



Financial Statements  
June 30, 2017 and 2016  
**Grant-Deuel School District 25-3**

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## **Independent Auditor's Report**

The School Board  
Grant-Deuel School District 25-3  
Reville, 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 the Grant-Deuel School District 25-3 (the School District) as of June 30, 2017 and for each of the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 School District, as of June 30, 2017, and the respective changes in financial position and, where, applicable, cash flows thereof for the years ended June 30, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 12 to the financial statements, the School Board approved a resolution to dissolve the School District effective July 1, 2017. The financial statements are adjusted to reflect the dissolution effective for the year ending June 30, 2017. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of net pension liability (asset), and schedule of pension contributions on pages 40-53 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of the School 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 School District's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Aberdeen, South Dakota  
December 18, 2017

Grant-Deuel School District 25-3  
Statement of Net Position  
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Taxes receivable	-	-	-
Accounts receivable	-	-	-
Inventories	-	-	-
Due from other funds	-	-	-
Capital assets not being depreciated:			
Land	-	-	-
Construction in process	-	-	-
Capital assets, net of accumulated depreciation:			
Improvements other than buildings	-	-	-
Buildings	-	-	-
Machinery and equipment	-	-	-
Total assets	-	-	-
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Other current liabilities	-	-	-
Noncurrent liabilities:			
Net pension liability	-	-	-
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	-	-	-
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	-	-	-
Taxes levied for future period	-	-	-
Total deferred inflows of resources	-	-	-
<b>Net Position</b>			
Net investment in capital assets	-	-	-
Restricted for:			
Capital Outlay	-	-	-
Special Education	-	-	-
Pension Purposes	-	-	-
SDRS Pension Purposes	-	-	-
Unrestricted	-	-	-
Total net position	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

Grant-Deuel School District 25-3  
Statements of Activities  
Years Ended June 30, 2017 and 2016

2017							
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities:							
Instruction	\$ 1,097,000	\$ -	\$ 44,958	\$ -	\$ (1,052,042)	\$ -	\$ (1,052,042)
Support services	898,500	2,276	-	-	(896,224)	-	(896,224)
Cocurricular activities	23,241	-	-	-	(23,241)	-	(23,241)
Total governmental activities	2,018,741	2,276	44,958	-	(1,971,507)	-	(1,971,507)
Business-type activities:							
Food service	36,897	-	-	-	-	(36,897)	(36,897)
Preschool	1	1,382	-	-	-	1,381	1,381
Total business-type activities	36,898	1,382	-	-	-	(35,516)	(35,516)
	<u>\$ 2,055,639</u>	<u>\$ 3,658</u>	<u>\$ 44,958</u>	<u>\$ -</u>	<u>(1,971,507)</u>	<u>(35,516)</u>	<u>(2,007,023)</u>
General Revenues							
Property taxes					797,433	-	797,433
Gross receipts taxes					5,788	-	5,788
Revenue from State sources:							
State aid					24,411	-	24,411
Unrestricted investment earnings					3,062	-	3,062
Other general revenues					123,251	-	123,251
Gain on sale of general fixed assets					33,608	-	33,608
Transfers					(26,942)	26,942	-
Special item - dissolution (See Note 12)					(2,319,706)	(21,063)	(2,340,769)
Total general revenues, transfers and special items					(1,359,095)	5,879	(1,353,216)
Change in Net Position					(3,330,602)	(29,637)	(3,360,239)
Net Position - Beginning					3,330,602	29,637	3,360,239
Net Position - Ending					\$ -	\$ -	\$ -

See Notes to Financial Statements

# Grant-Deuel School District 25-3

## Statements of Activities

Years Ended June 30, 2017 and 2016

2016							
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities:							
Instruction	\$ 767,275	\$ -	\$ 27,926	\$ -	\$ (739,349)	\$ -	\$ (739,349)
Support services	563,163	2,907	-	-	(560,256)	-	(560,256)
Cocurricular activities	32,988	-	-	-	(32,988)	-	(32,988)
Total governmental activities	1,363,426	2,907	27,926	-	(1,332,593)	-	(1,332,593)
Business-type activities:							
Food service	70,991	18,701	30,659	-	-	(21,631)	(21,631)
Preschool	8,809	-	-	-	-	(8,809)	(8,809)
Total business-type activities	79,800	18,701	30,659	-	-	(30,440)	(30,440)
	<u>\$ 1,443,226</u>	<u>\$ 21,608</u>	<u>\$ 58,585</u>	<u>\$ -</u>	<u>(1,332,593)</u>	<u>(30,440)</u>	<u>(1,363,033)</u>
General Revenues							
Property taxes					1,709,753	-	1,709,753
Gross receipts taxes					42,881	-	42,881
Revenue from State sources:							
State aid					83,326	-	83,326
Unrestricted investment earnings					3,135	-	3,135
Other general revenues					59,488	-	59,488
Gain on sale of general fixed assets					-	-	-
Transfers					(26,000)	26,000	-
Total general revenues					1,872,583	26,000	1,898,583
Change in Net Position					539,990	(4,440)	535,550
Net Position - Beginning					2,790,612	34,077	2,824,689
Net Position - Ending					\$ 3,330,602	\$ 29,637	\$ 3,360,239

See Notes to Financial Statements

Grant-Deuel School District 25-3  
Balance Sheet – Governmental Funds  
June 30, 2017

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes receivable - current	-	-	-	-	-
Taxes receivable - delinquent	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Payroll deductions and withholdings and employer matching payable	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - utility taxes	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	-	-
Taxes levied for a future period	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted for:					
Capital Outlay	-	-	-	-	-
Special Education	-	-	-	-	-
Pension	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Grant-Deuel School District 25-3  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
Year Ended June 30, 2017

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Total Fund Balances - Governmental Funds	\$ -
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	-
Assets such as taxes receivable (delinquent and utility) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	-
Net pension asset, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	-
Net Position - Governmental Funds	<u>\$ -</u>

Grant-Deuel School District 25-3

Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Years Ended June 30, 2017 and 2016

