

***IROQUOIS SCHOOL DISTRICT NO. 2-3
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2019***

***IROQUOIS SCHOOL DISTRICT NO. 2-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2019***

Board Members:

**Greg Blue – Board President
Greg Bich – Vice President
Rex Geyer
Jeannie Keating
Greg Schortzmann**

Superintendent:

Mike Ruth

Business Manager:

Jill Cundy

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

**School Board
Iroquois School District No. 2-3
Kingsbury County, South Dakota**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iroquois School District No. 2-3, Kingsbury County, South Dakota, as of and for the year ended June 30, 2019, which collectively comprise Iroquois School District's basic financial statements and have issued our report thereon dated January 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iroquois School District's internal control over financial reporting (internal control) to determine the auditing 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 Iroquois School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as finding number 2019-01.

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Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in cursive script, appearing to read "CLO of LLC".

Huron, South Dakota
January 7, 2020

**IROQUOIS SCHOOL DISTRICT NO. 2-3
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

PRIOR AUDIT FINDINGS

Finding Number 2018-01:

A significant deficiency in internal control was disclosed by our audit for a lack of proper segregation of duties for the revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2019-01.

CURRENT AUDIT FINDINGS

Finding Number 2019-01:

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

Internal Control – Related Finding – Significant Deficiency

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

**School Board
Iroquois School District No. 2-3
Iroquois, 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 Iroquois School District No. 2-3, Iroquois, South Dakota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Iroquois 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Iroquois School District No. 2-3 as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the budgetary comparison schedules, the schedule of proportionate share of the net pension liability (asset), schedule of school district contributions to pension, and the schedule of changes in total OPEB liability and related ratios listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2020 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or 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 the internal control over financial reporting or on compliance.

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



Huron, South Dakota
January 7, 2020

***IROQUOIS SCHOOL DISTRICT NO. 2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2019***

This section of Iroquois School District No. 2-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2019. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues of \$3,143,254 generated from taxes and other revenues of the governmental and business-type programs were \$158,616 less than the \$3,301,870 in governmental and business-type program expenditures.
- The total cost of the School's programs increased by 11.97%.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Operation (Fund 51), and After School program and Drivers Education (Fund 53).
 - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

**IROQUOIS SCHOOL DISTRICT NO. 2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2019**

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

Figure A-1

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

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

**IROQUOIS SCHOOL DISTRICT NO. 2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2019**

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The School has three kinds of funds:

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2019

- **Proprietary Funds – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service, Drivers' Education, and FAST programs are Enterprise funds are the only proprietary funds maintained by the School.**
- **Fiduciary Funds – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position increased as follows:

Table A-1
Iroquois School District No. 2-3
Statement of Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>		<i>Percentage Change</i> <i>2018-2019</i>
	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	
Current and Other Assets	\$ 3,924,215	\$ 4,042,079	\$ 19,533	\$ 15,282	\$ 3,943,748	\$ 4,057,361	2.88%
Capital Assets (Net of Depreciation)	1,539,053	1,613,725	33,957	31,532	1,573,010	1,645,257	4.59%
Total Assets	5,463,268	5,655,804	53,490	46,814	5,516,758	5,702,618	3.37%
Pension Related Deferred Outflows	528,185	454,066	--	--	528,185	454,066	-14.03%
Total Deferred Outflows of Resources	528,185	454,066	--	--	528,185	454,066	-14.03%
Long-Term Liabilities Outstanding	172,091	169,304	--	--	172,091	169,304	-1.62%
Other Liabilities	254,061	252,800	--	--	254,061	252,800	-0.50%
Total Liabilities	426,152	422,104	--	--	426,152	422,104	-0.95%
Taxes Levied for Future Period	772,381	1,037,910	--	--	772,381	1,037,910	34.38%
Pension Related Deferred Inflows	115,296	122,878	--	--	115,296	122,878	100.00%
OPEB related deferred inflows	4,322	5,616	--	--	4,322	5,616	100.00%
Total Deferred Inflows of Resources	891,999	1,166,404	--	--	891,999	1,166,404	30.76%
Net Position							
Net Investment in Capital Assets	1,539,053	1,613,725	33,957	31,532	1,573,010	1,645,257	4.59%
Restricted	2,105,755	1,811,661	--	--	2,105,755	1,811,661	-13.97%
Unrestricted	1,028,494	1,095,976	19,533	15,282	1,048,027	1,111,258	6.03%
Total Net Position	4,673,302	4,521,362	53,490	46,814	4,726,792	4,568,176	-3.36%
Beginning Net Position	4,675,190	4,673,302	7,328	53,490	4,682,518	4,726,792	0.95%
Increase (Decrease) in Net Position	\$ (1,888)	\$ (151,940)	\$ 46,162	\$ (6,676)	\$ 44,274	\$ (158,616)	
Percentage of Increase (Decrease) in Net Position	-0.04%	-3.25%	629.94%	-12.48%	0.95%	-3.36%	

