



**DOUGLAS SCHOOL DISTRICT 51-1  
MEADE AND PENNINGTON COUNTIES, SOUTH DAKOTA**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2019



**Ketel Thorstenson, LLP**  
Certified Public Accountants/Business & Personal Consultants

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**DOUGLAS SCHOOL DISTRICT 51-1**

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Douglas School District 51-1  
Meade and Pennington Counties, 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 **DOUGLAS SCHOOL DISTRICT 51-1** (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and pension information on pages 6 through 15 and 45 through 52 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 54-55 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP  
Certified Public Accountants

November 25, 2019

## **DOUGLAS SCHOOL DISTRICT 51-1**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019**

This section of Douglas School District 51-1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

The District's net position from governmental and business-type activities increased approximately \$1,358,000. The total revenue of the District decreased by approximately \$1,088,000, and the cost of the District's programs increased by approximately \$4,119,000 due to changes in the SDRS net pension asset.

The General Fund reported an increase in fund balance as a result of current year activity of approximately \$4,039,000. The change in fund balance is attributable to the fact that Impact Aid is reported in the General Fund ending balance. In addition, the District has been making budget reductions throughout the District.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.

The governmental funds statements tell how general government services were financed in the short-term, as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like businesses. The District's proprietary funds are the Food Service Fund, Tuition Services Fund, and Internal Service Funds.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. Most of these are school clubs or clearing accounts.

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

## **DOUGLAS SCHOOL DISTRICT 51-1**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019**

#### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

##### Government-wide Financial Statements:

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

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

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

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

- **Governmental Activities** – This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), extracurricular activities (sports, music, etc.), and capital equipment purchases or the construction of buildings. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business-Type Activities** – The District charges a fee to students to help cover the costs of providing hot lunch services to all students. They also charge for pre-school, after school, and driver's education services provided by the District. The Food Service Fund and Tuition Services Fund are the only business-type activities of the District.

##### Fund Financial Statements:

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

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

**DOUGLAS SCHOOL DISTRICT 51-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Fund Financial Statements (Continued):

The District has three types of funds:

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



**DOUGLAS SCHOOL DISTRICT 51-1**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

Fund Financial Statements (Concluded):

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

<b>Figure A-1</b>				
	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire District government (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the District operates similar to a private business- food service, other proprietary, and internal service.	Instances in which the District is the trustee or agent for someone else's resources.
<b>Required Financial Statements</b>	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Balance Sheet Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/ Liability Information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can
<b>Type of Inflow/ Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**DOUGLAS SCHOOL DISTRICT 51-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net Position

Table A-1 illustrates an increase in overall net position of 2.90 percent for governmental activities. Business-type activities decreased 28.23 percent from 2018 to 2019. The activities combined accounted for a total increase of 2.46 percent.

<b>Table A-1 Statement of Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2018	2019	2018	2019	2018	2019
Current and Other Assets	\$ 21,673,583	\$ <b>25,620,809</b>	\$ 502,013	\$ <b>370,168</b>	\$ 22,175,596	\$ <b>25,990,977</b>
Capital Assets	32,787,481	<b>31,984,086</b>	115,119	<b>97,421</b>	32,902,600	<b>32,081,507</b>
<b>Total Assets</b>	54,461,064	<b>57,604,895</b>	617,132	<b>467,589</b>	55,078,196	<b>58,072,484</b>
<b>Pension Related Deferred</b>						
<b>Outflows of Resources</b>	\$ 6,492,817	\$ <b>4,996,342</b>	\$ 211,723	\$ <b>159,697</b>	\$ 6,704,540	\$ <b>5,156,039</b>
Long-Term Debt Outstanding	\$ 1,708,019	\$ <b>1,504,799</b>	\$ -	\$ -	\$ 1,708,019	\$ <b>1,504,799</b>
Accounts Payable and Other Current Liabilities	2,697,072	<b>2,612,999</b>	57,439	<b>73,677</b>	2,754,511	<b>2,686,676</b>
Net Pension Liability	-	-	-	-	-	-
<b>Total Liabilities</b>	4,405,091	<b>4,117,798</b>	57,439	<b>73,677</b>	4,462,530	<b>4,191,475</b>
Taxes Levied for Future Period	2,205,166	<b>2,563,591</b>	-	-	2,205,166	<b>2,563,591</b>
<b>Total Deferred Inflows</b>	2,205,166	<b>2,563,591</b>	-	-	2,205,166	<b>2,563,591</b>
<b>Net Position:</b>						
Investment in Capital Assets	32,107,841	<b>31,440,590</b>	115,119	<b>97,421</b>	32,222,960	<b>31,538,011</b>
Restricted	9,687,161	<b>9,028,874</b>	214,092	<b>160,146</b>	9,901,253	<b>9,189,020</b>
Unrestricted	12,548,622	<b>15,450,384</b>	442,205	<b>296,042</b>	12,990,827	<b>15,746,426</b>
<b>Total Net Position</b>	\$ 54,343,624	\$ <b>55,919,848</b>	\$ 771,416	\$ <b>553,609</b>	\$ 55,115,040	\$ <b>56,473,457</b>
Beginning Net Position	\$ 47,847,297	\$ <b>54,343,624</b>	\$ 702,140	\$ <b>771,416</b>	\$ 48,549,437	\$ <b>55,115,040</b>
Change in Net Position	6,496,327	<b>1,576,224</b>	69,276	<b>(217,807)</b>	6,565,603	<b>1,358,417</b>
Percentage of Change in Net Position	13.58%	<b>2.90%</b>	9.87%	<b>-28.23%</b>	13.52%	<b>2.46%</b>

**DOUGLAS SCHOOL DISTRICT 51-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

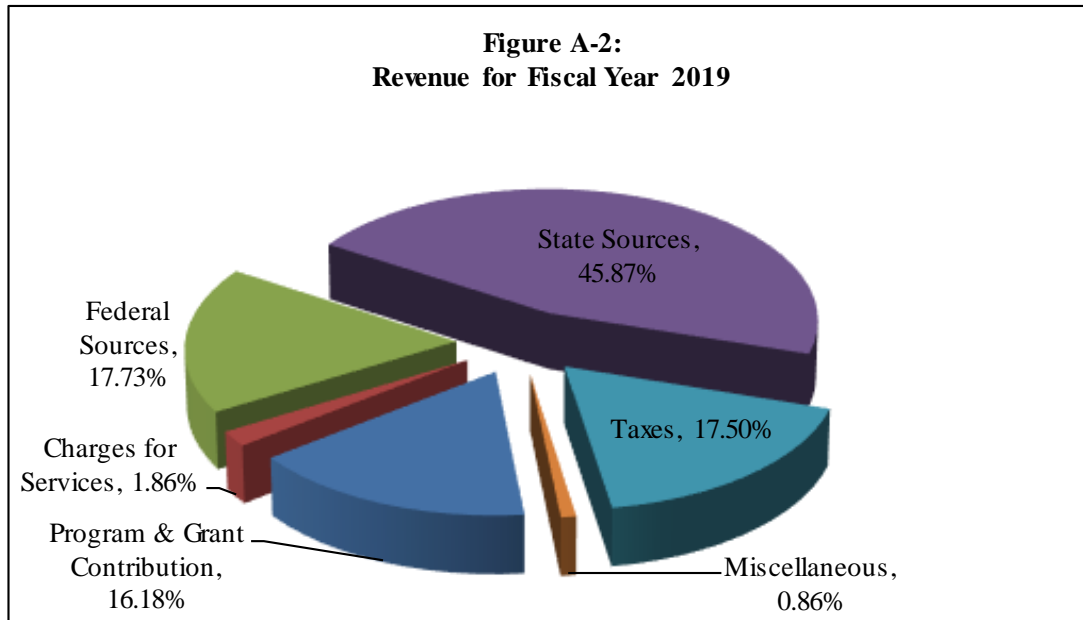
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Net Position (Continued)

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of compensated absences payable and Energy Efficient Lighting debt, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

Changes in Net Position

The District's revenues totaled \$30,506,493. Approximately 18 percent of the District's revenue comes from Federal Sources, 46 percent from State Sources, and 18 percent comes from taxes. (See Figure A-2.)



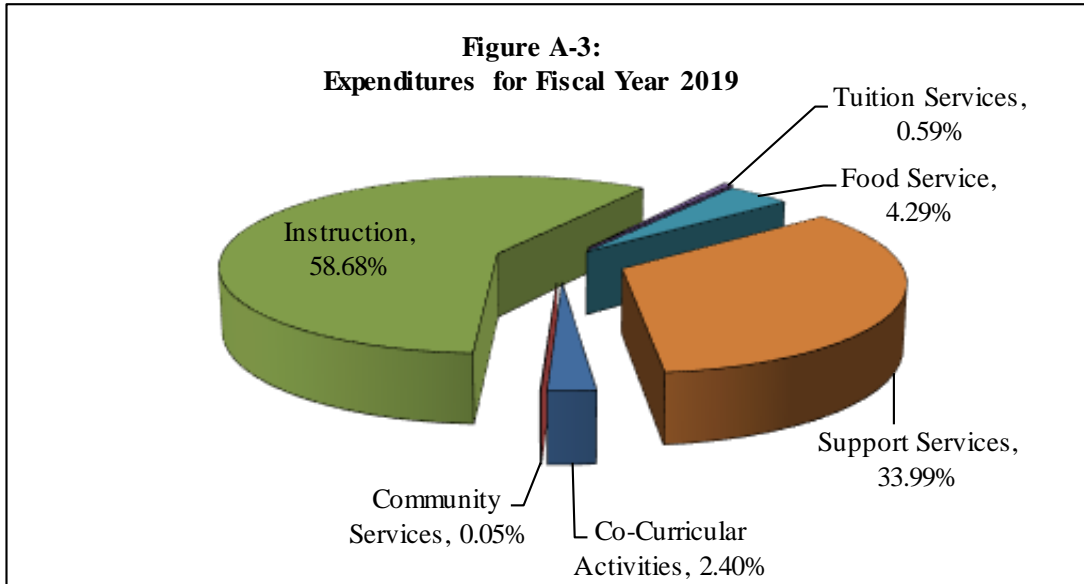
**DOUGLAS SCHOOL DISTRICT 51-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Changes in Net Position (Continued)

The District's expenses cover a wide range of services, but mainly cover instruction and support services. These account for approximately 93 percent of the total expenditures in 2019. (See Figure A-3.)