	2017				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 273,726	\$ 296,410	\$ 184,421	\$ 40,663	\$ 795,220
Prior year's ad valorem taxes	4,324	1,973	717	148	7,162
Gross receipts taxes	25,255	-	-	-	25,255
Penalties and interest on taxes	626	910	548	109	2,193
Earnings on investments and deposits	3,062	-	-	-	3,062
Other revenue from local sources:					
Charges for services	1,784	-	492	-	2,276
Other	104,037	-	-	-	104,037
Revenue from intermediate sources					
County sources:					
County apportionment	7,229	-	-	-	7,229
Revenue in lieu of taxes	409	421	262	55	1,147
Other support services	10,838	-	-	-	10,838
Revenue from State sources					
Grants-in-aid:					
Unrestricted grants-in-aid	24,411	-	-	-	24,411
Revenue from Federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from Federal government through the State	44,958	-	-	-	44,958
Total revenues	500,659	299,714	186,440	40,975	1,027,788
Expenditures					
Instruction					
Regular programs:					
Elementary	250,807	3,322	-	-	254,129
Middle/junior high	169,377	-	-	-	169,377
High school	394,700	-	-	-	394,700
Special programs:					
Programs for special education	-	-	245,965	-	245,965
Educationally deprived	1,797	-	-	-	1,797
Support services					
Pupils:					
Guidance	2,802	-	828	-	3,630
Health	484	-	-	-	484
Psychological	-	-	15,328	-	15,328
Speech pathology	-	-	32,705	-	32,705
Student therapy services	-	-	24,310	-	24,310
Support services - instructional staff:					
Educational media	15,766	9,062	-	-	24,828
Support services - general administration:					
Board of Education	26,992	-	-	-	26,992
Executive administration	236,195	-	-	-	236,195
Support services - school administration:					
Other school administration	66	-	-	-	66
Support services - business:					
Fiscal services	62,409	90,533	-	-	152,942
Facilities acquisition and construction	-	-	-	-	-
Operation and maintenance of plant	167,864	17,505	-	-	185,369
Pupil transportation	13,639	125,235	-	-	138,874
Support services - special education:					
Other special education costs	-	-	333	-	333

Grant-Deuel School District 25-3  
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Years Ended June 30, 2017 and 2016

	2017				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Cocurricular activities					
Combined activities	21,392	-	-	-	21,392
Capital outlay	-	-	-	-	-
Total expenditures	1,364,290	245,657	319,469	-	1,929,416
Excess of Revenue over (under) Expenditures	(863,631)	54,057	(133,029)	40,975	(901,628)
Other Financing Sources (Uses)					
Transfers in	1,183,859	-	-	-	1,183,859
Transfers out	-	(1,106,812)	-	(103,989)	(1,210,801)
Sale of surplus property	33,608	-	-	-	33,608
Total other financing sources (uses)	1,217,467	(1,106,812)	-	(103,989)	6,666
Special item - dissolution (See Note 12)	857,887	-	350,145	-	1,208,032
Net Change in Fund Balance	(504,051)	(1,052,755)	(483,174)	(63,014)	(2,102,994)
Fund Balance - Beginning	504,051	1,052,755	483,174	63,014	2,102,994
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -

Grant-Deuel School District 25-3

Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Years Ended June 30, 2017 and 2016

	2016				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
<b>Revenues</b>					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 764,874	\$ 543,380	\$ 328,593	\$ 66,382	\$ 1,703,229
Prior year's ad valorem taxes	2,130	677	342	69	3,218
Gross receipts taxes	43,116	-	-	-	43,116
Penalties and interest on taxes	1,604	524	305	61	2,494
Earnings on investments and deposits	3,135	-	-	-	3,135
Other revenue from local sources:					
Charges for services	1,774	-	1,133	-	2,907
Other	19,966	-	300	-	20,266
Revenue from intermediate sources					
County sources:					
County apportionment	12,089	-	-	-	12,089
Revenue in lieu of taxes	425	369	216	43	1,053
Revenue from State sources					
Grants-in-aid:					
Unrestricted grants-in-aid	83,326	-	-	-	83,326
Revenue from Federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from Federal government through the State	27,926	-	-	-	27,926
Total revenues	960,365	544,950	330,889	66,555	1,902,759
<b>Expenditures</b>					
Instruction					
Regular programs:					
Elementary	160,453	30,496	-	26,492	217,441
Middle/junior high	118,436	623	-	-	119,059
High school	237,029	3,765	-	-	240,794
Special programs:					
Programs for special education	-	-	141,694	-	141,694
Educationally deprived	31,337	-	-	-	31,337
Support services					
Pupils:					
Guidance	2,072	-	-	-	2,072
Health	310	-	-	-	310
Speech pathology	-	-	985	-	985
Support services - instructional staff:					
Educational media	9,235	2,479	-	-	11,714
Support services - general administration:					
Board of Education	31,618	-	-	-	31,618
Executive administration	133,309	-	-	-	133,309
Support services - business:					
Fiscal services	35,259	7,085	-	-	42,344
Operation and maintenance of plant	56,672	113,220	-	-	169,892
Pupil transportation	7,444	119,286	-	-	126,730
Food services	252	-	-	-	252
Cocurricular activities					
Combined activities	31,806	-	-	-	31,806
Capital outlay	-	166,463	-	-	166,463
Total expenditures	855,232	443,417	142,679	26,492	1,467,820

Grant-Deuel School District 25-3  
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Years Ended June 30, 2017 and 2016

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	2016				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Excess of Revenue over Expenditures	105,133	101,533	188,210	40,063	434,939
Other Financing Sources (Uses)					
Transfers out	(26,000)	-	-	-	(26,000)
Total other financing sources (uses)	(26,000)	-	-	-	(26,000)
Net Change in Fund Balance	79,133	101,533	188,210	40,063	408,939
Fund Balance - Beginning	424,918	951,222	294,964	22,951	1,694,055
Fund Balance - Ending	\$ 504,051	\$ 1,052,755	\$ 483,174	\$ 63,014	\$ 2,102,994

# Grant-Deuel School District 25-3

## Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (2,102,994)	\$ 408,939
Amounts Reported for Governmental Activities in the Statements of Activities Are Different Because:		
Governmental funds report capital outlays as expenditures; however, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$51,779) exceeded Capital Outlay (\$0) in 2017, and which depreciation (\$55,909) was exceeded by Capital Outlay (\$166,463) in 2016.	(51,779)	110,554
In both the government-wide and fund financial statements, revenues from tax levies are applied to finance the budget of a particular period. Accounting for revenues from tax accruals in the fund's statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	(18,615)	577
Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	(37,546)	19,920
Revenues and expenses reported in the Statement of Activities relating to the dissolution of the School District do not require the use of current financial resources and, therefore, are not reported as expenditures or revenues in the funds.	<u>(1,119,668)</u>	<u>-</u>
Change in Net Position of Governmental Activities	<u>\$ (3,330,602)</u>	<u>\$ 539,990</u>

Grant-Deuel School District 25-3  
Statement of Net Position – Proprietary Funds  
June 30, 2017