The District's combined net position of approximately \$4.5 million is approximately \$160 thousand or 3.36% less than on June 30, 2018.

IROQUOIS SCHOOL DISTRICT NO. 2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2019

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

Changes in Net Position

The District's revenues totaled \$3,143,254 (See Table A-4.) This was an approximately 5.02% increase. Approximately 77.10% of the District's revenue comes from property and other taxes, with another 12.26% from state aid. (See Table A-2.)

Table A-2
Iroquois School District No. 2-3
Sources of Revenues
Fiscal Year 2018-2019

Taxes	\$ 2,423,522	77.10%
State sources	385,234	12.26%
Operating grants & contributions	224,660	7.15%
Charges for services	72,537	2.31%
Other revenues	32,051	1.02%
Unrestricted investment earnings	5,250	0.16%
 Total Revenue	 \$ 3,143,254	 100.00%

Total costs of all programs and service increased by approximately 11.97%. The District's expenses totaled \$3,301,870. (See Table A-4.) The School's expenses cover a range of services, encompassing instruction, support services, co-curricular activities, food services, and driver's education. (See Table A-3.)

Table A-3
Iroquois School District No. 2-3
Statement of Expenditures
Fiscal Year 2018-2019

Instruction	\$ 1,943,713	58.87%
Support services	1,087,962	32.95%
Cocurricular activities	141,759	4.29%
Food service	116,925	3.54%
Drivers education	11,511	0.19%
 Total Expenditures	 \$ 3,301,870	 100.00%

**IROQUOIS SCHOOL DISTRICT NO. 2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2019**

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Table A-4
Iroquois School District No. 2-3
Changes in Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>		<i>Total Percentage Change 2018-2019</i>
	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	
<i>Revenues</i>							
Program Revenues:							
Charges for services	\$ 16,697	\$ 16,849	\$ 62,027	\$ 55,688	\$ 78,724	\$ 72,537	-7.86%
Operating grants and contributions	146,352	157,988	64,461	66,672	210,813	224,660	6.57%
General Revenues:							
Taxes	2,264,504	2,423,522	--	--	2,264,504	2,423,522	7.02%
Revenue state sources	397,355	385,234	--	--	397,355	385,234	-3.05%
Unrestricted investment earnings	11,238	5,250	--	--	11,238	5,250	-53.28%
Other general revenues	30,475	32,051	--	--	30,475	32,051	5.17%
Total Revenues	2,866,621	3,020,894	126,488	122,360	2,993,109	3,143,254	5.02%
<i>Expenses</i>							
Instruction	1,716,517	1,943,713	--	--	1,716,517	1,943,713	13.24%
Support services	946,937	1,087,962	--	--	946,937	1,087,962	14.89%
Cocurricular activities	158,673	141,759	--	--	158,673	141,759	-10.66%
Food service	--	--	123,305	116,925	123,305	116,925	-5.17%
Other enterprise activity	--	--	3,403	11,511	3,403	11,511	238.26%
Total Expenses	2,822,127	3,173,434	126,708	128,436	2,948,835	3,301,870	11.97%
<i>Excess (Deficiency) Before Transfers</i>							
Transfers	(46,382)	600	46,382	(600)	--	--	0.00%
Increase (Decrease) in Net Position	(1,888)	(151,940)	46,162	(6,676)	44,274	(158,616)	-458.26%
<i>Beginning Net Position Restated</i>	<i>4,675,190</i>	<i>4,673,302</i>	<i>7,328</i>	<i>53,490</i>	<i>4,682,518</i>	<i>4,726,792</i>	<i>0.95%</i>
Ending Net Position	\$ 4,673,302	\$ 4,521,362	\$ 53,490	\$ 46,814	\$ 4,726,792	\$ 4,568,176	-3.36%

GOVERNMENTAL ACTIVITIES

Revenues for the School's governmental activities increased primarily due to increases in ad valorem taxes.

