEMENTS
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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.

A detailed experience analysis covering the period from June 30, 2011 to June 30, 2016, was conducted and appropriate modifications in the economic and demographic assumptions were made effective with the June 30, 2017 actuarial valuation.

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

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

Total	100%	
	=====	

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.

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

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

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,268,840.84	(\$1,679.96)	(\$1,035,179.69)

Pension Plan Fiduciary Net Position:

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

12. JOINT VENTURES

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing educational services to the member school districts.

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

Arlington School District No. 38-1	3.54%
Britton-Hecla School District No. 45-4	5.61%
Castlewood School District No. 28-1	3.93%
Clark School District No. 12-2	5.32%
De Smet School District No. 38-2	4.18%
Deubrook School District No. 5-6	5.05%
Deuel School District No. 19-4	6.76%
Elkton School District No. 5-3	4.21%
Enemy Swim Day School	2.11%
Estelline School District No. 28-2	3.81%
Florence School District No. 14-1	3.53%
Hamlin School District No. 28-3	10.70%
Henry School District No. 14-2	2.28%
Iroquois School District No. 02-3	2.94%
Lake Preston School District No. 38-3	2.17%
Rosholt School District No. 54-4	3.37%
Sioux Valley School District No. 5-5	8.92%
Summit School District No. 54-6	2.10%
Waubay School District No. 18-3	2.28%
Waverly School District No. 14-5	3.37%
Webster School District No. 18-4	7.24%
Willow Lake School District No. 12-3	3.43%
Wilmot School District No. 54-7	3.16%

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

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

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

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 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

At June 30, 2019, this joint venture had total assets of \$1,988,879.80, deferred outflows of resources of \$993,046.76, total liabilities of \$464,432.95, deferred inflows of resources of \$214,043.41, and net position of \$2,303,450.20.

The School District participates in the Northeast Technical High School for the purpose of providing vocational education to youth. Member districts jointly and cooperatively exercise any power common to a district board except for the authority to levy taxes and issue bonds. Any nonparticipating district would forego all present equity in equipment and facilities by non-membership.

The members of the Northeast Technical High School and their relative percentage participation in the Northeast Technical High School are as follows:

Castlewood School District No. 28-1	4.43%
Florence School District No. 14-1	3.69%
Great Plains Lutheran School	6.41%
Hamlin School District No. 28-3	10.95%
Henry School District No. 14-2	3.05%
Summit School District No. 54-6	2.72%
Watertown School District No. 14-4	64.69%
Waverly School District No. 14-5	4.06%

The Northeast Technical High School's governing board is composed of three Watertown school board members and one school board member from each of the remaining member school districts. This governing board is advised by an executive committee that is composed of the Northeast Technical High School's director, the superintendent of the Watertown School District, and one other superintendent of a member school district that is appointed by the governing board.

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

Separate financial statements for this joint venture are available from Northeast Technical High School.

At June 30, 2019, this joint venture had total assets of \$1,143,696.10, deferred outflows of resources of \$299,967.93, total liabilities of \$115,876.06, deferred inflows of resources of \$72,910.20, and net position of \$1,254,877.77.

13. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2019, the School District managed its risks as follows:

Employee Health Insurance:

The School District participates, with several other educational units and related organizations in South Dakota, in the Northern Plains Insurance Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for participating members. The School District pays a monthly premium to the pool to provide health insurance coverage for the members. The pool purchases reinsurance coverage with the premiums it receives from its participants.

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
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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; errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

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

The School District annually budgets an amount in the General Fund for the payment of future unemployment benefits.