**DOUGLAS SCHOOL DISTRICT 51-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Changes in Net Position (Continued)

Table A-2 and the narrative that follows consider the operations of the governmental and business-type activities.

<b>Table A-2 Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Grand Total</b>	
	2018	2019	2018	2019	2018	2019
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 21,919	\$ 24,245	\$ 609,104	\$ 544,163	\$ 631,023	\$ 568,408
Operating Grants and Contributions	4,133,083	4,292,592	667,059	642,772	4,800,142	4,935,364
General Revenues:						
Taxes	5,352,100	5,340,020	-	-	5,352,100	5,340,020
State Sources	13,763,788	13,992,245	-	-	13,763,788	13,992,245
Federal Sources	6,797,585	5,408,102	-	-	6,797,585	5,408,102
Other General Revenues	241,001	238,954	2,721	102	243,722	239,056
Unrestricted Investment Earnings	5,828	23,298	-	-	5,828	23,298
<b>Total Revenues</b>	<b>30,315,304</b>	<b>29,319,456</b>	<b>1,278,884</b>	<b>1,187,037</b>	<b>31,594,188</b>	<b>30,506,493</b>
<b>Expenses</b>						
Instruction	14,633,510	17,105,489	-	-	14,633,510	17,105,489
Support Services	8,523,766	9,906,555	-	-	8,523,766	9,906,555
Community Services	9,892	14,319	-	-	9,892	14,319
Co-curricular Activities	586,330	699,905	-	-	586,330	699,905
Food Service	-	-	1,054,948	1,248,960	1,054,948	1,248,960
Tuition Services	-	-	220,139	172,848	220,139	172,848
<b>Total Expenses</b>	<b>23,753,498</b>	<b>27,726,268</b>	<b>1,275,087</b>	<b>1,421,808</b>	<b>25,028,585</b>	<b>29,148,076</b>
<b>Excess Revenues (Expenses)</b>						
<b>Before Transfers</b>	<b>6,561,806</b>	<b>1,593,188</b>	<b>3,797</b>	<b>(234,771)</b>	<b>6,565,603</b>	<b>1,358,417</b>
Transfers	(65,479)	(16,964)	65,479	16,964	-	-
<b>Increase/(Decrease) in Net Position</b>	<b>6,496,327</b>	<b>1,576,224</b>	<b>69,276</b>	<b>(217,807)</b>	<b>6,565,603</b>	<b>1,358,417</b>
<b>Beginning Net Position</b>	<b>47,847,297</b>	<b>54,343,624</b>	<b>702,140</b>	<b>771,416</b>	<b>48,549,437</b>	<b>55,115,040</b>
<b>Ending Net Position</b>	<b>\$ 54,343,624</b>	<b>\$ 55,919,848</b>	<b>\$ 771,416</b>	<b>\$ 553,609</b>	<b>\$ 55,115,040</b>	<b>\$ 56,473,457</b>

**DOUGLAS SCHOOL DISTRICT 51-1**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONCLUDED)**

Changes in Net Position (Concluded):

Governmental Activities

The revenues for the governmental activities decreased slightly primarily due to a decrease in federal funds. The increase in expenditures is a result of increased instructional costs.

Business-Type Activities

Revenues of the District’s business-type activities generated adequate funds to cover the costs associated with the Food Service program to continue to establish a fund balance for that fund. The combination of the federal reimbursement and the prices being charged is sufficient to run the program effectively and efficiently. The revenue for the tuition services does not fully cover the costs associated with running those programs. There continues to be a tiered approach to increasing the fees charged for those participating in those programs, along with the elimination of non-sustainable programs. The Board will continue to review the programs and their fees annually.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

The General Fund balance increased in the current year due to the Impact Aid being reported in the General Fund ending balance. The District has been making budget reductions over the last few years in an effort to reduce its dependence on Impact Aid. The Capital Outlay Fund balance increased in the current year due to an increase in property valuations which resulted in an increase in property tax revenue. The Special Education Fund balance increased in the current year due to an increase in State revenue, along with ongoing efforts in the program to be more efficient.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Douglas School District Board of Education approved contingency transfers for unanticipated, yet necessary, expenses to provide items necessary for the education program of the District. The District’s budget changes or variances for the year were minimal and due to unanticipated expenditures throughout the year.

**CAPITAL ASSET ADMINISTRATION**

By the end of 2019, the District had invested approximately \$32 million (net of depreciation) in a broad range of capital assets, including land, buildings, improvements, and equipment. Governmental Activities decreased approximately \$40,000 from 2018 due to a combination of approximately \$1,153,000 in purchases/construction and approximately \$1,916,000 in annual depreciation. (See Table A-3.)

	<b>Table A-3</b>			
	<b>Capital Assets</b>			
	Governmental Activities		Business-Type Activities	
	2018	2019	2018	2019
Buildings	\$ 29,764,258	\$ <b>28,986,904</b>	\$ -	\$ -
Improvements Other than Buildings	649,894	<b>661,467</b>	-	-
Equipment	1,710,934	<b>1,713,815</b>	115,119	<b>97,421</b>
Land	621,900	<b>621,900</b>	-	-
Construction Work in Progress	40,495	-	-	-
<b>Total Capital Assets, Net of Depreciation</b>	<b>\$ 32,787,481</b>	<b>\$ 31,984,086</b>	<b>\$ 115,119</b>	<b>\$ 97,421</b>

## **DOUGLAS SCHOOL DISTRICT 51-1**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED) FOR THE YEAR ENDED JUNE 30, 2019**

#### **CAPITAL ASSET ADMINISTRATION (CONTINUED)**

The District's fiscal year 2019 capital projects consisted mainly of costs associated with air conditioning projects throughout various schools in the District, along with concrete work throughout the District.

#### **LONG-TERM DEBT**

At year-end, the District had \$1,504,799 in long-term debt consisting of vacation, voluntary separation, severance pay (sick leave) and energy efficient lighting debt.

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

The District's economic position has shown little change recently. There has been some effect from the economic climate at the state and federal level, and this has begun to be realized as both the Impact Aid funding and overall balance have declined. The District has worked to manage these decreases by ongoing budget reductions throughout the District. The District has again experienced an increase in total property valuation over the last year. This allows the District the ability to increase the amount of revenue generated from property taxes, but the total amount that can be levied is limited in all funds by the State of South Dakota.

One of the primary General Fund resources of revenue to the District is based on a state aid funding formula from the State of South Dakota. The formula continues to be limited by what the District can collect from local property taxes and the difference is made up by the state aid from the State of South Dakota.

There is ongoing concern that the Impact Aid funding at the federal level could be decreasing in the near term depending on what happens at the federal level. Because of the uncertainty of funding at the state and federal level – mainly in the form of Impact Aid – even though the District enrollment has continued to increase each school year, the District is proceeding cautiously with all expenditures, including filling of vacant positions and new hires, salary negotiations, and long-term budgetary considerations.

The District is currently planning for the possibility of expansion of Ellsworth Air Force Base with the possible addition of B-21s to the Bomber Base. If projections are accurate, it will mean a significant increase of students to Douglas School District, which will mean an increase of needs to both infrastructure and staffing. The District is planning appropriately on both sides to ensure if the additional bombers arrive at Ellsworth, it will be prepared to handle the additional students.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and other concerned individuals with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Douglas School District Business Office at 400 Patriot Drive, Box Elder, SD 57719.

**DOUGLAS SCHOOL DISTRICT 51-1**

**STATEMENT OF NET POSITION  
JUNE 30, 2019**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS:</b>			
Cash and Cash Equivalents (Note 2)	\$ 21,513,761	\$ 301,602	\$ 21,815,363
Taxes Receivable (Note 4)	2,713,492	-	2,713,492
Due from Other Governments	714,558	-	714,558
Inventories (Note 3)	31,428	56,674	88,102
Other Receivables and Prepaid Expenses	628,872	11,443	640,315
Net Pension Asset (Note 11)	18,698	449	19,147
Capital Assets (Note 5):			
Land	621,900	-	621,900
Buildings, Net of Depreciation	28,986,904	-	28,986,904
Improvements Other than Buildings, Net of Depreciation	661,467	-	661,467
Equipment, Net of Depreciation	1,713,815	97,421	1,811,236
<b>TOTAL ASSETS</b>	<b>57,604,895</b>	<b>467,589</b>	<b>58,072,484</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows of Resources (Note 11)	4,996,342	159,697	5,156,039
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 62,601,237</b>	<b>\$ 627,286</b>	<b>\$ 63,228,523</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 182,840	\$ 414	\$ 183,254
Other Current Liabilities	2,430,159	44,680	2,474,839
Unearned Revenue	-	28,583	28,583
Long-Term Liabilities (Note 6):			
Due Within One Year	555,957	-	555,957
Due in More than One Year	948,842	-	948,842
<b>TOTAL LIABILITIES</b>	<b>4,117,798</b>	<b>73,677</b>	<b>4,191,475</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes Levied for Future Period (Note 4)	2,563,591	-	2,563,591
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,563,591</b>	<b>-</b>	<b>2,563,591</b>
<b>NET POSITION:</b>			
Invested in Capital Assets	31,440,590	97,421	31,538,011
Restricted:			
Capital Outlay	1,916,453	-	1,916,453
Pension - SDRS (Note 11)	5,015,040	160,146	5,175,186
Pension	90,274	-	90,274
Special Education	2,007,107	-	2,007,107
Unrestricted	15,450,384	296,042	15,746,426
<b>TOTAL NET POSITION</b>	<b>55,919,848</b>	<b>553,609</b>	<b>56,473,457</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 62,601,237</b>	<b>\$ 627,286</b>	<b>\$ 63,228,523</b>

The accompanying notes are an integral part of this statement.