	Food Service Fund	Enterprise Preschool Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Inventory of supplies	-	-	-
Inventory of stores purchased for resale	-	-	-
Inventory of donated food	-	-	-
Total current assets	-	-	-
Noncurrent Assets			
Net pension asset	-	-	-
Capital assets:			
Machinery and equipment - local funds	-	-	-
Less accumulated depreciation	-	-	-
Total noncurrent assets	-	-	-
Deferred Outflows of Resources			
Pension related deferred outflows	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Net Position			
Liabilities			
Contracts payable	\$ -	\$ -	\$ -
Payroll deductions and withholdings and employer matching payable	-	-	-
Net pension liability	-	-	-
Total liabilities	-	-	-
Deferred Inflows of Resources			
Pension related deferred inflows	-	-	-
Net Position			
Net investment in capital assets	-	-	-
SDRS pension purposes	-	-	-
Unrestricted net position	-	-	-
Total net position	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Grant-Deuel School District 25-3  
Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
Years Ended June 30, 2017 and 2016

	2017		
	Food Service Fund	Enterprise Preschool Fund	Total
Operating Revenue			
Sales			
To pupils	\$ -	\$ -	\$ -
Pension revenue	-	1,382	1,382
Total operating revenue	-	1,382	1,382
Operating Expenses			
Salaries	25,982	1	25,983
Employee benefits	6,388	-	6,388
Purchased services	18	-	18
Depreciation	632	-	632
Other	1,169	-	1,169
Total operating expenses	34,189	1	34,190
Operating Income (Loss)	(34,189)	1,381	(32,808)
Nonoperating Expenses			
Loss on Disposal of Assets	(2,708)	-	(2,708)
Total nonoperating loss	(2,708)	-	(2,708)
Income (Loss) Before Transfers	(36,897)	1,381	(35,516)
Transfers in	32,421	-	32,421
Transfers out	(4,939)	(540)	(5,479)
Special items	(11,808)	(9,255)	(21,063)
Change in Net Position	(21,223)	(8,414)	(29,637)
Net Position - Beginning	21,223	8,414	29,637
Net Position - Ending	\$ -	\$ -	\$ -



Grant-Deuel School District 25-3  
Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
Years Ended June 30, 2017 and 2016

	2016		
	Food Service Fund	Enterprise Preschool Fund	Total
Operating Revenue			
Sales			
To pupils	\$ 18,701	\$ -	\$ 18,701
Total operating revenue	18,701	-	18,701
Operating Expenses			
Salaries	36,194	7,045	43,239
Employee benefits	8,116	1,764	9,880
Purchased services	55	-	55
Supplies	960	-	960
Cost of sales - purchased	21,281	-	21,281
Cost of sales - donated	3,712	-	3,712
Depreciation	632	-	632
Other	41	-	41
Total operating expenses	70,991	8,809	79,800
Operating Loss	(52,290)	(8,809)	(61,099)
Nonoperating Revenue			
State sources:			
Cash reimbursements	326	-	326
Federal sources:			
Cash reimbursements	26,621	-	26,621
Donated food	3,712	-	3,712
Total nonoperating revenue	30,659	-	30,659
Loss Before Transfers	(21,631)	(8,809)	(30,440)
Transfers in	17,000	9,000	26,000
Change in Net Position	(4,631)	191	(4,440)
Net Position - Beginning	25,854	8,223	34,077
Net Position - Ending	\$ 21,223	\$ 8,414	\$ 29,637

Grant-Deuel School District 25-3  
Statements of Cash Flows – Proprietary Funds  
Year Ended June 30, 2017

	Food Service Fund 2017	Enterprise Preschool Fund 2017	Total 2017
Cash Flows used for Operating Activities			
Cash receipts from customers	\$ 118	\$ -	\$ 118
Cash payments to employees for services	(16,809)	9,079	(7,730)
Cash payments to suppliers for goods or services	1,306	-	1,306
Other operating cash payments	(1,169)	-	(1,169)
Net Cash used for Operating Activities	<u>(16,554)</u>	<u>9,079</u>	<u>(7,475)</u>
Cash Flows from Noncapital Financing Activities			
Transfer from Capital Outlay Fund	32,421	-	32,421
Transfer to General Fund	(4,939)	(540)	(5,479)
Special items	(11,808)	(9,255)	(21,063)
Net Cash from Noncapital Financing Activities	<u>15,674</u>	<u>(9,795)</u>	<u>5,879</u>
Net Change in Cash and Cash Equivalents	(880)	(716)	(1,596)
Cash and Cash Equivalents Beginning of Year	<u>880</u>	<u>716</u>	<u>1,596</u>
Cash and Cash Equivalents End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (34,189)	\$ 1,381	\$ (32,808)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:			
Depreciation	632	-	632
Change in assets and liabilities:			
Receivables	118	-	118
Inventories	1,324	-	1,324
Pension assets and deferred outflows	35,378	16,499	51,877
Pension liability and deferred inflows	(19,452)	(8,627)	(28,079)
Accrued wages payable	-	(156)	(156)
Accrued payroll liabilities	(365)	(18)	(383)
Net Cash used for Operating Activities	<u>\$ (16,554)</u>	<u>\$ 9,079</u>	<u>\$ (7,475)</u>
Noncash Investing, Capital and Financing Activities			
Loss on disposal of assets	\$ (2,708)	\$ -	\$ -

Grant-Deuel School District 25-3  
Statements of Cash Flows – Proprietary Funds  
Year Ended June 30, 2016

	Food Service Fund 2016	Enterprise Preschool Fund 2016	Total 2016
Cash Flows used for Operating Activities			
Cash receipts from customers	\$ 18,701	\$ -	\$ 18,701
Cash payments to employees for services	(45,120)	(8,284)	(53,404)
Cash payments to suppliers for goods or services	(19,609)	-	(19,609)
Other operating cash payments	(41)	-	(41)
Net Cash used for Operating Activities	<u>(46,069)</u>	<u>(8,284)</u>	<u>(54,353)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	17,000	9,000	26,000
Cash reimbursements - State sources	326	-	326
Cash reimbursements - Federal sources	26,621	-	26,621
Net Cash from Noncapital Financing Activities	<u>43,947</u>	<u>9,000</u>	<u>52,947</u>
Net Change in Cash and Cash Equivalents	(2,122)	716	(1,406)
Cash and Cash Equivalents Beginning of Year	<u>3,002</u>	<u>-</u>	<u>3,002</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 880</u></u>	<u><u>\$ 716</u></u>	<u><u>\$ 1,596</u></u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (52,290)	\$ (8,809)	\$ (61,099)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	632	-	632
Value of donated commodities used	3,712	-	3,712
Change in assets and liabilities:			
Inventories	2,687	-	2,687
Pension assets and deferred outflows	4,083	4,432	8,515
Pension deferred inflows	(5,233)	(4,081)	(9,314)
Accrued wages payable	-	156	156
Accrued payroll liabilities	340	18	358
Net Cash used for Operating Activities	<u><u>\$ (46,069)</u></u>	<u><u>\$ (8,284)</u></u>	<u><u>\$ (54,353)</u></u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 3,712	\$ -	\$ 3,712