During the year ended June 30, 2019, no claims for unemployment benefits were paid. At June 30, 2019, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

14. LITIGATION

At June 30, 2019, the School District was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 604,495.00	\$ 604,495.00	\$ 617,725.61	\$ 13,230.61
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	4,295.06	1,295.06
Utility Taxes	50,000.00	50,000.00	83,102.47	33,102.47
Penalties and Interest on Taxes	2,000.00	2,000.00	1,664.52	(335.48)
Earnings on Investments and Deposits	1,500.00	1,500.00	3,197.28	1,697.28
Cocurricular Activities:				
Admissions	25,500.00	25,500.00	25,430.53	(69.47)
Rentals	500.00	500.00	580.00	80.00
Other Pupil Activity Income	31,500.00	31,500.00	31,587.57	87.57
Other Revenue from Local Sources:				
Rentals	5,000.00	5,000.00	6,170.97	1,170.97
Contributions and Donations	1,000.00	1,000.00	1,497.89	497.89
Services Provided Other LEAs	18,100.00	18,100.00	18,012.77	(87.23)
Refund of Prior Years' Expenditures	-	-	23.35	23.35
Charges for Services	1,500.00	1,500.00	2,774.61	1,274.61
Other	7,000.00	7,000.00	7,478.17	478.17
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	8,000.00	8,000.00	10,743.71	2,743.71
Revenue in Lieu of Taxes	100.00	100.00	306.21	206.21
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,294,625.00	1,294,625.00	1,358,638.41	64,013.41
Restricted Grants-in-Aid	200.00	200.00	200.00	-
Other State Revenue	500.00	500.00	705.00	205.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in Aid Received from Federal Government through the State	78,844.00	78,844.00	76,136.00	(2,708.00)
Total Revenues	<u>2,133,364.00</u>	<u>2,133,364.00</u>	<u>2,250,270.13</u>	<u>116,906.13</u>

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	644,203.00	647,628.00	647,390.20	237.80
Middle/Junior High	136,980.00	136,980.00	135,153.91	1,826.09
High School	355,370.00	355,370.00	350,505.73	4,864.27
Special Programs:				
Educationally Deprived	84,532.00	84,532.00	81,961.31	2,570.69
Support Services:				
Pupils:				
Attendance and Social Work	1,080.00	1,080.00	882.26	197.74
Guidance	62,265.00	62,265.00	55,540.12	6,724.88
Health	45,405.00	45,405.00	44,904.20	500.80
Instructional Staff:				
Improvement of Instruction	9,060.00	9,060.00	5,960.32	3,099.68
Educational Media	143,845.00	143,845.00	135,703.82	8,141.18
General Administration:				
Board of Education	35,460.00	35,460.00	31,667.23	3,792.77
Executive Administration	70,296.00	70,296.00	67,294.96	3,001.04
School Administration:				
Office of Principal	240,876.00	240,876.00	227,653.05	13,222.95
Other	250.00	250.00	310.69	(60.69)
Business:				
Fiscal Services	86,670.00	87,500.00	87,499.21	0.79
Operation and Maintenance of Plant	239,960.00	251,432.50	243,319.65	8,112.85
Pupil Transportation	80,545.00	87,562.00	82,099.27	5,462.73
Central:				
Staff	300.00	642.00	641.71	0.29
Nonprogrammed Charges:				
Self-Insurance Costs	1,000.00	1,000.00	-	1,000.00
Cocurricular Activities:				
Male Activities	57,648.00	59,330.85	54,289.92	5,040.93
Female Activities	54,470.00	54,823.00	52,588.92	2,234.08
Transportation	16,080.00	22,158.00	22,082.26	75.74
Combined Activities	65,715.00	75,112.98	70,520.90	4,592.08
Total Expenditures	<u>2,432,010.00</u>	<u>2,472,608.33</u>	<u>2,397,969.64</u>	<u>74,638.69</u>
Excess of Revenues Over (Under) Expenditures	<u>(298,646.00)</u>	<u>(339,244.33)</u>	<u>(147,699.51)</u>	<u>191,544.82</u>

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses):				
Transfers In	100,000.00	100,000.00	100,000.00	-
Transfers Out	(39,735.00)	(39,735.00)	(39,000.00)	735.00
Sale of Surplus Property	-	-	2,000.00	2,000.00
Total Other Financing Sources (Uses)	<u>60,265.00</u>	<u>60,265.00</u>	<u>63,000.00</u>	<u>2,735.00</u>
Net Change in Fund Balances	(238,381.00)	(278,979.33)	(84,699.51)	194,279.82
Fund Balance - Beginning	<u>580,688.33</u>	<u>580,688.33</u>	<u>580,688.33</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 342,307.33</u>	<u>\$ 301,709.00</u>	<u>\$ 495,988.82</u>	<u>\$ 194,279.82</u>