DOUGLAS SCHOOL DISTRICT 51-1

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>						
Instruction	\$ 17,105,489	\$ -	\$ 4,292,592	\$ (12,812,897)	\$ -	\$ (12,812,897)
Support Services	9,906,555	-	-	(9,906,555)	-	(9,906,555)
Community Services	14,319	7,340	-	(6,979)	-	(6,979)
Co-Curricular Activities	699,905	16,905	-	(683,000)	-	(683,000)
<b>Total Governmental Activities</b>	<b>27,726,268</b>	<b>24,245</b>	<b>4,292,592</b>	<b>(23,409,431)</b>	<b>-</b>	<b>(23,409,431)</b>
<b>Business-Type Activities:</b>						
Preschool Service	73,708	59,841	-	-	(13,867)	(13,867)
Daycare Service	17,798	105	-	-	(17,693)	(17,693)
Afterschool Service	81,342	78,845	-	-	(2,497)	(2,497)
Food Service	1,248,960	405,372	642,772	-	(200,816)	(200,816)
<b>Total Business-Type Activities</b>	<b>1,421,808</b>	<b>544,163</b>	<b>642,772</b>	<b>-</b>	<b>(234,873)</b>	<b>(234,873)</b>
<b>Total Primary Government</b>	<b>\$ 29,148,076</b>	<b>\$ 568,408</b>	<b>\$ 4,935,364</b>	<b>(23,409,431)</b>	<b>(234,873)</b>	<b>(23,644,304)</b>
<b>General Revenues</b>						
Taxes:						
Property Taxes				5,169,888	-	5,169,888
Gross Receipts Taxes				170,132	-	170,132
Revenue from State Sources:						
State Aid				13,992,245	-	13,992,245
Revenue from Federal Sources				5,408,102	-	5,408,102
Unrestricted Investment Earnings				23,298	-	23,298
Other General Revenues				238,954	102	239,056
Transfers (Note 7)				(16,964)	16,964	-
<b>Total General Revenues</b>				<b>24,985,655</b>	<b>17,066</b>	<b>25,002,721</b>
<b>Change in Net Position</b>				<b>1,576,224</b>	<b>(217,807)</b>	<b>1,358,417</b>
Net Position - Beginning				54,343,624	771,416	55,115,040
<b>Net Position - Ending</b>				<b>\$ 55,919,848</b>	<b>\$ 553,609</b>	<b>\$ 56,473,457</b>

The accompanying notes are an integral part of this statement.

DOUGLAS SCHOOL DISTRICT 51-1

GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>ASSETS:</b>					
101 Cash and Cash Equivalents (Note 2)	\$ 17,430,394	\$ 1,692,528	\$ 2,239,626	\$ 89,981	\$ 21,452,529
110 Taxes Receivable--Current (Note 4)	1,343,843	802,580	480,159	139	2,626,721
112 Taxes Receivable--Delinquent (Note 4)	50,172	23,260	13,185	154	86,771
120 Accounts Receivable	23,195	-	19,378	-	42,573
140 Due from Other Governments	390,449	255,072	69,037	-	714,558
170 Inventory of Supplies (Note 3)	31,428	-	-	-	31,428
192 Prepaid Assets	550,129	-	36,170	-	586,299
<b>TOTAL ASSETS</b>	<b>\$ 19,819,610</b>	<b>\$ 2,773,440</b>	<b>\$ 2,857,555</b>	<b>\$ 90,274</b>	<b>\$ 25,540,879</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
Liabilities:					
402 Accounts Payable	\$ 108,946	\$ 70,740	\$ 3,154	\$ -	\$ 182,840
404 Contracts Payable	1,634,729	-	294,729	-	1,929,458
450 Payroll Deductions and Withholdings and Employer Matching Payable	419,814	-	80,887	-	500,701
<b>Total Liabilities</b>	<b>2,163,489</b>	<b>70,740</b>	<b>378,770</b>	<b>-</b>	<b>2,612,999</b>
Deferred Inflows of Resources:					
551 Taxes Levied for Future Periods (Note 4)	1,305,666	786,247	471,678	-	2,563,591
551 Unavailable Revenue-Property Taxes (Note 4)	50,172	23,260	13,185	154	86,771
<b>Total Deferred Inflows of Resources</b>	<b>1,355,838</b>	<b>809,507</b>	<b>484,863</b>	<b>154</b>	<b>2,650,362</b>
Fund Balance:					
711 Nonspendable - Inventory	31,428	-	-	-	31,428
712 Nonspendable - Prepaid Assets	550,129	-	36,170	-	586,299
723 Restricted - Capital Outlay	-	1,893,193	-	-	1,893,193
724 Restricted - Special Education	-	-	1,957,752	-	1,957,752
725 Restricted - Pension	-	-	-	90,120	90,120
750 Assigned - Health & Wellness	1,148,566	-	-	-	1,148,566
760 Unassigned (Note 10)	14,570,160	-	-	-	14,570,160
<b>Total Fund Balance</b>	<b>16,300,283</b>	<b>1,893,193</b>	<b>1,993,922</b>	<b>90,120</b>	<b>20,277,518</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
	<b>\$ 19,819,610</b>	<b>\$ 2,773,440</b>	<b>\$ 2,857,555</b>	<b>\$ 90,274</b>	<b>\$ 25,540,879</b>

The accompanying notes are an integral part of this statement.

**DOUGLAS SCHOOL DISTRICT 51-1**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Total Fund Balances - Governmental Funds \$ 20,277,518

Amounts reported for governmental activities in the Statement  
of Net Position are different because:

Net pension asset reported in governmental activities is not an available financial  
resource and therefore is not reported in the funds. 18,698

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. (Note 5) 31,984,086

Pension related deferred outflows are components of pension asset and therefore  
are not reported in the funds. 4,996,342

Long-term liabilities, including energy efficient debt, vacation payable, severance  
payable, and voluntary separation payable, are not due in the current period and  
therefore are not reported in the funds. (Note 6) (1,504,799)

Delinquent taxes receivable are not available to pay for current period  
expenditures and therefore are deferred in the funds. 86,771

Internal service funds are used by management to charge the costs of activities,  
such as insurance, to individual funds. The assets and liabilities of internal service  
funds are included in the governmental activities in the Statement of Net Position. 61,232

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**Net Position - Governmental Funds \$ 55,919,848**

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The accompanying notes are an integral part of this statement.

DOUGLAS SCHOOL DISTRICT 51-1

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Revenues:</b>					
<i>1000 Revenue from Local Sources:</i>					
1110 Ad Valorem Taxes	\$ 2,615,911	\$ 1,600,451	\$ 919,790	\$ -	\$ 5,136,152
1120 Prior Years' Ad Valorem Taxes	38,392	16,864	9,368	297	64,921
1140 Gross Receipts Taxes	170,132	-	-	-	170,132
1190 Penalties and Interest on Taxes	8,884	3,627	1,932	88	14,531
1500 Earnings on Investments and Deposits (Note 10)	23,298	-	-	-	23,298
<i>1700 Co-curricular Activities:</i>					
1710 Admissions	12,185	-	-	-	12,185
1740 Rentals	160	-	-	-	160
1790 Other Pupil Activity Income	4,560	-	-	-	4,560
<i>1900 Other Revenue from Local Sources:</i>					
1910 Rentals	1,173	-	-	-	1,173
1950 Refund of Prior Year's Expenditures	6,167	-	-	-	6,167
1990 Other	23,893	1,503	-	-	25,396
2110 County Apportionment	210,532	-	-	-	210,532
<i>3000 Revenue from State Sources:</i>					
3110 Unrestricted Grants-in-Aid	13,992,245	-	-	-	13,992,245
3120 Restricted Grants-in-Aid	-	-	2,450,618	-	2,450,618
<i>4000 Revenue from Federal Sources:</i>					
4110 Unrestricted Grants-in-Aid Received					
Directly from Federal Government (Note 10)	5,145,820	-	-	-	5,145,820
4120 Unrestricted Grants-in-Aid Received from					
Federal Government Through State	1,179	-	-	-	1,179
4140 Restricted Grants-in-Aid Received					
Directly from Federal Government	37,584	-	97,869	-	135,453
4150-4199 Restricted Grants-in-Aid Received					
from Federal Government Through State	995,707	-	710,814	-	1,706,521
4900 Other Federal Revenue	6,031	255,072	-	-	261,103
<b>Total Revenues</b>	<b>23,293,853</b>	<b>1,877,517</b>	<b>4,190,391</b>	<b>385</b>	<b>29,362,146</b>

**Expenditures:**

<i>1100 Instruction - Regular Programs:</i>					
1110 Elementary	5,871,844	236,624	-	-	6,108,468
1120 Middle/Junior High	2,674,935	88,710	-	-	2,763,645
1130 High School	3,105,189	69,807	-	-	3,174,996
<i>1200 Instruction - Special Programs:</i>					
1220 Programs for Special Education	-	-	2,154,385	-	2,154,385
1250 Culturally Different	27,404	-	-	-	27,404
1270 Educationally Deprived	546,293	-	-	-	546,293
1290 Other Special Programs	49,625	-	-	-	49,625
<i>2100 Support Services - Pupils:</i>					
2110 Attendance and Social Work	80,921	-	44,042	-	124,963
2120 Guidance	632,810	-	-	-	632,810
2130 Health	210,572	-	-	-	210,572
2140 Psychological	-	-	166,981	-	166,981
2150 Speech Pathology	-	-	411,987	-	411,987
2160 Audiology	-	-	54,320	-	54,320
2170 Student Therapy Services	-	-	114,711	-	114,711