**IROQUOIS SCHOOL DISTRICT NO. 2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2019**

BUSINESS-TYPE ACTIVITIES

Net position of the School's business-type activities decreased approximately \$6,676 mainly due to a decrease in the number of meals served and no change in meal prices.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Overall the governmental funds have decreased approximately \$141,687 in net position over last year. The decrease was mainly due to capital outlay expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

CAPITAL ASSET ADMINISTRATION

By the end of 2019, the School had invested \$1,645,257 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) Total capital outlay expenditures were \$184,434.

Table A-5
Iroquois School District No. 2-3 - Capital Assets
(net of depreciation)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Dollar Change</i>	<i>Total Percentage Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018-2019</i>	<i>2018-2019</i>
Land	\$ 16,630	\$ 16,630	\$ --	\$ --	\$ --	0.00%
Buildings	946,407	911,376	--	--	(35,031)	-3.84%
Improvements other than buildings	392,697	411,880	--	--	19,183	4.66%
Machinery and equipment	183,319	273,839	33,957	31,532	88,095	32.17%
<i>Total Capital Assets (Net)</i>	<u>\$ 1,539,053</u>	<u>\$ 1,613,725</u>	<u>\$ 33,957</u>	<u>\$ 31,532</u>	<u>\$ 72,247</u>	4.48%

**IROQUOIS SCHOOL DISTRICT NO. 2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2019**

LONG-TERM DEBT

At year-end the School had \$169,304 in long-term obligations. This balance includes an energy loan, OPEB liability and accrued sick leave payable. See individual balances as shown on Table A-6 below:

**Table A-6
Iroquois School District No. 2-3 - Outstanding Debt and Obligations**

	<i>Governmental Activities</i>		<i>Total Dollar Change</i>	<i>Total Percentage Change</i>
	<u>2018</u>	<u>2019</u>	<u>2018-2019</u>	<u>2018-2019</u>
Energy loan	\$ 111,096	\$ 98,752	\$ (12,344)	100.00%
OPEB	56,743	65,716	8,973	15.81%
Compensated absences	4,252	4,836	584	13.73%
<i>Total Outstanding Debt and Obligations</i>	<u>\$ 172,091</u>	<u>\$ 169,304</u>	<u>\$ (2,787)</u>	-1.62%

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's taxable valuations for 2018 (payable in 2019) were \$532,287,300. This represents an increase of \$22,491,828 from the previous year's taxable valuation of \$509,795,472. The total tax levy increased from 14.156 to 22.806.

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

<u>YEAR</u>	<u>ADM</u>	<i>Percent (Decrease) in ADM</i>
2019	235	2.62%
2018	229	-3.78%
2017	238	9.68%

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Iroquois School District's Business Office, 111 East Washita Street, Iroquois, SD 57353 or (605)-546-2210.

IROQUOIS SCHOOL DISTRICT NO. 2-3
STATEMENT OF NET POSITION – GOVERNMENT-WIDE
JUNE 30, 2019

	<u>PRIMARY GOVERNMENT</u>		<i>TOTAL</i>
	<i>GOVERNMENTAL ACTIVITIES</i>	<i>BUSINESS-TYPE ACTIVITIES</i>	
ASSETS:			
Cash and cash equivalents	\$ 2,854,791	\$ 8,261	\$ 2,863,052
Taxes receivable	1,044,023	--	1,044,023
Other assets	141,961	7,021	148,982
Net pension asset	1,304	--	1,304
Capital assets:			
Land	16,630	--	16,630
Other capital assets, net of depreciation	1,597,095	31,532	1,628,627
TOTAL ASSETS	5,655,804	46,814	5,702,618
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	454,066	--	454,066
TOTAL DEFERRED OUTFLOWS OF RESOURCES	454,066	--	454,066
LIABILITIES:			
Accounts payable	1,019	--	1,019
Other current liabilities	251,781	--	251,781
Noncurrent liabilities:			
Due within one year	12,944	--	12,944
Due in more than one year	156,360	--	156,360
TOTAL LIABILITIES	422,104	--	422,104
DEFERRED INFLOWS OF RESOURCES			
Taxes levied for future period	1,037,910	--	1,037,910
Pension related deferred inflows	122,878	--	122,878
OPEB related deferred inflows	5,616	--	5,616
TOTAL DEFERRED INFLOWS OF RESOURCES	1,166,404	--	1,166,404
NET POSITION:			
Net Investment in Capital Assets	1,613,725	31,532	1,645,257
Restricted for:			
Capital Outlay	751,261	--	751,261
Special Education	612,198	--	612,198
Pension	115,710	--	115,710
SDRS Pension Purposes	332,492	--	332,492
Unrestricted	1,095,976	15,282	1,111,258
TOTAL NET POSITION	\$ 4,521,362	\$ 46,814	\$ 4,568,176