Grant-Deuel School District 25-3  
Statement of Fiduciary Net Position – Fiduciary Funds  
June 30, 2017

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	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>
Liabilities		
Amounts held for others	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Net Position		
Held in trust for scholarships	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ -</u>	<u>\$ -</u>

Grant-Deuel School District 25-3  
Statement of Changes in Net Position – Fiduciary Funds  
June 30, 2017

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	<u>2017</u>	<u>2016</u>
Deductions		
Trust deductions for scholarships	\$ 1,726	\$ 1,612
Other deductions	<u>500</u>	<u>-</u>
Total Deductions	<u>2,226</u>	<u>1,612</u>
Change in Net Position	(2,226)	(1,612)
Net Assets - Beginning	<u>2,226</u>	<u>3,838</u>
Net Assets - Ending	<u><u>\$ -</u></u>	<u><u>\$ 2,226</u></u>

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Grant-Deuel School District 25-3 conform to generally accepted accounting principles applicable to government entities in the United States of America.

**Financial Reporting Entity**

The reporting entity of the Grant-Deuel School District 25-3 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the School District); 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 School District's financial statements to be misleading or incomplete. The School District passed a resolution to dissolve effective July 1, 2017 (See Note 12).

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

The School District participates in cooperative service units with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the School District as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

**Basis of Presentation**

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

**Government-Wide Financial Statements**

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

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

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

### **Fund Financial Statements**

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

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

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

### **Governmental Funds**

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

**Special Revenue Fund Types** – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay, Special Education and Pension Funds are the special revenue funds maintained by the School District.

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

**Special Education Fund** – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by 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 School District's share of retirement plan contributions and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

### **Proprietary Funds**

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

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

Preschool Fund – A fund used to record financial transactions related to preschool operations. This fund is financed by user charges. This is a major fund.

### **Fiduciary Funds**

Fiduciary funds are never considered to be major funds.

Agency Fund Types – Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for student funds generated within the School District by the students or other School District organizations.

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust fund, which is used for the purpose of providing scholarships to students:

- Karen Mayer Scholarship 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.



**Measurement Focus**

**Government-Wide Financial Statements** – In the government-wide statement of net position and statements 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 statements of activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

**Fund Financial Statements**

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is 60 days. 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.

**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:

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

**Fund Financial Statements** – Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from collection of those receivables are not restricted, committed, or assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

## Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the 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 in the General Fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

## Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. As of June 30, 2017, all capital assets were sold, donated or disposed of.

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

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All land values	N/A	N/A
Buildings	\$ 25,000	Straight-line	30-125 years
Machinery and equipment	5,000	Straight-line	4-20 years
Food service equipment	300	Straight-line	12-25 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.

**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. As of June 30, 2017, the School District had no long-term liabilities.

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

**Program Revenues**

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

1. Charges for Services – These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary 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.

**Property Taxes**

Property taxes are levied on or before each October 1, attached as an enforceable lien on property as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining 50% is considered to be applied to finance the budget for the subsequent year. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and, therefore, are not susceptible to accrual has been reported as deferred revenue 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."

**Proprietary Funds Revenue and Expense Classifications**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

In the proprietary fund's statements of revenues, expenses and changes in net position, revenues and expenses are classified in a manner consistent with how they are classified in the statements 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 School District pools its cash resources for deposit purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statements of cash flows.

**Equity Classifications**

Government-Wide Statements – Equity is classified as net position and is displayed in three components:

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

**Fund Financial Statements**

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

**Application of Net Position**

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

**Fund Balance Classification Policies and Procedures**

The School District classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making School District, the School Board, and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board or 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 School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

Major Special Revenue Fund

Capital Outlay Fund  
Special Education Fund  
Pension Fund

Revenue Source

Property taxes  
Grants and property taxes  
Property taxes

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District had two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability (asset) not included in pension revenue/expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District had two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability (asset) not included in pension revenue/expense reported in the government-wide statement of net position.

### **Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense and revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Rounding**

Computer generated rounding variances may exist in the basic financial statements and required supplementary information. The variances result from values being entered with cents rather than as whole numbers.

## **Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk**

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

### **Deposits**

The School District's deposits were 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% 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. As of June 30, 2017, all of the financial institutions that held the School District's deposits were properly collateralized.

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

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

**Concentration of Credit Risk:** The School District places no limit on the amount that the School District may deposit in any one institution.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the Depository Insurance maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC.

The actual bank balances at June 30, 2017 were as follows:

Insured (FDIC/NCUA)	\$ 250,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging State and the pledging financial institution	<u>487,528</u>
	<u><u>\$ 737,528</u></u>

The School District's carrying amount of deposits at June 30, 2017 was \$0. Effective June 30, 2017 any remaining cash held by the School District was transferred to Grant County which was in transit at yearend.

### **Investments**

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

As of June 30, 2017, the School District did not hold any investments. The School District does not have a formal investment policy that addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

### Note 3 - Changes in Capital Assets

A summary of changes in capital assets for the years ended June 30, 2017 and 2016 is as follows:

<u>Primary Government Governmental Activities</u>	<u>Balance 07/01/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/17</u>
Capital assets, not being depreciated:				
Land	\$ 10,600	\$ -	\$ (10,600)	\$ -
Total capital assets not being depreciated	10,600	-	(10,600)	-
Capital assets being depreciated:				
Buildings	1,537,108	-	(1,537,108)	-
Machinery and equipment	671,824	-	(671,824)	-
	2,208,932	-	(2,208,932)	-
Less accumulated depreciation for:				
Buildings	737,889	29,406	(767,295)	-
Machinery and equipment	524,152	22,373	(546,525)	-
Total accumulated depreciation	1,262,041	51,779	(1,313,820)	-
Total capital assets being depreciated, net	946,891	(51,779)	(895,112)	-
Governmental activity capital assets, net	<u>\$ 957,491</u>	<u>\$ (51,779)</u>	<u>\$ (905,712)</u>	<u>\$ -</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 3,056
Support services	47,576
Cocurricular	1,147
Total depreciation expense - governmental activities	<u>\$ 51,779</u>