DOUGLAS SCHOOL DISTRICT 51-1

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<i>2200 Support Services - Instructional Staff:</i>					
2210 Improvement of Instruction	347,698	-	-	-	347,698
2220 Educational Media	867,539	98,113	-	-	965,652
<i>2300 Support Services - General:</i>					
2310 Board of Education	104,333	-	-	-	104,333
2320 Executive Administration	376,550	-	-	-	376,550
<i>2400 Support Services - School:</i>					
2410 Office of the Principal	1,040,515	-	-	-	1,040,515
2440 Title I Program Administration	11,544	-	-	-	11,544
<i>2500 Support Services - Business:</i>					
2520 Fiscal Services	285,440	8,015	-	-	293,455
2530 Facilities Acquisition and Construction	-	2,425	-	-	2,425
2540 Operation and Maintenance of Plant	2,292,025	5,960	-	-	2,297,985
2550 Pupil Transportation	738,151	7,269	-	-	745,420
2560 Food Services	-	2,539	-	-	2,539
2570 Internal Services	68,284	-	-	-	68,284
<i>2600 Support Services - Central:</i>					
2630 Information	1,046	-	-	-	1,046
2640 Staff	126,286	-	-	-	126,286
<i>2700 Support Services - Special Education:</i>					
2710 Administrative Costs	-	-	305,901	-	305,901
2730 Transportation Costs	-	-	190,357	-	190,357
2750 Other Special Education Costs	-	-	25,355	-	25,355
<i>3000 Community Services:</i>					
3400 Public Library	4,901	-	-	-	4,901
3900 Other	4,300	-	-	-	4,300
<i>4000 Nonprogrammed Charges:</i>					
4500 Early Retirement	142,569	-	55,090	-	197,659
5000 Debt Services	136,144	-	-	-	136,144
<i>6000 Co-curricular Activities:</i>					
6100 Male Activities	87,760	-	-	-	87,760
6200 Female Activities	48,826	-	-	-	48,826
6900 Combined Activities	502,843	9,349	-	-	512,192
7500 Capital Outlay	-	1,112,417	-	-	1,112,417
<b>Total Expenditures</b>	<b>20,386,347</b>	<b>1,641,228</b>	<b>3,523,129</b>	<b>-</b>	<b>25,550,704</b>
<b>Excess of Revenue Over Expenditures</b>	<b>2,907,506</b>	<b>236,289</b>	<b>667,262</b>	<b>385</b>	<b>3,811,442</b>
<b>Other Financing Sources (Uses):</b>					
5130 Sale of Capital Assets and Surplus Property	-	3,026	-	-	3,026
5110 Transfers In (Notes 7 and 10)	1,131,602	-	-	-	1,131,602
<b>Total Other Financing Sources (Uses)</b>	<b>1,131,602</b>	<b>3,026</b>	<b>-</b>	<b>-</b>	<b>1,134,628</b>
<b>Net Change in Fund Balances</b>	<b>4,039,108</b>	<b>239,315</b>	<b>667,262</b>	<b>385</b>	<b>4,946,070</b>
<b>Fund Balance -- June 30, 2018</b>	<b>12,261,175</b>	<b>1,653,878</b>	<b>1,326,660</b>	<b>89,735</b>	<b>15,331,448</b>
<b>Fund Balance -- June 30, 2019</b>	<b>\$ 16,300,283</b>	<b>\$ 1,893,193</b>	<b>\$ 1,993,922</b>	<b>\$ 90,120</b>	<b>\$ 20,277,518</b>

The accompanying notes are an integral part of this statement.

**DOUGLAS SCHOOL DISTRICT 51-1**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 4,946,070

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 Statement of Net Position. 1,112,417

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. (1,915,812)

The fund financial statement property tax accruals differ from the government wide statement property tax accruals as the fund financial statements require the amounts to be "available." (45,716)

Governmental funds recognize expenditures for amounts of compensated absences and voluntary separation actually paid to employees with current financial resources. 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 employees earn leave or elect to retire early. 67,076

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 136,144

Changes in the pension related deferred outflows/inflows are direct components of the pension asset and are not reflected in the governmental funds. 984,118

Pension expenses in the Statement of Activities do not provide current financial resources and are not reported as expenses in the funds. (2,535,835)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net expenses and transfers of the internal service funds is reported with governmental activities. (1,172,238)

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**Change in Net Position of Governmental Activities \$ 1,576,224**

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The accompanying notes are an integral part of this statement.

DOUGLAS SCHOOL DISTRICT 51-1

PROPRIETARY FUNDS BALANCE SHEET  
JUNE 30, 2019

	Food Service Fund	Tuition Services Fund	Total Proprietary Funds	Internal Service Funds
<b>ASSETS:</b>				
<i>Current Assets:</i>				
101 Cash and Cash Equivalents (Note 2)	\$ 294,133	\$ 7,469	\$ 301,602	\$ 61,232
120 Accounts Receivable	853	355	1,208	-
170 Inventory of Supplies (Note 3)	20,732	-	20,732	-
172 Inventory of Donated Food (Note 3)	35,942	-	35,942	-
192 Prepaid Expense	7,902	2,333	10,235	-
<b>Total Current Assets</b>	<b>359,562</b>	<b>10,157</b>	<b>369,719</b>	<b>61,232</b>
<i>Noncurrent Assets:</i>				
196 Net Pension Asset (Note 11)	278	171	449	-
204 Equipment (Note 5)	306,815	-	306,815	-
Less: Accumulated Depreciation (Note 5)	(209,394)	-	(209,394)	-
<b>Total Noncurrent Assets</b>	<b>97,699</b>	<b>171</b>	<b>97,870</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>457,261</b>	<b>10,328</b>	<b>467,589</b>	<b>61,232</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
252 Pension Related Deferred Outflows (Note 11)	<b>103,907</b>	<b>55,790</b>	<b>159,697</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 561,168</b>	<b>\$ 66,118</b>	<b>\$ 627,286</b>	<b>\$ 61,232</b>
<b>LIABILITIES:</b>				
<i>Current Liabilities:</i>				
402 Accounts Payable	\$ 225	\$ 189	\$ 414	\$ -
404 Contracts Payable	20,068	7,161	27,229	-
450 Payroll Deductions and Withholdings and Employer Matching Payable	14,645	2,806	17,451	-
475 Unearned Revenue	26,668	1,915	28,583	-
<b>Total Current Liabilities</b>	<b>61,606</b>	<b>12,071</b>	<b>73,677</b>	<b>-</b>
<b>NET POSITION:</b>				
706 Investment in Capital Assets	97,421	-	97,421	-
725 Restricted Pension (Note 11)	104,185	55,961	160,146	-
708 Unrestricted (Note 9)	297,956	(1,914)	296,042	61,232
<b>Total Net Position</b>	<b>499,562</b>	<b>54,047</b>	<b>553,609</b>	<b>61,232</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 561,168</b>	<b>\$ 66,118</b>	<b>\$ 627,286</b>	<b>\$ 61,232</b>

The accompanying notes are an integral part of this statement.

**DOUGLAS SCHOOL DISTRICT 51-1**

**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Food Service Fund</b>	<b>Tuition Services Fund</b>	<b>Total Proprietary Funds</b>	<b>Internal Service Funds</b>
<b>Operating Revenue:</b>				
<i>Sales:</i>				
1610 To Pupils	\$ 236,938	\$ -	\$ 236,938	\$ -
1620 To Adults	4,394	-	4,394	-
1630 A la Carte	152,704	-	152,704	-
1650 Child Care	10,384	138,791	149,175	-
1690 Miscellaneous	952	-	952	-
1971 Self-Insurance Premiums	-	-	-	31,528
<b>Total Operating Revenue</b>	<b>405,372</b>	<b>138,791</b>	<b>544,163</b>	<b>31,528</b>
<b>Operating Expenses:</b>				
100 Salaries	509,303	114,903	624,206	-
200 Employee Benefits	175,723	46,912	222,635	-
300 Purchased Services	17,841	60	17,901	-
400 Supplies	24,466	589	25,055	-
461 Cost of Sales	342,424	10,384	352,808	-
462 Cost of Sales - Donated Food	147,704	-	147,704	-
910 Depreciation - Local Funds (Note 5)	31,499	-	31,499	-
4900 Other Premiums	-	-	-	55,200
<b>Total Operating Expenses</b>	<b>1,248,960</b>	<b>172,848</b>	<b>1,421,808</b>	<b>55,200</b>
<b>Operating Loss</b>	<b>(843,588)</b>	<b>(34,057)</b>	<b>(877,645)</b>	<b>(23,672)</b>
<b>Nonoperating Revenue:</b>				
<i>Local Sources:</i>				
1990 Other	22	80	102	-
3810 Cash Reimbursements	4,188	-	4,188	-
<i>Federal Sources:</i>				
4810 Cash Reimbursements	494,339	-	494,339	-
4820 Donated Food	144,245	-	144,245	-
<b>Total Nonoperating Revenue</b>	<b>642,794</b>	<b>80</b>	<b>642,874</b>	<b>-</b>
<b>Income (Loss) Before Transfers</b>	<b>(200,794)</b>	<b>(33,977)</b>	<b>(234,771)</b>	<b>(23,672)</b>
5110 Transfers Out (Note 7)	-	-	-	(1,148,566)
8110 Transfers In (Note 7)	-	16,964	16,964	-
<b>Change in Net Position</b>	<b>(200,794)</b>	<b>(17,013)</b>	<b>(217,807)</b>	<b>(1,172,238)</b>
Net Position -- Beginning	700,356	71,060	771,416	1,233,470
<b>Net Position -- Ending</b>	<b>\$ 499,562</b>	<b>\$ 54,047</b>	<b>\$ 553,609</b>	<b>\$ 61,232</b>

The accompanying notes are an integral part of this statement.