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 1,943,713	\$ 5,310	\$ 157,988	\$ --	\$ (1,780,415)	\$ --	\$ (1,780,415)
Support services	1,087,962	3,027	--	--	(1,084,935)	--	(1,084,935)
Cocurricular activities	141,759	8,512	--	--	(133,247)	--	(133,247)
<i>Total Governmental Activities</i>	<u>3,173,434</u>	<u>16,849</u>	<u>157,988</u>	<u>--</u>	<u>(2,998,597)</u>	<u>--</u>	<u>(2,998,597)</u>
<i>Business-Type Activities:</i>							
Food service	116,925	51,688	66,672	--	--	1,435	1,435
FAST program	6,309	--	--	--	--	(6,309)	(6,309)
Drivers education	5,202	4,000	--	--	--	(1,202)	(1,202)
<i>Total Business-Type Activities</i>	<u>128,436</u>	<u>55,688</u>	<u>66,672</u>	<u>--</u>	<u>--</u>	<u>(6,076)</u>	<u>(6,076)</u>
<i>Total Primary Government</i>	<u>\$ 3,301,870</u>	<u>\$ 72,537</u>	<u>\$ 224,660</u>	<u>\$ --</u>	<u>(2,998,597)</u>	<u>(6,076)</u>	<u>(3,004,673)</u>
<i>General Revenues:</i>							
<i>Taxes:</i>							
					2,373,776	--	2,373,776
					49,746	--	49,746
<i>Revenue from State Sources:</i>							
					385,234	--	385,234
					5,250	--	5,250
					32,051	--	32,051
					600	(600)	--
<i>Total General Revenues</i>					<u>2,846,657</u>	<u>(600)</u>	<u>2,846,057</u>
<i>Change in Net Position</i>					(151,940)	(6,676)	(158,616)
<i>NET POSITION - Beginning of Year</i>					<u>4,673,302</u>	<u>53,490</u>	<u>4,726,792</u>
<i>NET POSITION - End of Year</i>					<u>\$ 4,521,362</u>	<u>\$ 46,814</u>	<u>\$ 4,568,176</u>

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>OTHER GOVERNMENTAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:					
Cash and cash equivalents	\$ 1,355,286	\$ 751,261	\$ 632,534	\$ 115,710	\$ 2,854,791
Taxes receivable--current	766,049	167,221	104,640	--	1,037,910
Taxes receivable--delinquent	4,650	856	573	34	6,113
Due from other governments	99,776	--	--	--	99,776
Deposits	39,685	--	--	--	39,685
Advance payments	2,500	--	--	--	2,500
TOTAL ASSETS	<u>\$ 2,267,946</u>	<u>\$ 919,338</u>	<u>\$ 737,747</u>	<u>\$ 115,744</u>	<u>\$ 4,040,775</u>
LIABILITIES AND FUND BALANCES:					
<i>Liabilities:</i>					
Accounts payable	337	--	682	--	1,019
Contracts payable	175,389	--	16,191	--	191,580
Payroll deductions and withholding and employer matching payable	56,738	--	3,463	--	60,201
Total Liabilities	<u>232,464</u>	<u>--</u>	<u>20,336</u>	<u>--</u>	<u>252,800</u>
<i>Deferred Inflows of Resources:</i>					
Taxes Levied for a Future Period	766,049	167,221	104,640	--	1,037,910
Unavailable Revenue-Property Taxes	4,650	856	573	34	6,113
Total Deferred Inflows of Resources	<u>770,699</u>	<u>168,077</u>	<u>105,213</u>	<u>34</u>	<u>1,044,023</u>
<i>Fund Balances:</i>					
<i>Nonspendable:</i>					
Deposits (Health Insurance)	39,685	--	--	--	39,685
<i>Restricted:</i>					
Capital outlay	--	751,261	--	--	751,261
Special education	--	--	612,198	--	612,198
Pension	--	--	--	115,710	115,710
Unassigned	1,225,098	--	--	--	1,225,098
Total Fund Balances	<u>1,264,783</u>	<u>751,261</u>	<u>612,198</u>	<u>115,710</u>	<u>2,743,952</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,267,946</u>	<u>\$ 919,338</u>	<u>\$ 737,747</u>	<u>\$ 115,744</u>	<u>\$ 4,040,775</u>