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 CAPITAL OUTLAY FUND
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 300,000.00	\$ 300,000.00	\$ 298,078.85	\$ (1,921.15)
Prior Years' Ad Valorem Taxes	500.00	500.00	2,234.36	1,734.36
Penalties and Interest on Taxes	1,000.00	1,000.00	876.62	(123.38)
Earnings on Investments and Deposits	600.00	600.00	1,894.68	1,294.68
Other Revenue from Local Sources:				
Contributions and Donations	200.00	200.00	1,940.84	1,740.84
Other	50.00	50.00	145.96	95.96
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	100.00	100.00	238.58	138.58
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	-	3,026.94	3,026.94	-
Revenue from Federal Sources:				
Other Federal Revenue	7,949.00	20,247.00	20,247.00	-
Total Revenues	310,399.00	325,723.94	328,683.83	2,959.89
Expenditures:				
Current:				
Instruction:				
Regular Programs:				
Elementary	32,625.00	34,696.00	34,440.56	255.44
Middle/Junior High	925.00	3,951.94	3,923.94	28.00
High School	21,350.00	21,350.00	14,863.35	6,486.65
Support Services:				
Instructional Staff:				
Educational Media	18,200.00	27,335.00	28,558.26	(1,223.26)
Business				
Fiscal Services	6,550.00	6,550.00	4,670.35	1,879.65
Facilities Acquisition and Construction	-	50,894.00	50,892.76	1.24
Operation and Maintenance of Plant	91,450.00	97,486.00	95,352.11	2,133.89
Pupil Transportation	80,000.00	80,533.00	80,533.00	-
Debt Services	90,180.00	90,908.00	90,907.73	0.27
Cocurricular Activities:				
Male Activities	5,520.00	6,556.00	5,035.30	1,520.70

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 CAPITAL OUTLAY FUND
 For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Female Activities	520.00	1,556.00	1,555.30	0.70
Total Expenditures	<u>347,320.00</u>	<u>421,815.94</u>	<u>410,732.66</u>	<u>11,083.28</u>
Excess of Revenues Over (Under) Expenditures	<u>(36,921.00)</u>	<u>(96,092.00)</u>	<u>(82,048.83)</u>	<u>14,043.17</u>
Other Financing Sources (Uses):				
Transfers Out	(100,000.00)	(100,000.00)	(100,000.00)	-
Sale of Surplus Property	<u>500.00</u>	<u>500.00</u>	<u>1,500.00</u>	<u>1,000.00</u>
Total Other Financing Sources (Uses)	<u>(99,500.00)</u>	<u>(99,500.00)</u>	<u>(98,500.00)</u>	<u>1,000.00</u>
Net Change in Fund Balances	(136,421.00)	(195,592.00)	(180,548.83)	15,043.17
Fund Balance - Beginning	<u>568,313.79</u>	<u>568,313.79</u>	<u>568,313.79</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 431,892.79</u>	<u>\$ 372,721.79</u>	<u>\$ 387,764.96</u>	<u>\$ 15,043.17</u>