**DOUGLAS SCHOOL DISTRICT 51-1**

**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Food Service Fund</b>	<b>Tuition Services Fund</b>	<b>Total Proprietary Funds</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 407,539	\$ 138,351	\$ 545,890	\$ -
Receipts from Interfund Services Provided	-	-	-	(22,911)
Payments to Suppliers	(388,059)	(10,844)	(398,903)	-
Payments to Employees	(645,924)	(144,317)	(790,241)	-
Claims Paid	-	-	-	(100,236)
Other Disbursements	-	-	-	(55,769)
<b>Net Cash Used in Operating Activities</b>	<b>(626,444)</b>	<b>(16,810)</b>	<b>(643,254)</b>	<b>(178,916)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Subsidies	498,527	-	498,527	-
Transfers In (Out)	-	16,964	16,964	(1,148,566)
Other Receipts	22	80	102	-
<b>Net Cash Provided by (Used in) Noncapital Financing Activities:</b>	<b>498,549</b>	<b>17,044</b>	<b>515,593</b>	<b>(1,148,566)</b>
<b>Cash Flows Used in Capital and Related Financing Activities:</b>				
Purchase of Equipment	(13,801)	-	(13,801)	-
<b>Net Change in Cash and Cash Equivalents</b>	<b>(141,696)</b>	<b>234</b>	<b>(141,462)</b>	<b>(1,327,482)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>435,829</b>	<b>7,235</b>	<b>443,064</b>	<b>1,388,714</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 294,133</b>	<b>\$ 7,469</b>	<b>\$ 301,602</b>	<b>\$ 61,232</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>				
Operating Loss	\$ (843,588)	\$ (34,057)	\$ (877,645)	\$ (23,672)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used In) Operating Activities:</i>				
Depreciation Expense	31,499	-	31,499	-
Value of Donated Commodities Used	147,704	-	147,704	-
<i>Change in Assets and Liabilities:</i>				
Accounts Receivable	(853)	(355)	(1,208)	9,977
Inventories	(3,553)	-	(3,553)	-
Prepaid Expenses	(7,902)	(2,333)	(10,235)	-
Net Pension Asset	1,283	637	1,920	-
Pension Related Deferred Outflows	34,764	17,262	52,026	-
Accounts Payable	225	189	414	(569)
Incurred But Not Reported Claims	-	-	-	(100,236)
Contracts Payable	861	390	1,251	-
Accrued Payroll Deductions	10,096	1,542	11,638	-
Unearned Revenue	3,020	(85)	2,935	(64,416)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (626,444)</b>	<b>\$ (16,810)</b>	<b>\$ (643,254)</b>	<b>\$ (178,916)</b>
<b>Noncash Investing, Capital and Financing Activities:</b>				
Value of Commodities Received	\$ 144,245	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

**DOUGLAS SCHOOL DISTRICT 51-1**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

	<u>Agency Funds</u>
<b><u>ASSETS:</u></b>	
Cash and Cash Equivalents (Note 2)	\$ 181,531
<hr/> <hr/>	
<b><u>LIABILITIES:</u></b>	
Amounts Held for Others	\$ 181,531
<hr/> <hr/>	

The accompanying notes are an integral part of this statement.

## DOUGLAS SCHOOL DISTRICT 51-1

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

#### **(1) Summary of Significant Accounting Policies**

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

#### **Financial Reporting Entity**

The reporting entity of Douglas School District No. 51-1 (the 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.

The Funds included in this report are controlled by or dependent upon the Douglas School Board of Education.

The District participates in a cooperative service unit with several other school districts. See Note 8 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 District.

#### **Basis of Presentation**

##### *Government-wide Financial Statements:*

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to prevent the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. 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 is displayed in three components, as applicable, invested in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

##### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, 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.

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(1) Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

*Fund Financial Statements (Continued):*

A fund is considered major if it is the primary operating fund of the District or if 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 five 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 District financial reporting entity are described below within their respective fund types:

Governmental Funds:

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

Special Revenue Fund Types – Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the District include the following:

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

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

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

## DOUGLAS SCHOOL DISTRICT 51-1

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

#### (1) Summary of Significant Accounting Policies (Continued)

##### Basis of Presentation (Concluded)

###### Proprietary Funds:

Enterprise Fund Types – 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 are met:

- (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 provided 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).

Enterprise Funds of the District include the following:

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

Tuition Services Fund – A fund used to record the financial transactions related to daycare, driver’s education, preschool, and after school program service operations. This fund is financed through user charges. This is a major fund.

Internal Service Fund Types – Internal Service Funds are used to report activities that provide goods or services to other funds, departments, or agencies of the District, or to other governments, on a cost-reimbursement basis. The Health Insurance, Dental Insurance, Unemployment Insurance, and Life Insurance Funds are internal service funds maintained by the District. Internal service funds are never considered to be major funds. During the current year, the Health Insurance, Dental Insurance, and Life Insurance Funds were closed.

###### Fiduciary Funds:

Agency Funds – Agency Funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since Agency Funds are custodial in nature, they do not involve the measurement of results of operations. The District maintains a variety of Agency Funds. Agency Funds are established to account for the monies earned by student organizations for various expenditures. The other Agency Funds account for the monies contributed by employees for health and dependent care expenses. A fiduciary fund is never considered to be a major fund.

##### 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.

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(1) Summary of Significant Accounting Policies (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

*Measurement Focus:*

Government-wide Financial Statements:

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

Fund Financial Statements:

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

*Basis of Accounting:*

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. Available means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the District, the length of that cycle is 60 days. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. For the District, these consist primarily of property taxes.

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 funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unearned revenues reported in the proprietary fund consist of advance food service sales.

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(1) Summary of Significant Accounting Policies (Continued)**

**Interfund Eliminations and Reclassifications**

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses,” including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

**Capital Assets**

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

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

Government-wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) for land, buildings, improvements, and equipment are all set at \$5,000. The depreciation method used for buildings, improvements, and equipment is straight-line. Land is an inexhaustible capital asset and is not depreciated.

The estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

Buildings	10-60 years
Improvements Other than Buildings	10-20 years
Equipment	10-20 years

Fund Financial Statements:

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

## **DOUGLAS SCHOOL DISTRICT 51-1**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019**

#### **(1) Summary of Significant Accounting Policies (Continued)**

##### **Long-Term Liabilities**

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of vacation payable, voluntary separation (early retirement benefits) payable, sick leave/severance payable and Energy Efficient Lighting debt.

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 the proprietary fund is on the accrual basis, the same as in the government-wide statements.

##### **Program Revenues**

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

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.

##### **Proprietary Funds Revenue and Expense Classifications**

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

##### **Cash and Cash Equivalents**

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

##### **Use of Estimates**

The preparation of the financial statements in accordance with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from the estimates used.



## DOUGLAS SCHOOL DISTRICT 51-1

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

#### (1) Summary of Significant Accounting Policies (Continued)

##### Equity Classifications

###### Government-wide Financial Statements:

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

1. Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and related debt.
2. Restricted net position – Consists of net assets 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 assets that do not meet the definition of “restricted” or “invested in capital assets.”

It is the 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.

###### Fund Financial Statements:

Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for the Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

Governmental fund equity is classified as fund balance and is classified as follows:

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

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

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

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board, Superintendent and Business Manager.

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 District uses restricted 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 District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. As of year-end, the District has an assigned fund balance for health and wellness.

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

## **DOUGLAS SCHOOL DISTRICT 51-1**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019**

#### **(1) Summary of Significant Accounting Policies (Concluded)**

##### **Deferred Inflows and Outflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow until the applicable future period. Deferred outflows consist of pension activity.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. Deferred inflows of resources consist primarily of property taxes.

##### **Pensions**

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

#### **(2) Deposits and Investments**

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

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the 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.

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 deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. State law limits eligible investments for the District. The District has no investment policy that would further limit its investment choices or limit maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2019, the District's cash and investments consisted only of checking, savings, and SDFIT Money Market.

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(2) Deposits and Investments (Continued)**

The bank balances at June 30, 2019 are as follows, excluding SDFIT:

	<u>Bank Balance</u>
Insured - FDIC	\$ 500,000
Uninsured, collateralized in accordance with SDCL 4-6A-3	18,398,839
<b>Total Deposits</b>	<b><u>\$ 18,898,839</u></b>

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.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. The balance of SDFIT at June 30, 2019 was **\$4,030,527**. SDFIT is measured as a Level 2 recurring fair value measurement according to the fair value hierarchy.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund. US GAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

**(3) Inventory**

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

In the government-wide financial statements and 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.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is reported as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a Nonspendable Fund Balance, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

**(4) Property Taxes**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, 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 counties bill and collect the District's taxes and remit them to the District. District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations and therefore is not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the availability period.

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(5) Changes in Capital Assets**

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Governmental Activities:</b>				
Capital Assets, not Depreciated:				
Land	\$ 621,900	\$ -	\$ -	\$ 621,900
Construction Work in Progress	40,495	-	(40,495)	-
	<u>662,395</u>	<u>-</u>	<u>(40,495)</u>	<u>621,900</u>
Capital Assets, Depreciated:				
Buildings	51,358,787	332,697	-	51,691,484
Improvements Other Than Buildings	3,238,668	98,495	-	3,337,163
Equipment	9,728,926	721,720	(1,981,206)	8,469,440
	<u>64,326,381</u>	<u>1,152,912</u>	<u>(1,981,206)</u>	<u>63,498,087</u>
Less Accumulated Depreciation for:				
Buildings	21,594,529	1,110,051	-	22,704,580
Improvements Other Than Buildings	2,588,774	119,053	(32,131)	2,675,696
Equipment	8,017,992	686,708	(1,949,075)	6,755,625
	<u>32,201,295</u>	<u>1,915,812</u>	<u>(1,981,206)</u>	<u>32,135,901</u>
<b>Governmental Capital Assets, Net</b>	<b>\$ 32,787,481</b>	<b>\$ (762,900)</b>	<b>\$ (40,495)</b>	<b>\$ 31,984,086</b>

Depreciation expense was charged to functions within governmental activities as follows:

Instruction	\$ 1,099,698
Support Services	796,777
Co-curricular Activities	19,337
<b>Total Depreciation Expense</b>	<b>\$ 1,915,812</b>

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Business-Type Activities:</b>				
Capital Assets, Depreciated:				
Equipment	\$ 293,014	\$ 13,801	\$ -	\$ 306,815
Less Accumulated Depreciation for:				
Equipment	177,895	31,499	-	209,394
<b>Business-Type Capital Assets, Net</b>	<b>\$ 115,119</b>	<b>\$ (17,698)</b>	<b>\$ -</b>	<b>\$ 97,421</b>

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(6) Long-Term Liabilities**

During the year ended June 30, 2013, the District entered into a non-interest bearing debt agreement to finance the purchase and installation of new energy efficient lighting. The loan requires annual payments of \$136,144 through July 1, 2023. The loan is serviced out of the General Fund.