<u>Business-Type Activities</u>	<u>Balance 07/01/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/17</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 41,427	\$ -	\$ (41,427)	\$ -
Total	41,427	-	(41,427)	-
Less accumulated depreciation for:				
Machinery and equipment	38,087	632	(38,719)	-
Total accumulated depreciation	38,087	632	(38,719)	-
Total capital assets being depreciated, net	3,340	(632)	(2,708)	-
Business-type activities capital assets, net	<u>\$ 3,340</u>	<u>\$ (632)</u>	<u>\$ (2,708)</u>	<u>\$ -</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food services	\$ 632
Total depreciation expense - business-type activities	<u>\$ 632</u>



# Grant-Deuel School District 25-3

## Notes to Financial Statements

June 30, 2017 and 2016

Primary Government Governmental Activities	Balance 07/01/15	Increases	Decreases	Balance 06/30/16
Capital assets, not being depreciated:				
Land	\$ 10,600	\$ -	\$ -	\$ 10,600
Construction in process	198,770	-	(198,770)	-
Total capital assets not being depreciated	209,370	-	(198,770)	10,600
Capital assets being depreciated				
Buildings	1,171,875	365,233	-	1,537,108
Machinery and equipment	671,824	-	-	671,824
	1,843,699	365,233	-	2,208,932
Less accumulated depreciation for:				
Buildings	712,287	25,602	-	737,889
Machinery and equipment	493,845	30,307	-	524,152
Total accumulated depreciation	1,206,132	55,909	-	1,262,041
Total capital assets, being depreciated, net	637,567	309,324	-	946,891
Governmental activity capital assets, net	\$ 846,937	\$ 309,324	\$ (198,770)	\$ 957,491

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 10,921
Support services	43,841
Cocurricular	1,147
Total depreciation expense - governmental activities	\$ 55,909

Business-Type Activities	Balance 07/01/15	Increases	Decreases	Balance 06/30/16
Capital assets being depreciated:				
Machinery and equipment	\$ 41,427	\$ -	\$ -	\$ 41,427
Total	41,427	-	-	41,427
Less accumulated depreciation for:				
Machinery and equipment	37,455	632	-	38,087
Total accumulated depreciation	37,455	632	-	38,087
Total capital assets being depreciated, net	3,972	(632)	-	3,340
Business-type activities capital assets, net	\$ 3,972	\$ (632)	\$ -	\$ 3,340

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food services	\$ 632
Total depreciation expense - business-type activities	\$ 632

#### **Note 4 - Operating Lease Commitments**

The School District had leases for certain office equipment. Payments are made out of the Capital Outlay Fund. The total lease expense for the years ended June 30, 2017 and 2016, was \$720 and \$2,190, respectively. The School District was able to cancel the operating leases with no penalty or early termination as of June 30, 2017.

#### **Note 5 - Restricted Net Position**

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ -
Special Education	Law	-
Pension Purposes	Law	-
SDRS Pension Purposes	Law	-
		<hr/>
Total restricted net assets		<u><u>\$ -</u></u>

#### **Note 6 - Risk Management**

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

##### **Liability Insurance**

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omission of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### **Employee Health Insurance**

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

##### **Worker's Compensation Insurance**

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage to

obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its Board of Trustees to have inadequate reserves to satisfy current obligations or judgments.

Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,000,000 per individual per incident.

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

### **Unemployment Benefits**

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

During the two years ended June 30, 2017, no claims for unemployment benefits were paid. At June 30, 2017, no claims had been filed for unemployment benefits and any claims filed after June 30, 2017 will be assumed by the school of record. The School District paid Milbank School District \$70,000 during the year ended June 30, 2017 to handle claims subsequent to yearend.

## **Note 7 - Pension Plan**

### **Plan Information**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 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, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided**

SDRS has three different classes of employees, Class A, Class B public safety, and Class B judicial. Class A retirement benefits are determined as 1.7% prior to 2008 and 1.55% thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.73% for service prior to 2008 and 3.33% thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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

**Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% 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 ending June 30, 2017, 2016 and 2015 were \$56,556, \$40,549 and \$48,459, respectively, equal to the required contributions each year. Effective July 1, 2017, the School District dissolved. Payments were made to the plan as required during the fiscal year ending June 30, 2017 and are included in the contributions above. The School District does not have any further obligations to the Plan as of June 30, 2017. Information reported in the footnote is prior to dissolution.

**Pension Liability (Asset), Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

At June 30, 2016 and 2015, SDRS is 96.9% and 104.1% funded and accordingly has a net pension liability (asset). The proportionate share of the components of the net pension liability (asset) of SDRS, for the School District as of the measurement periods ending June 30, 2016 and 2015 and reported by the School District as of June 30, 2017 and 2016 are as follows:

	2017	2016
Proportionate share of total pension liability	\$ 3,623,135	\$ 4,822,513
Less proportionate share of net pension restricted for pension benefits	<u>3,510,350</u>	<u>5,020,087</u>
Proportionate share of net pension liability (asset)	\$ 112,785	\$ (197,574)
Removal of net pension liability from dissolution of School District	<u>(112,785)</u>	\$ -
Proportionate share of net pension liability (asset) after dissolution	<u>\$ -</u>	

Prior to dissolution, at June 30, 2017 and 2016 the School District reported a liability (asset) of \$112,785 and (\$197,574) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016 and 2015 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2016, the School District's proportion was 0.0333891%, which is a decrease of 0.0131944% from its proportion measured as of June 30, 2015 of 0.0465835%, which is a decrease of .0008948% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2017 and 2016, the School District recognized pension expense of \$81,518 and \$19,831, respectively.

There was a \$56,556 reported deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that was recognized as a special item in the year ending June 30, 2017. Total amounts reported as net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions were recognized as special item in the year ending June 30, 2017 for \$227,025.

At June 30, 2016 the School 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	\$ 40,454	\$ -
Changes in assumption	156,664	-
Net difference between projected and actual earnings on pension plan investments	120,695	291,524
Changes in proportion and difference between School District contributions and proportionate share of contributions	2,893	-
School District contributions subsequent to the measurement date	40,549	-
	<u>\$ 361,255</u>	<u>\$ 291,524</u>

There is \$40,549 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

#### Actuarial Assumptions

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

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each

major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.5%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
	<u>100.0%</u>	

#### Discount Rate

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

#### Pension Plan Fiduciary Net Position

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

#### Note 8 - Interfund Transactions

During the year ended June 30, 2017, the Capital Outlay transferred \$1,074,391 to the General Fund and \$32,421 to the Food Service Fund. Also, the Pension Fund transferred \$103,989, Food Service Fund transferred \$4,939 and the Preschool Fund transferred \$540 to the General Fund. All transfers were to supplement operations to allow for reduction in taxes levied for the final year of school operations.