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

**IROQUOIS SCHOOL DISTRICT NO. 2-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS
JUNE 30, 2019**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,743,952**

Amounts reported for governmental activities in the statement of net assets are different because:

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. **1,304**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. **1,613,725**

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. **454,066**

Long-term liabilities, bonds payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds. **(169,304)**

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. **(122,878)**

Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds. **6,113**

Pension related deferred inflows are components of OPEB liability (asset) and therefore are not reported in the funds. **(5,616)**

Net Position-Government Funds **\$ 4,521,362**

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>OTHER GOVERNMENTAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:					
<i>Revenue from Local Sources:</i>					
<i>Taxes:</i>					
Ad valorem taxes	\$ 1,708,349	\$ 400,078	\$ 247,889	\$ --	\$ 2,356,316
Prior years' ad valorem taxes	10,292	3,131	2,185	41	15,649
Utility taxes	49,746	--	--	--	49,746
Penalties and interest on taxes	2,405	663	457	12	3,537
<i>Revenue from Local Government:</i>					
Revenue in lieu of taxes	2,809	--	--	--	2,809
<i>Tuition and Fees:</i>					
Preschool Tuition	5,310	--	--	--	5,310
<i>Earnings on Investments and Deposits</i>					
	5,250	--	--	--	5,250
<i>Cocurricular Activities:</i>					
Admissions	8,512	--	--	--	8,512
<i>Other Revenue from Local Sources:</i>					
Charges for services	2,604	--	423	--	3,027
Other	15,274	--	--	--	15,274
<i>Revenue from Intermediate Sources:</i>					
<i>County Sources:</i>					
County apportionment	13,968	--	--	--	13,968
<i>Revenue from State Sources:</i>					
<i>Grants-in-Aid:</i>					
Unrestricted grants-in-aid	371,344	--	--	--	371,344
<i>Other State Revenue</i>					
<i>Grants-in-Aid:</i>					
Restricted grants-in-aid received directly from federal government through the state	13,890	--	--	--	13,890
Restricted grants-in-aid received from federal government through the state	157,988	--	--	--	157,988
TOTAL REVENUES	<u>2,367,741</u>	<u>403,872</u>	<u>250,954</u>	<u>53</u>	<u>3,022,620</u>