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Energy Efficient Lighting Debt	\$ 679,640	\$ -	\$ (136,144)	\$ 543,496	\$ 136,144
Vacation Liability	89,655	61,324	(67,493)	83,486	83,500
Voluntary Separation Liability	18,908	178,878	(191,473)	6,313	6,313
Severance Pay (Sick Leave) Liability	919,816	205,757	(254,069)	871,504	330,000
<b>General Long-Term Debt</b>	<b>\$ 1,708,019</b>	<b>\$ 445,959</b>	<b>\$ (649,179)</b>	<b>\$ 1,504,799</b>	<b>\$ 555,957</b>

Vacation and severance pay for governmental activities typically have been liquidated from the General Fund and Special Education Fund. The remaining voluntary separation liability of \$6,313 is payable from the General and Special Education Funds in the fiscal year ending June 30, 2020.

The remaining energy efficient lighting debt is payable as follows for the fiscal years ending June 30:

	<u>Principal</u>
2020	\$ 136,144
2021	136,144
2022	136,144
2023	135,064
	<u><b>\$ 543,496</b></u>

**(7) Interfund Transfers**

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

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,131,602	\$ -
Tuition Services Fund	16,964	-
Internal Services Funds	-	(1,148,566)
<b>Total</b>	<b>\$ 1,148,566</b>	<b>\$ (1,148,566)</b>

Transfers are used to move unrestricted Impact Aid revenue (included in the General Fund) to other funds to finance various programs in accordance with budgetary authorizations. Additionally, transfers were made to close the health, life, and dental internal service funds.

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2019**

**(8) Joint Ventures**

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special educational services to the member school districts. During the year ended June 30, 2019, the District paid **\$443,249** for services provided by the Co-op. The Co-op's governing board (the Board) is composed of one representative from each member school district, who is a school board member. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The 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 below.

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

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

Separate financial statements for this joint venture are available from Black Hills Special Services Cooperative, Sturgis, South Dakota. At June 30, 2019, this joint venture had total fund equity of \$4,134,842 (unaudited) and long-term debt of \$178,425 (unaudited).

**(9) Risk Management**

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

Property/Liability Insurance:

The District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members; to defend and protect the members against liability; to advise members on loss control guidelines and procedures; to provide them with risk management services, loss control and risk reduction information; and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the District. The District pays an annual premium under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage.

The agreement with the ASBSD-PLF provides that the above coverage will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The District carries various deductibles for various types of coverage.

The District carries additional insurance to cover claims in excess of the upper limit up to \$5 million. Settled claims resulting from these risks have not exceeded liability coverage during the past three years.

## DOUGLAS SCHOOL DISTRICT 51-1

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

#### **(9) Risk Management (Continued)**

##### Unemployment Benefits:

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

The District has designated a part of its unrestricted net position as equity in the Unemployment Insurance - Internal Service Fund in the amount of **\$61,232** for the payment of future unemployment benefits.

During the year ended June 30, 2019, claims totaling approximately \$12,100 for unemployment benefits were filed.

##### Workmen's Compensation:

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

##### Health Insurance:

The District was fully self-insured and purchased self-insurance through a third party prior to the July 1, 2018. The health insurance activity was accounted for in an Internal Service Fund of the district.

Effective July 1, 2018, the District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

#### **(10) Impact Aid**

The District receives a significant portion of their revenue from federal Impact Aid grants. Impact Aid activity is included in the General Fund for the year ended June 30, 2019, which includes unrestricted grants-in-aid received directly from federal government of \$5,145,820, earnings on investments and deposits of \$22,767, and expenditures (transfers out) of \$1,540,310. As of June 30, 2019, the General Fund fund balance resulting from Impact Aid activity totaled \$15,534,009 of which \$-0- is assigned to next year's budget.

#### **(11) Pension Plan**

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

##### 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.

## DOUGLAS SCHOOL DISTRICT 51-1

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019

#### (11) Pension Plan (Continued)

##### Benefits Provided (Continued):

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 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 Cost-of-Living Adjustment (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, 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 COLA.

##### 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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2019, 2018, and 2017 were **\$1,018,333**, \$1,024,035, and \$1,025,069, respectively, equal to the required contributions each year.

##### Pension Assets/(Liabilities), Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2019, SDRS is 100.02 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the District as of June 30, 2019 are as follows:



**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2019**

**(11) Pension Plan (Continued)**

Pension Assets/(Liabilities), Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions (Continued):

	Governmental Activities	Business-Type Activities	Total
Proportionate Share of Net Position Restricted for Pension Benefits	\$ 97,076,995	\$ 3,374,993	\$ 100,451,988
Less: Proportionate Share of Total Pension Liability	(97,058,297)	(3,374,544)	(100,432,841)
<b>Proportionate Share of Net Pension Asset</b>	<b>\$ 18,698</b>	<b>\$ 449</b>	<b>\$ 19,147</b>

At June 30, 2019, the District reported an asset of \$19,147 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018 and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the District's proportion was 0.8209733 percent, which is a decrease of .01989100 percent from its proportion as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension revenue of \$2,623,996. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 723,686	\$ -
Changes in Assumption	4,861,087	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	(1,447,067)	-
Changes in Proportion and Difference between District Contributions and Proportionate Share of Contributions	-	-
District Contributions Subsequent to the Measurement Date	1,018,333	-
<b>Total</b>	<b>\$ 5,156,039</b>	<b>\$ -</b>

Deferred outflow of resources includes \$1,018,333 resulting from District contributions subsequent to the measurement date that 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:

2019	\$ 2,610,775
2020	1,942,194
2021	(254,739)
2022	(160,524)
	<b>\$ 4,137,706</b>

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**(11) Pension Plan (Continued)**

Actuarial Assumptions:

The total pension 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 percent
Salary Increases	Graded by years of service, from 6.50 percent at entry to 3.00 percent after 25 years of service
Discount Rate	6.50 percent, net of pension plan investment expense

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (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%
	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 percent. 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 will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

**JUNE 30, 2019**

**(11) Pension Plan (Concluded)**

Sensitivity of Asset to Changes in the Discount Rate:

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension (Asset)/Liability	\$ 14,461,352	\$ (19,147)	\$ (11,798,247)

Pension Plan Fiduciary Net Position:

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

**(12) Emerging Accounting Standard**

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has not yet determined the specific impact of this statement on the financial statements. The statement is effective for the District's year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**DOUGLAS SCHOOL DISTRICT 51-1**

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**

**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
<b>Revenues:</b>				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 2,816,675	\$ 2,816,675	\$ 2,615,911	\$ (200,764)
1120 Prior Years' Ad Valorem Taxes	95,000	95,000	38,392	(56,608)
1130 Tax Deed Revenue	86,000	86,000	-	(86,000)
1140 Gross Receipts Taxes	8,500	8,500	170,132	161,632
1190 Penalties and Interest on Taxes	15,000	15,000	8,884	(6,116)
1500 Earnings on Investments and Deposits	200	200	531	331
<i>1700 Co-curricular Activities:</i>				
1710 Admissions	16,000	16,000	12,185	(3,815)
1740 Rentals	250	250	160	(90)
1790 Other Pupil Activity Income	3,000	3,000	4,560	1,560
<i>1900 Other Revenue from Local Sources:</i>				
1910 Rentals	-	-	1,173	1,173
1950 Refund of Prior Year's Expenditures	-	-	6,167	6,167
1990 Other	8,000	11,750	23,893	12,143
2110 County Apportionment	200,000	200,000	210,532	10,532
<i>3000 Revenue from State Sources:</i>				
3110 Unrestricted Grants-in-Aid	13,045,000	13,045,000	13,992,245	947,245
3900 Other State Revenue	-	10,993	-	(10,993)
<i>4000 Revenue from Federal Sources:</i>				
4120 Unrestricted Grants-in-Aid Received from Federal Government Through State	4,100	4,100	1,179	(2,921)
4140 Restricted Grants-in-Aid Received Directly from Federal Government	-	37,584	37,584	-
4150-4199 Restricted Grants-in-Aid Received from Federal Government Through State	-	1,142,768	995,707	(147,061)
4900 Other Federal Revenue	-	6,403	6,031	(372)
<b>Total Revenues</b>	<b>16,297,725</b>	<b>17,499,223</b>	<b>18,125,266</b>	<b>626,043</b>

**Expenditures:**

*1100 Instruction - Regular Programs:*

1110 Elementary	6,267,333	6,283,155	5,871,844	411,311
1120 Middle/Junior High	2,762,152	2,799,736	2,674,935	124,801
1130 High School	3,196,728	3,203,131	3,105,189	97,942

*1200 Instruction - Special Programs:*

1250 Culturally Different	35,765	35,765	27,404	8,361
1270 Educationally Deprived	-	615,973	546,293	69,680
1290 Other Special Programs	-	50,605	49,625	980