During the year ended June 30, 2016, the General Fund transferred to the Food Service Fund \$17,000, and the Preschool Fund \$9,000, respectively, to cover operating deficits of these funds.

As of June 30, 2016, the Special Education Fund and Pension Fund have a "Due from other funds" for amounts loaned by the Special Education Fund and Pension Fund to the General Fund. The balance of this arrangement was \$526 for the Special Education Fund and \$12,694 for the Pension Fund as of June 30, 2016. The balance of the due to and due from for these funds was \$0 as of June 30, 2017.

#### **Note 9 - Litigation**

At June 30, 2017, the School District was not involved in any litigation.

#### **Note 10 - Joint Ventures**

The School District participated in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member schools. Prior to dissolution, the School District's percentage of participation in the co-op was 0.96% based on student counts.

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

The School District retains no equity in the net position of the co-op, but does have responsibility to fund deficits of the co-op in proportion to the relative participation described above. Effective June 30, 2017 the School District is no longer participating in this co-op.

Separate financial statements of the co-op are available at its business office in Hayti, South Dakota.

As of June 30, 2017, this joint venture had total unaudited fund equity of approximately \$1,109,571.

The School District also participated in the Northeast Technical High School, a multi-district school formed for the purpose of providing career and technical education services to member schools. Prior to dissolution, the School District's percentage of participation in the school was 0.87% based on student counts.

The School District's governing board is composed of one or two representatives from each School District, who are appointed by their respective school boards. The board is responsible for adopting the multi-district's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the multi-district school, but does have a responsibility to fund deficits of the center in proportion to the relative participation described above. Effective June 30, 2017 the School District is no longer participating in mutli-district school.

Separate financial statements for this multi-district school are available at the school in Watertown, South Dakota.

At June 30, 2017, this multi-district school had total fund equity of approximately \$1,132,171.

#### **Note 11 - Subsequent Event**

The School District has evaluated subsequent events through December 18, 2017, the date which the financial statements were available to be issued.



**Note 12 - School Dissolution and Annexation**

Due to declining enrollment, the School Board has passed a resolution to dissolve the School District effective July 1, 2017. In accordance with the Notice and Order of School District Dissolutionment, the remaining land and building were surplus or sold. The taxable property in the current school district was annexed into three neighboring school districts and the related second half 2016 taxes payable in 2017 shall follow taxed land area to the respective annexing school districts. The School District donated all remaining fixed assets, land, buildings, and inventory declared surplus to the Spirit of the Cats Foundation, and also made donations to the Foundation for maintenance of school building, future scholarships and school archives. The School District also made a payment to the Milbank School District for any unemployment obligations. Grant County has assumed all remaining outstanding assets and liabilities. All remaining funds were transferred to Grant County and will be distributed to the three neighboring school districts. These donations, expenses, and the removal of SDRS obligations have been recorded as a special item in the in the financial statements as follows:

**Cash Payments:**

Spirit of the Cats Foundation	
Maintenance of the building	\$ 250,000
Future scholarships	150,000
School archives	50,000
Milbank School District	
Unemployment obligations	70,000
Grant Count	
School building	200,000
Cash and due from state for remaining obligations with excess to be paid to 3 neighboring school districts	488,032
Total cash payments	<u>1,208,032</u>
Capital Assets Transferred, Net	<u>905,712</u>
Removal of SDRS Obligation	<u>227,025</u>
Total Special Item - Dissolution	<u>\$ 2,340,769</u>



Required Supplementary Information  
June 30, 2017 and 2016

## Grant-Deuel School District 25-3

Grant-Deuel School District 25-3  
Budgetary Comparison Schedules – Budgetary Basis – General Fund  
Years Ended June 30, 2017 and 2016

	2017			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 334,000	\$ 334,000	\$ 273,726	\$ (60,274)
Prior year's ad valorem taxes	1,000	1,000	4,324	3,324
Gross receipts taxes	35,000	35,000	25,255	(9,745)
Penalties and interest on taxes	2,500	2,500	626	(1,874)
Earnings on investments and deposits	1,500	1,500	3,062	1,562
Other revenue from local sources:				
Charges for services	1,500	1,500	1,784	284
Other	5,000	5,000	104,037	99,037
Revenue from intermediate sources				
County sources:				
County apportionment	6,500	6,500	7,229	729
Revenue in lieu of taxes	400	400	409	9
Other	-	-	10,838	10,838
Revenue from State sources				
Grants-in-aid:				
Unrestricted grants-in-aid	13,000	13,000	24,411	11,411
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	30,000	30,000	44,958	14,958
Total revenues	430,400	430,400	500,659	70,259
<b>Expenditures</b>				
Instruction				
Regular programs:				
Elementary	249,350	302,300	250,807	51,493
Middle/junior high	177,250	199,400	169,377	30,023
High school	339,910	451,410	394,700	56,710
Special programs:				
Educationally deprived	23,000	23,100	1,797	21,303
Support services				
Pupils:				
Guidance	3,120	5,820	2,802	3,018
Health	900	900	484	416
Support services - instructional staff:				
Improvement of instruction	2,000	2,000	-	2,000
Educational media	8,100	19,100	15,766	3,334
Support services - general administration:				
Board of Education	58,730	67,580	26,992	40,588
Executive administration	192,820	279,220	236,195	43,025
Support services - school administration:				
Other	-	66	66	-

Grant-Deuel School District 25-3  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Years Ended June 30, 2017 and 2016

	2017			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Support services - business:				
Fiscal services	41,300	66,494	62,409	4,085
Operation and maintenance of plant	132,360	253,207	167,864	85,343
Pupil transportation	10,000	16,000	13,639	2,361
Cocurricular activities				
Combined activities	24,030	29,230	21,392	7,838
Total expenditures	1,262,870	1,715,827	1,364,290	351,537
Excess of Revenue over (under) Expenditures	(832,470)	(1,285,427)	(863,631)	421,796
Other Financing Sources (uses)				
Transfers In	830,820	830,820	1,183,859	353,039
Sale of surplus property	-	-	33,608	33,608
Total other financing sources (uses)	830,820	830,820	1,217,467	386,647
Special items	-	519,198	857,887	(338,689)
Net Change in Fund Balances	(1,650)	(454,607)	(504,051)	1,147,132
Fund Balance - Beginning	504,051	504,051	504,051	-
Fund Balance - Ending	\$ 502,401	\$ 49,444	\$ -	\$ 1,147,132