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 SPECIAL EDUCATION FUND
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 285,414.00	\$ 285,414.00	\$ 291,361.67	\$ 5,947.67
Prior Years' Ad Valorem Taxes	1,000.00	1,000.00	1,927.19	927.19
Penalties and Interest on Taxes	700.00	700.00	765.71	65.71
Earnings on Investments and Deposits	400.00	400.00	915.72	515.72
Other Revenue from Local Sources				
Refund of Prior Years' Expenditures	-	-	202.06	202.06
Charges for Services	1,950.00	1,950.00	2,457.04	507.04
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	100.00	100.00	209.28	109.28
Total Revenues	<u>289,564.00</u>	<u>289,564.00</u>	<u>297,838.67</u>	<u>8,274.67</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	254,710.00	266,090.00	233,132.66	32,957.34
Support Services:				
Pupils:				
Guidance	225.00	225.00	217.56	7.44
Psychological	4,850.00	5,975.00	5,903.40	71.60
Speech Pathology	10,910.00	10,910.00	10,272.10	637.90
Student Therapy	7,175.00	7,175.00	6,982.68	192.32
Instructional Staff:				
Improvement of Instruction	1,000.00	1,000.00	128.00	872.00
General Administration:				
Board of Education	811.00	811.00	775.08	35.92
Special Education:				
Administrative Costs	4,978.00	4,978.00	1,925.85	3,052.15
Transportation Costs	1,000.00	1,000.00	336.00	664.00
Other Special Ed Costs	-	7,000.00	6,697.51	302.49
Total Expenditures	<u>285,659.00</u>	<u>305,164.00</u>	<u>266,370.84</u>	<u>38,793.16</u>
Excess of Revenues Over (Under) Expenditures	<u>3,905.00</u>	<u>(15,600.00)</u>	<u>31,467.83</u>	<u>47,067.83</u>
Net Change in Fund Balances	3,905.00	(15,600.00)	31,467.83	47,067.83
Fund Balance - Beginning	<u>206,069.49</u>	<u>206,069.49</u>	<u>206,069.49</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 209,974.49</u>	<u>\$ 190,469.49</u>	<u>\$ 237,537.32</u>	<u>\$ 47,067.83</u>

REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 PENSION FUND
 For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	\$ 100.00	\$ 100.00	\$ 71.70	\$ (28.30)
Penalties and Interest on Taxes	50.00	50.00	1.58	(48.42)
Earnings on Investments and Deposits	<u>150.00</u>	<u>150.00</u>	<u>754.28</u>	<u>604.28</u>
Total Revenues	<u>300.00</u>	<u>300.00</u>	<u>827.56</u>	<u>527.56</u>
Expenditures:				
Nonprogrammed Charges:				
Early Retirement Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>300.00</u>	<u>300.00</u>	<u>827.56</u>	<u>527.56</u>
Net Change in Fund Balances	300.00	300.00	827.56	527.56
Fund Balance - Beginning	<u>76,148.14</u>	<u>76,148.14</u>	<u>76,148.14</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 76,448.14</u>	<u>\$ 76,448.14</u>	<u>\$ 76,975.70</u>	<u>\$ 527.56</u>

CASTLEWOOD SCHOOL DISTRICT NO. 28-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

1. BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the budgetary basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the financial statements prepared in conformity with USGAAP present capital outlay expenditures as a separate function.

2. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 SOUTH DAKOTA RETIREMENT SYSTEM

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
School District's proportion of the net pension liability (asset)	0.0739790%	0.0719581%	0.0700864%	0.0713048%	0.0720323%
School District's proportionate share of net pension liability (asset)	\$ (532,988.45)	\$ (305,194.87)	\$ 236,744.97	\$ (6,470.98)	\$ (1,679.96)
School District's covered payroll	\$ 1,293,682.94	\$ 1,313,736.89	\$ 1,332,691.61	\$ 1,449,847.49	\$ 1,497,378.72
School District's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-41.20%	-23.23%	17.76%	-0.45%	-0.11%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%

Note: The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
 CASTLEWOOD SCHOOL DISTRICT NO. 28-1
 SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS
 SOUTH DAKOTA RETIREMENT SYSTEM

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Contractually required contribution	\$ 78,824.55	\$ 79,961.63	\$ 86,926.02	\$ 89,907.74	\$ 94,483.87
Contributions in relation to the contractually required contribution	<u>78,824.55</u>	<u>79,961.63</u>	<u>86,926.02</u>	<u>89,907.74</u>	<u>94,483.87</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 1,313,736.89	\$ 1,332,691.61	\$ 1,449,847.49	\$ 1,497,378.72	\$ 1,574,729.29
Contributions as a percentage of covered payroll	6.0%	6.0%	6.0%	6.0%	6.0%