DOUGLAS SCHOOL DISTRICT 51-1

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
<i>2100 Support Services - Pupils:</i>				
2110 Attendance and Social Work	126,500	126,500	80,921	45,579
2120 Guidance	664,856	672,716	632,810	39,906
2130 Health	222,991	222,991	210,572	12,419
<i>2200 Support Services - Instructional Staff:</i>				
2210 Improvement of Instruction	44,548	454,721	347,698	107,023
2220 Educational Media	903,186	920,457	867,539	52,918
<i>2300 Support Services - General:</i>				
2310 Board of Education	117,818	120,030	104,333	15,697
2320 Executive Administration	398,903	398,903	376,550	22,353
<i>2400 Support Services - School:</i>				
2410 Office of the Principal	1,062,841	1,062,839	1,040,515	22,324
2440 Title I Program Administration	-	14,019	11,544	2,475
<i>2500 Support Services - Business:</i>				
2520 Fiscal Services	326,915	326,914	285,440	41,474
2540 Operation and Maintenance of Plant	2,292,770	2,352,816	2,292,025	60,791
2550 Pupil Transportation	774,907	775,006	738,151	36,855
2560 Food Services	-	-	-	-
2570 Internal Services	85,253	85,253	68,284	16,969
<i>2600 Support Services - Central:</i>				
2630 Information	4,000	4,000	1,046	2,954
2640 Staff	97,526	127,482	126,286	1,196
<i>3000 Community Services:</i>				
3400 Public Library	-	8,246	4,901	3,345
3900 Other	7,500	7,500	4,300	3,200
<i>4000 Nonprogrammed Charges:</i>				
4500 Early Retirement	357,522	357,522	142,569	214,953
<i>5000 Debt Services</i>				
5000 Debt Services	136,146	136,146	136,144	2
<i>6000 Cocurricular Activities:</i>				
6100 Male Activities	114,573	114,573	87,760	26,813
6200 Female Activities	57,468	57,469	48,826	8,643
6900 Combined Activities	555,913	555,917	502,843	53,074
7000 Contingencies	275,886	275,885	-	275,885
<b>Total Expenditures</b>	<b>20,890,000</b>	<b>22,166,270</b>	<b>20,386,347</b>	<b>1,779,923</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(4,592,275)</b>	<b>(4,667,047)</b>	<b>(2,261,081)</b>	<b>2,405,966</b>
<b>Other Financing Sources:</b>				
5110 Transfers In	4,592,275	4,592,275	2,671,911	(1,920,364)
<b>Total Other Financing Sources</b>	<b>4,592,275</b>	<b>4,592,275</b>	<b>2,671,911</b>	<b>(1,920,364)</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(74,772)</b>	<b>410,830</b>	<b>485,602</b>
Fund Balance -- Beginning	355,444	355,444	355,444	-
<b>Fund Balance -- Ending</b>	<b>\$ 355,444</b>	<b>\$ 280,672</b>	<b>\$ 766,274</b>	<b>\$ 485,602</b>

The accompanying supplementary notes are an integral part of this statement.

DOUGLAS SCHOOL DISTRICT 51-1

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

CAPITAL OUTLAY FUND

FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual - Budgetary Basis	Variance
	Original	Final		
<b>Revenues:</b>				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 1,370,500	\$ 1,370,500	\$ 1,600,451	\$ 229,951
1120 Prior Years' Ad Valorem Taxes	15,000	15,000	16,864	1,864
1190 Penalties and Interest on Taxes	5,000	5,000	3,627	(1,373)
<i>1900 Other Revenue from Local Sources:</i>				
1990 Other	1,500	1,500	1,503	3
<i>4000 Revenue from Federal Sources:</i>				
4150-4199 Restricted Grants-in-Aid Received from Federal Government	85,725	85,725	-	(85,725)
4900 Other Federal Revenue	138,000	138,000	255,072	117,072
<b>Total Revenues</b>	<b>1,615,725</b>	<b>1,615,725</b>	<b>1,877,517</b>	<b>261,792</b>
<b>Expenditures:</b>				
<i>1100 Instruction - Regular Programs:</i>				
1110 Elementary	786,020	786,020	774,341	11,679
1120 Middle/Junior High	139,900	139,900	133,294	6,606
1130 High School	228,725	305,121	305,119	2
<i>2200 Support Services - Instructional Staff:</i>				
2220 Educational Media	196,350	196,350	189,470	6,880
<i>2300 Support Services - General</i>				
2310 Board of Education	2,283	2,300	2,300	
<i>2500 Support Services - Business:</i>				
2520 Fiscal Services	32,847	33,573	8,015	25,558
2530 Facilities Acquisition and Construction	44,775	44,775	65,189	(20,414)
2540 Operation and Maintenance of Plant	21,925	24,963	13,275	11,688
2550 Pupil Transportation	142,150	142,150	138,337	3,813
2560 Food Services	5,175	5,175	2,539	2,636
<i>3000 Community Services:</i>				
3400 Public Library	800	800	-	800
<i>6000 Co-curricular Activities:</i>				
6900 Combined Activities	14,775	14,775	9,349	5,426
<b>Total Expenditures</b>	<b>1,615,725</b>	<b>1,695,902</b>	<b>1,641,228</b>	<b>54,674</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>-</b>	<b>(80,177)</b>	<b>236,289</b>	<b>316,466</b>
<b>Other Financing Sources:</b>				
5130 Sale of Surplus Property	-	-	3,026	3,026
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>3,026</b>	<b>3,026</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(80,177)</b>	<b>239,315</b>	<b>319,492</b>
Fund Balance -- Beginning	1,653,878	1,653,878	1,653,878	-
<b>Fund Balance -- Ending</b>	<b>\$ 1,653,878</b>	<b>\$ 1,573,701</b>	<b>\$ 1,893,193</b>	<b>\$ 319,492</b>

The accompanying supplementary notes are an integral part of this statement.

DOUGLAS SCHOOL DISTRICT 51-1

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 SPECIAL EDUCATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual -	Variance
	Original	Final	Budgetary Basis	
<b>Revenues:</b>				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 812,500	\$ 812,500	\$ 919,790	\$ 107,290
1120 Prior Years' Ad Valorem Taxes	7,000	7,000	9,368	2,368
1190 Penalties and Interest on Taxes	1,500	1,500	1,932	432
<i>3000 Revenue from State Sources:</i>				
3120 Restricted Grants-in-Aid	2,260,000	2,260,000	2,450,618	190,618
<i>4000 Revenue from Federal Sources:</i>				
4110 Unrestricted Grants-in-Aid Received				
Directly from Federal Government	13,186	13,186	-	(13,186)
4140 Restricted Grants-in-Aid Received				
Directly from Federal Government	-	-	97,869	97,869
4150-4199 Restricted Grants-in-Aid Received				
from Federal Government Through State	710,814	710,814	710,814	-
<b>Total Revenues</b>	<b>3,805,000</b>	<b>3,805,000</b>	<b>4,190,391</b>	<b>385,391</b>
<b>Expenditures:</b>				
<i>1200 Instruction - Special Programs:</i>				
1220 Programs for Special Education	2,272,654	2,291,477	2,154,385	137,092
<i>2100 Support Services - Pupils:</i>				
2110 Attendance and Social Work	44,500	44,500	44,042	458
2140 Psychological	167,100	172,481	166,981	5,500
2150 Speech Pathology	459,570	459,570	411,987	47,583
2160 Audiology	59,727	59,727	54,320	5,407
2170 Student Therapy Services	119,715	119,715	114,711	5,004
<i>2700 Support Services - Special Education</i>				
2710 Administrative Costs	294,340	305,797	305,901	(104)
2730 Transportation Costs	256,751	256,751	190,357	66,394
2750 Other Special Education Costs	29,000	29,000	25,355	3,645
4500 Early Retirement	30,997	60,090	55,090	5,000
7000 Contingencies	70,646	5,892	-	5,892
<b>Total Expenditures</b>	<b>3,805,000</b>	<b>3,805,000</b>	<b>3,523,129</b>	<b>281,871</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>667,262</b>	<b>667,262</b>
<b>Other Financing Sources:</b>				
5110 Transfers In	508,396	508,396	-	(508,396)
<b>Net Change in Fund Balances</b>	<b>508,396</b>	<b>508,396</b>	<b>667,262</b>	<b>158,866</b>
Fund Balance -- Beginning	1,326,660	1,326,660	1,326,660	-
<b>Fund Balance -- Ending</b>	<b>\$ 1,835,056</b>	<b>\$ 1,835,056</b>	<b>\$ 1,993,922</b>	<b>\$ 158,866</b>

The accompanying supplementary notes are an integral part of this statement.



DOUGLAS SCHOOL DISTRICT 51-1

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

PENSION FUND

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual -</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	
<b>Revenues:</b>				
<i>1000 Revenue from Local Sources:</i>				
1120 Prior Years' Ad Valorem Taxes	\$ -	\$ -	\$ 297	\$ 297
1190 Penalties and Interest on Taxes	-	-	88	88
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>385</b>	<b>385</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>385</b>	<b>385</b>
Fund Balance -- Beginning	89,735	89,735	89,735	-
<b>Fund Balance -- Ending</b>	<b>\$ 89,735</b>	<b>\$ 89,735</b>	<b>\$ 90,120</b>	<b>\$ 385</b>

The accompanying supplementary notes are an integral part of this statement.

**DOUGLAS SCHOOL DISTRICT 51-1**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET  
JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension (Asset)/Liability	0.8209733%	0.8408643%	0.8361241%	0.8554103%	0.8657797%
District's Proportionate Share of Net Pension (Asset)/Liability	\$ (19,147)	\$ (76,309)	\$ 2,824,649	\$ (3,628,040)	\$ (6,237,588)
District's Covered-Employee Payroll	\$ 17,057,572	\$ 17,077,115	\$ 15,905,933	\$ 15,609,731	\$ 15,158,516
District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	-0.11%	-0.45%	17.76%	-23.24%	-41.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	100.02%	100.10%	97.00%	104.00%	107.00%

**DOUGLAS SCHOOL DISTRICT 51-1**

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,018,333	\$ 1,024,035	\$ 1,025,069	\$ 949,610	\$ 942,118
Contributions in Relation to the Contractually Required Contribution	1,018,333	1,024,035	1,025,069	949,610	942,118
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 16,971,928	\$ 17,057,572	17,077,115	\$ 15,905,933	15,617,985
Contributions as a Percentage of Covered- Employee Payroll	6.0%	6.0%	6.0%	6.0%	6.0%

**DOUGLAS SCHOOL DISTRICT 51-1**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**1. Budgets and Budgetary Accounting**

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

- 1) Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- 2) The proposed budget is considered by the School Board at the first regular meeting held in the month of May each year.
- 3) The proposed budget is published for public review no later than July 15<sup>th</sup> each year.
- 4) Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- 5) Before October 1<sup>st</sup> of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, with the exception of 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 five percent of the total District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- 8) If it is determined during the year that sufficient amounts have not been budgeted, state statute allows 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) The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for the following:

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

The financial statements prepared in conformity with US GAAP present federal Impact Aid grants as revenue and related transfers out to the capital outlay fund and special education fund to meet operational needs of the other funds as blended activity in the General Fund following the implementation of GASB 54. However, under the budgetary basis of accounting, the impact aid revenue and related transfers out are not included in the Budgetary Required Supplementary Schedule for the General Fund. The following information is provided for purposes of reconciling the two schedules:

Impact Aid Revenue	
Unrestricted Grants-in-Aid Received Directly	
from Federal Government	\$ 5,145,820
Earnings on Investments and Deposits	<u>22,767</u>
Total Impact Aid Revenue	5,168,587
Transfers out of Impact Aid Revenue to Other Funds	<u>(1,540,310)</u>
Net Change in Fund Balance – Impact Aid	<u><u>\$ 3,628,277</u></u>
 Impact Aid Fund Balance	 \$ 15,534,009

SINGLE AUDIT SECTION

**DOUGLAS SCHOOL DISTRICT 51-1**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Federal Contract Number	CFDA Numbers	Amount
<i>U.S. Department of Agriculture:</i>			
Pass-Through the S.D. Department of Education:			
Non-Cash Assistance			
National School Lunch Program (Note 4)	N/A	10.555	\$ 144,245
Cash Assistance			
School Breakfast Program (Note 2)	N/A	10.553	109,134
National School Lunch Program (Note 2)	N/A	10.555	385,205
<b>Total U.S. Department of Agriculture</b>			<b>638,584</b>
<i>U.S. Department of Defense:</i>			
Direct Federal Funding:			
National Defense Authorization Act - Section 386	N/A	12.XXX	255,072
<b>Total U.S. Department of Defense</b>			<b>255,072</b>
<i>U.S. Department of the Interior:</i>			
Pass-Through the S.D. Department of Education:			
Taylor Grazing (Note 1)	N/A	15.226	136
National Mineral Leasing (Note 1)	N/A	15.227	1,043
<b>Total U.S. Department of the Interior</b>			<b>1,179</b>
<i>U.S. Department of Education:</i>			
Direct Federal Funding:			
Impact Aid -- Maintenance and Operations	N/A	84.041	1,540,310
Impact Aid -- Special Education	N/A	84.041	97,869
Title VII Indian Education Grant	N/A	84.060	37,584
Pass-Through the S.D. Department of Education:			
Title I Programs -- Local Educational Agencies	SO10A160041	84.010	663,670
Vocational Education -- Basic Grants to States	VO48A160041	84.048	49,625
Improving Teacher Quality	N/A	84.367	194,255
Title IV SSAE	N/A	84.424	70,887
<i>Special Education Cluster:</i>			
Special Education -- State Grants (P.L. 94-142)	N/A	84.027	685,836
Special Education -- Preschool Grants (P.L. 99-457)	N/A	84.173	24,978
<b>Total Special Education Cluster</b>			<b>710,814</b>
<b>Total U.S. Department of Education</b>			<b>3,365,014</b>
<i>U.S. Department of Homeland Security</i>			
Homeland Security Grant	N/A	97.067	17,270
<b>Total</b>			<b>\$ 4,277,119</b>

**DOUGLAS SCHOOL DISTRICT 51-1**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1: Federal reimbursements are not based on specific expenditures; therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 2: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

Note 3: Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting.

Note 4: These amounts include non-monetary assistance which is reported at fair market value of the commodities received and disbursed.

Note 5: The District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

School Board  
Douglas School District 51-1  
Meade and Pennington Counties, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **DOUGLAS SCHOOL DISTRICT NO. 51-1** (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2019.

#### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as 2019-001 and 2019-002 that we consider to be material weaknesses.

#### **Compliance and Other Matters**

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



School Board  
Douglas School District 51-1

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**District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 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 District'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.



KETEL THORSTENSON, LLP  
Certified Public Accountants

November 25, 2019



## Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

School Board  
Douglas School District 51-1  
Meade and Pennington Counties, South Dakota

#### **Report on Compliance for Each Major Federal Program**

We have audited **DOUGLAS SCHOOL DISTRICT'S** (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

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

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

#### ***Opinion on Each Major Federal Programs***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

#### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying Schedule of Findings as 2019-003 that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



KETEL THORSTENSON, LLP  
Certified Public Accountants

November 25, 2019

**DOUGLAS SCHOOL DISTRICT 51-1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Douglas School District 51-1 (the District).
2. Material weaknesses were disclosed during the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. A significant deficiency disclosed during the audit of the major federal award program is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the District expresses an unmodified opinion.
6. The programs tested as a major program were:
  - a. Impact Aid Cluster, CFDA #84.041
  - b. Special Education Cluster (SPED), CFDA #84.027 and #84.173
7. The threshold for distinguishing Type A and B programs was \$750,000.
8. The District was not determined to be a low-risk auditee.

**B. FINDINGS – Financial Statement Audit**

**Material Weaknesses**

**Finding No. 2019-001: Preparation of Financial Statements**

*Federal Program Affected:* None.

*Compliance Requirement:* Not Applicable.

*Questioned Costs:* None.

*Condition and Cause:* We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for us to do this with districts of your size.

*Criteria and Effect:* It is our responsibility to inform the School Board that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the District's management.

*Repeat Finding from Prior Year:* Yes, prior year finding 2018-001.

**DOUGLAS SCHOOL DISTRICT 51-1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
JUNE 30, 2019**

**B. FINDINGS – Financial Statement Audit (Continued)**

**Material Weaknesses (Continued)**

**Finding No. 2019-001: Preparation of Financial Statements (Continued)**

*Recommendation:* As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy, we have answered any questions they might have, and we have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied the appropriate steps have been taken to provide the District with the completed financial statements. It is the responsibility of management and the School Board to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Response/Corrective Action Plan:* The District agrees with the above finding. See Corrective Action Plan.

**Finding No. 2019-002: Audit Adjustments**

*Federal Program Affected:* None.

*Compliance Requirement:* Not Applicable.

*Questioned Costs:* None.

*Condition and Cause:* During the course of our engagement, we proposed material audit adjustments. We also assisted in recording the current year effects of GASB 68 *Accounting and Reporting for Pensions*. Additionally, other entries were proposed as part of the audit, but were not recorded due to the overall insignificance on the financial statements.

*Criteria and Effect:* District management is responsible for year-end account balances. These adjustments were not recorded through the District's existing internal controls, and therefore, resulted in misstatements of the District's financial statements.

*Repeat Finding from Prior Year:* Yes, prior year finding 2018-002

*Recommendation:* We recommend management do the following:

- Net assets should be rolled forward from the prior year financial statements.
- Depreciation schedules should be reviewed for accuracy and agreed to the general ledger. The general ledger should be adjusted, if necessary.
- Management should continue to review and approve the pension entries.

*Response/Corrective Action Plan:* Management is in agreement with the finding. See Corrective Action Plan.

**DOUGLAS SCHOOL DISTRICT 51-1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)  
JUNE 30, 2019**

**C. Findings – Major Federal Program Audit**

**Significant Deficiency**

**Finding No. 2019-003: Written Uniform Guidance Policies**

*Federal Programs Affected:* Impact Aid (CFDA 84.041) and Special Education Cluster (CFDA 84.027 and 84.173).

*Compliance Requirement:* Procurement

*Questioned Costs:* None

*Condition and Cause* The District's procurement policy does not include all necessary elements under Uniform Guidance requirements. Additionally, the District has not maintained documentation of a sole source vendor charged to the Special Education program.

*Criteria and Effect:* Uniform Guidance specifically requires entities to maintain written policies for procurement. Additionally, the District is required to maintain documentation supporting the procurement used. Incomplete policies or not maintaining proper documentation leads to noncompliance and potential unallowable costs.

*Recommendation:* The District should enhance their written procurement policy to include all required elements and document consideration of procurement methods used.

*Repeat Finding from Prior Year:* Not applicable.

*Response/Corrective Action Plan:* The District agrees with the finding. See District's Corrective Action Plan.

MANAGEMENT RESPONSE

## **DOUGLAS SCHOOL DISTRICT 51-1**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2019**

Douglas School District 51-1 (the District) respectfully submits the following schedule of prior audit findings from the June 30, 2018 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2018 Schedule of Findings.

#### Finding No. 2018-001: Financial Statement Preparation

*Status:* It is more cost effective for the District to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as part of the annual audit process. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

*Initial Year Report:* Originally issued years ago.

*Reasons for Recurrence and Corrective Action Plan:* As the District has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2019. See Corrective Action Plan.

#### Finding No. 2018-002: Audit Adjustments

*Status:* The District made efforts to record all year-end entries, but three audit adjustments were made.

*Initial Year Report:* Originally issued years ago.

*Reasons for Recurrence and Corrective Action Plan:* The finding is altered based on specific audit adjustments each year and is repeated in the Schedule of Findings. See Corrective Action Plan.

#### Finding No. 2018-003: Schedule of Expenditures of Federal Awards

*Status:* District management is responsible for the preparation of this schedule. Ketel Thorstenson, LLP proposed an adjustment to this schedule in 2018. In 2019, management prepared this schedule, complying with the Uniform Guidance.

*Initial Year Report:* Originally issued in 2018.

*Reasons for Recurrence and Corrective Action Plan:* Not repeated in 2019.



**DOUGLAS SCHOOL DISTRICT 51-1**

**CORRECTIVE ACTION PLAN  
JUNE 30, 2019**

Douglas School District 51-1 (the District) respectfully submits the following corrective action plan regarding findings from the June 30, 2019 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

Finding No. 2019-001: Preparation of Financial Statements

*Responsible Individuals:* Trista Hedderman, Business Manager

*Corrective Action Plan:* The District has accepted the risk associated with Finding No. 2018-001 regarding preparation of the financial statements, and will continue to have the independent auditor prepare the financial statements.

*Anticipated Completion Date:* Ongoing

Finding No. 2019-002: Audit Adjustments

*Responsible Individuals:* Trista Hedderman, Business Manager

*Corrective Action Plan:* The District will continue efforts to make all year end entries.

*Anticipated Completion Date:* Ongoing

Finding No. 2019-003: Written Uniform Guidance Policies

*Responsible Individuals:* Trista Hedderman, Business Manager

*Corrective Action Plan:* The District has corrected and updated policies.

*Anticipated Completion Date:* June 30, 2020