Grant-Deuel School District 25-3  
Budgetary Comparison Schedules – Budgetary Basis – General Fund  
Years Ended June 30, 2017 and 2016

	2016			
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 645,000	\$ 645,000	\$ 764,874	\$ 119,874
Prior years' ad valorem taxes	1,000	1,000	2,130	1,130
Gross receipts taxes	30,000	30,000	43,116	13,116
Penalties and interest on taxes	3,000	3,000	1,604	(1,396)
Earnings on investments and deposits	1,000	1,000	3,135	2,135
Cocurricular activities:				
Rentals	250	250	-	(250)
Other revenue from local sources:				
Charges for services	2,000	2,000	1,774	(226)
Other	-	-	19,966	19,966
Revenue from intermediate sources				
County sources:				
County apportionment	6,000	6,000	12,089	6,089
Revenue in lieu of taxes	-	-	425	425
Revenue from State sources				
Grants-in-aid:				
Unrestricted grants-in-aid	111,000	111,000	83,326	(27,674)
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	34,000	34,000	27,926	(6,074)
Total revenues	833,250	833,250	960,365	127,115
Expenditures				
Instruction				
Regular programs:				
Elementary	183,770	185,770	160,453	25,317
Middle/junior high	133,500	134,100	118,436	15,664
High school	221,720	254,220	237,029	17,191
Special programs:				
Educationally deprived	44,600	44,600	31,337	13,263
Support services				
Pupils:				
Guidance	2,670	2,670	2,072	598
Health	1,000	1,000	310	690
Support services - instructional staff:				
Improvement of instruction	9,000	9,000	-	9,000
Educational media	5,500	11,500	9,235	2,265
Support services - general administration:				
Board of Education	48,100	48,400	31,618	16,782
Executive administration	129,480	144,880	133,309	11,571
Support services - school administration:				
Other	310	310	-	310
Support services - business:				
Fiscal services	30,600	37,100	35,259	1,841
Operation and maintenance of plant	112,260	114,660	56,672	57,988
Pupil transportation	10,000	12,000	7,444	4,556
Food services	-	400	252	148

Grant-Deuel School District 25-3  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Years Ended June 30, 2017 and 2016

	2016			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Cocurricular activities				
Combined activities	33,000	44,400	31,806	12,594
Contingencies	10,000	10,000	-	10,000
Total expenditures	975,510	1,055,010	855,232	199,778
Excess of Revenue over (under) Expenditures	(142,260)	(221,760)	105,133	326,893
Other Financing Sources (Uses)				
Transfers out	(34,280)	(34,280)	(26,000)	8,280
Total other financing sources (uses)	(34,280)	(34,280)	(26,000)	8,280
Net Change in Fund Balances	(176,540)	(256,040)	79,133	335,173
Fund Balance - Beginning	424,918	424,918	424,918	-
Fund Balance - Ending	\$ 248,378	\$ 168,878	\$ 504,051	\$ 335,173

Grant-Deuel School District 25-3  
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund  
 Years Ended June 30, 2017 and 2016

	2017			
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 31,400	\$ 31,400	\$ 296,410	\$ 265,010
Prior year's ad valorem taxes	-	-	1,973	1,973
Penalties and interest on taxes	-	-	910	910
Revenue from intermediate sources				
Revenue in lieu of taxes	-	-	421	421
Total revenues	31,400	31,400	299,714	268,314
Expenditures				
Instruction				
Regular programs:				
Elementary	-	4,000	3,322	678
High school	1,300	1,300	-	1,300
Support services				
Support services - instructional staff				
Educational media	-	9,900	9,062	838
Support services - business:				
Fiscal services	100,000	106,000	90,533	15,467
Operation and maintenance of plant	57,000	88,519	17,505	71,014
Pupil transportation	167,750	167,750	125,235	42,515
Total expenditures	326,050	377,469	245,657	131,812
Excess of Revenue over (under) Expenditures	(294,650)	(346,069)	54,057	400,126
Other Financing Sources (Uses)				
Transfers out	-	(1,106,812)	(1,106,812)	-
Total other financing sources (uses)	-	(1,106,812)	(1,106,812)	-
Net Change in Fund Balance	(294,650)	(1,452,881)	(1,052,755)	400,126
Adjusted Fund Balance - Beginning	1,052,755	1,052,755	1,052,755	-
Fund Balance - Ending	\$ 758,105	\$ (400,126)	\$ -	\$ 400,126

Grant-Deuel School District 25-3  
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund  
 Years Ended June 30, 2017 and 2016

	2016			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 501,700	\$ 501,700	\$ 543,380	\$ 41,680
Prior year's ad valorem taxes	-	-	677	677
Penalties and interest on taxes	-	-	524	524
Revenue from intermediate sources				
Revenue in lieu of taxes	-	-	369	369
Total revenues	501,700	501,700	544,950	43,250
Expenditures				
Instruction				
Regular programs:				
Elementary	-	32,900	30,496	2,404
Middle school	-	1,000	623	377
High school	3,000	4,100	3,765	335
Support services				
Support services - instructional staff				
Educational media	-	2,700	2,479	221
Support services - general administration				
Executive Administration	-	1,400	-	1,400
Support services				
Fiscal services	10,000	10,000	7,085	2,915
Operation and maintenance of plant	507,115	538,115	279,683	258,432
Pupil transportation	155,000	158,000	119,286	38,714
Total expenditures	675,115	748,215	443,417	304,798
Excess of Revenue over (under) Expenditures	(173,415)	(246,515)	101,533	348,048
Net Change in Fund Balance	(173,415)	(246,515)	101,533	348,048
Fund Balance - Beginning	951,222	951,222	951,222	-
Fund Balance - Ending	\$ 777,807	\$ 704,707	\$ 1,052,755	\$ 348,048



Grant-Deuel School District 25-3  
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund  
 Years Ended June 30, 2017 and 2016

	2017			
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 180,500	\$ 180,500	\$ 184,421	\$ 3,921
Prior year's ad valorem taxes	100	100	717	617
Penalties and interest on taxes	100	100	548	448
Other revenue from local sources (uses):				
Charges for services	1,000	1,000	492	(508)
Revenue from intermediate sources				
Revenue in lieu of taxes	300	300	262	(38)
Total revenues	182,000	182,000	186,440	4,440
Expenditures				
Instruction				
Special programs:				
Programs for special education	231,936	280,236	245,965	34,271
Support services				
Pupils:				
Guidance	129	929	828	101
Psychological	2,416	15,516	15,328	188
Speech pathology	5,093	33,093	32,705	388
Student therapy services	3,816	24,816	24,310	506
Special education:				
Other	-	500	333	167
Total expenditures	243,390	355,090	319,469	35,621
Excess of Revenue over (under) Expenditures	(61,390)	(173,090)	(133,029)	40,061
Special items	-	-	350,145	(350,145)
Net Change in Fund Balance	(61,390)	(173,090)	(483,174)	390,206
Fund Balance - Beginning	483,174	483,174	483,174	-
Fund Balance - Ending	\$ 421,784	\$ 310,084	\$ -	\$ 390,206

Grant-Deuel School District 25-3  
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund  
 Years Ended June 30, 2017 and 2016

	2016			
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 187,100	\$ 187,100	\$ 328,593	\$ 141,493
Prior year's ad valorem taxes	100	100	342	242
Penalties and interest on taxes	100	100	305	205
Other revenue from local sources (uses):				
Charges for services	4,500	4,500	1,133	(3,367)
Other	-	-	300	300
Revenue from intermediate sources				
Revenue in lieu of taxes	-	-	216	216
Total revenues	191,800	191,800	330,889	139,089
Expenditures				
Instruction				
Special programs:				
Programs for special education	189,300	196,300	141,694	54,606
Support services				
Pupils:				
Guidance	500	500	-	500
Psychological	500	500	-	500
Speech pathology	500	1,400	985	415
Student therapy services	1,000	1,000	-	1,000
Total expenditures	191,800	199,700	142,679	57,021
Excess of Revenue over (under) Expenditures	-	(7,900)	188,210	196,110
Net Change in Fund Balance	-	(7,900)	188,210	196,110
Fund Balance - Beginning	294,964	294,964	294,964	-
Fund Balance - Ending	\$ 294,964	\$ 287,064	\$ 483,174	\$ 196,110

Grant-Deuel School District 25-3  
 Budgetary Comparison Schedules – Budgetary Basis – Pension Fund  
 Years Ended June 30, 2017 and 2016

	2017			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 39,700	\$ 39,700	\$ 40,663	\$ 963
Prior year's ad valorem taxes	-	-	148	148
Penalties and interest on taxes	-	-	109	109
Revenue from intermediate sources:				
Revenue in lieu of taxes	-	-	55	55
Total revenues	39,700	39,700	40,975	1,275
Expenditures				
Instruction				
Regular programs:				
Elementary	-	-	-	-
Total expenditures	-	-	-	-
Excess of Revenue over Expenditures	39,700	39,700	40,975	1,275
Other Financing Sources (Uses)				
Transfers out	-	(91,295)	(103,989)	(12,694)
Total other financing sources (uses)	-	(91,295)	(103,989)	(12,694)
Net Change in Fund Balance	39,700	(51,595)	(63,014)	(11,419)
Fund Balance - Beginning	63,014	63,014	63,014	-
Fund Balance - Ending	\$ 102,714	\$ 11,419	\$ -	\$ (11,419)

Grant-Deuel School District 25-3  
 Budgetary Comparison Schedules – Budgetary Basis – Pension Fund  
 Years Ended June 30, 2017 and 2016

	2016			
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 66,000	\$ 66,000	\$ 66,382	\$ 382
Prior year's ad valorem taxes	-	-	69	69
Penalties and interest on taxes	-	-	61	61
Revenue from intermediate sources:				
Revenue in lieu of taxes	-	-	43	43
Total revenues	66,000	66,000	66,555	555
Expenditures				
Instruction				
Regular programs:				
Elementary	66,000	66,000	26,492	39,508
Total expenditures	66,000	66,000	26,492	39,508
Excess of Revenue over Expenditures	-	-	40,063	40,063
Net Change in Fund Balance	-	-	40,063	40,063
Fund Balance - Beginning	22,951	22,951	22,951	-
Fund Balance - Ending	\$ 22,951	\$ 22,951	\$ 63,014	\$ 40,063

**Note 1 - Basis of Presentation**

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

**Note 2 - Budgetary Legal Requirements**

**Budgets and Budgetary Accounting**

The School 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 of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
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. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Grant-Deuel School District 25-3  
Schedule of Net Pension Liability (Asset)  
June 30, 2017

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Percentage of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered- Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
SDRS	6/30/2016	0.0334%	\$ 112,785 **	\$ 675,809	16.7%	96.9%
SDRS	6/30/2015	0.0466%	(197,574)	809,844	-24.4%	104.1%
SDRS	6/30/2014	0.0475%	(342,062)	831,772	-41.1%	107.3%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years for which information is available.

\*\*Number reported is prior to removal of SDRS Obligation with dissolution of the School District effective July 1, 2017.

Grant-Deuel School District 25-3  
Schedule of Pension Contributions  
June 30, 2017

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/d)</u>
SDRS	6/30/2017	\$ 56,556	\$ 56,556	\$ -	949,495	6.0%
SDRS	6/30/2016	40,549	40,549	-	675,809	6.0%
SDRS	6/30/2015	48,459	48,459	-	809,844	6.0%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years for which information is available.

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only three years reported in the RSI, there is no additional information to include in the notes. Detail, if necessary, can be obtained from SRDS.



**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***

The School Board  
Grant-Deuel School District 25-3  
Reville, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grant-Deuel School District 25-3 (the School District) as of June 30, 2017 and for each of the years in the two year period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 18, 2017.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying auditor's comments, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying auditor's comments as items 2017-A and 2017-B to be material weaknesses.

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Response to Findings**

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

### **Purpose of this Report**

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

*Eide Bailly LLP*

Aberdeen, South Dakota  
December 18, 2017

## Current Audit Findings and Recommendations

### 2017-A Preparation of Financial Statements and Footnotes and Material Proposed Adjustments to the Financial Statements

*Criteria:* An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

*Condition:* Grant-Deuel School District 25-3 does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

*Cause:* The School District does not have adequate staff trained to prepare the financial statements and footnotes.

*Effect:* This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

*Recommendation:* This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Views of Responsible Officials:* Management agrees with the finding.

### 2017-B Lack of Segregation of Duties

*Criteria:* A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Condition:* Grant-Deuel School District 25-3 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures, and payroll functions due to a lack of segregation of duties.

*Cause:* The School District has an insufficient number of staff members to adequately separate duties.

*Effect:* This condition increases the risk that fraud or errors might occur and not be detected in the financial reporting process.

*Recommendation:* Although it is recognized that the number of office staff may not be large enough to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

*Views of Responsible Officials:* Management agrees with the finding.