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

	GENERAL FUND	CAPITAL OUTLAY FUND	SPECIAL EDUCATION FUND	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
EXPENDITURES:					
<i>Instruction:</i>					
<i>Regular Programs:</i>					
Elementary	\$ 603,638	\$ 14,998	\$ --	\$ --	\$ 618,636
Middle school	136,511	10,026	--	--	146,537
High school	559,172	25,393	--	--	584,565
Preschool services	34,942	--	--	--	34,942
<i>Special Programs:</i>					
Programs for special education	--	--	245,828	--	245,828
Educationally Deprived	159,173	--	--	--	159,173
<i>Support Services:</i>					
<i>Students:</i>					
Guidance	69,674	--	303	--	69,977
Psychological	--	--	8,227	--	8,227
Speech pathology	--	--	13,784	--	13,784
Student therapy services	--	--	9,731	--	9,731
<i>Instructional Staff:</i>					
Educational media	88,369	83,290	--	--	171,659
<i>General Administration:</i>					
Board of education	24,441	--	--	--	24,441
Executive administration	64,392	654	--	--	65,046
<i>School Administration:</i>					
Office of the principal	113,634	783	--	--	114,417
Other	269	--	--	--	269
<i>Business:</i>					
Fiscal services	93,405	--	--	--	93,405
Facilities acquisition and construction	231,346	--	--	--	231,346
Operation and maintenance of plant	186,164	36,696	--	--	222,860
Student transportation	--	23,823	--	--	23,823
Food services	6,937	6,346	--	--	13,283
<i>Central:</i>					
Staff	155	--	--	--	155
<i>Special Education:</i>					
Other	--	--	1,334	--	1,334
<i>Debt Services:</i>					
	--	12,344	--	--	12,344
<i>Cocurricular Activities:</i>					
Male activities	33,424	50	--	--	33,474
Female activities	37,116	3,770	--	--	40,886
Transportation	22,321	--	--	--	22,321
Combined activities	15,542	1,868	--	--	17,410
<i>Capital outlay:</i>					
	--	184,434	--	--	184,434
TOTAL EXPENDITURES:	2,480,625	404,475	279,207	--	3,164,307
<i>Excess of Revenues Over (Under) Expenditures</i>	(112,884)	(603)	(28,253)	53	(141,687)
OTHER FINANCING SOURCES (USES):					
Transfers in	180,599	--	--	--	180,599
Transfers out	--	(179,999)	--	--	(179,999)
TOTAL OTHER FINANCING SOURCES (USES)	180,599	(179,999)	--	--	600
<i>Net Change in Fund Balances</i>	67,715	(180,602)	(28,253)	53	(141,087)
<i>FUND BALANCE - Beginning of Year</i>	1,197,068	931,863	640,451	115,657	2,885,039
<i>FUND BALANCE - End of Year</i>	\$ 1,264,783	\$ 751,261	\$ 612,198	\$ 115,710	\$ 2,743,952

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (141,087)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

	Capital Outlays	\$ 184,434	
	Depreciation Expense	<u>(109,453)</u>	
	Net		74,981

In the statement of activities, net gains and (losses) (\$309) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds (\$0) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (+gains, -losses, -proceeds=amount)

(309)

Payment of principal on long-term debt is an expenditure in the government funds but the payment reduces long-term liabilities in the statement of assets.

12,344

In both the government-wide and fund financials statements revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' 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".

(1,726)

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.

	Sick Leave	(584)	
	Other postemployment benefits	<u>(8,973)</u>	
			(9,557)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.

(85,292)

Changes in the OPEB related deferred outflows/inflows are direct components of OPEB liability and are not reflected in the governmental funds.

(1,294)

Change in Net Position of Governmental Activities

\$ (151,940)

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2019

	<i>ENTERPRISE FUND</i>		
	<i>FOOD SERVICE</i>	<i>OTHER</i>	<i>TOTAL</i>
	<i>FUND</i>	<i>FUND</i>	<i>TOTAL</i>
ASSETS:			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 7,036	\$ 1,225	\$ 8,261
Inventory of stores purchased for resale	7,021	--	7,021
<i>Total Current Assets</i>	14,057	1,225	15,282
<i>Capital Assets:</i>			
Machinery and equipment	59,600	--	59,600
Accumulated depreciation	(28,068)	--	(28,068)
<i>Total Capital Assets</i>	31,532	--	31,532
TOTAL ASSETS	\$ 45,589	\$ 1,225	\$ 46,814
 NET POSITION:			
<i>Net Position:</i>			
Invested in capital assets	\$ 31,532	\$ --	\$ 31,532
Unrestricted	14,057	1,225	15,282
TOTAL NET POSITION	\$ 45,589	\$ 1,225	\$ 46,814

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
JUNE 30, 2019

	<i>ENTERPRISE FUND</i>		
	<i>FOOD SERVICE</i>	<i>OTHER</i>	<i>TOTAL</i>
	<i>FUND</i>	<i>FUND</i>	<i>TOTAL</i>
OPERATING REVENUE:			
<i>Sales:</i>			
To students	\$ 49,558	\$ --	\$ 49,558
To adults	2,130	--	2,130
Other charges for goods and services	--	4,000	4,000
<i>Total Operating Revenue</i>	51,688	4,000	55,688
OPERATING EXPENSE:			
Salaries	--	5,550	5,550
Employee benefits	--	759	759
Purchased services	106,743	--	106,743
Supplies	185	452	637
Depreciatoin	2,425	--	2,425
Cost of sales - donated food	7,402	--	7,402
Miscellaneous	170	4,750	4,920
<i>Total Operating Expenses</i>	116,925	11,511	128,436
<i>Operating Income (Loss)</i>	(65,237)	(7,511)	(72,748)
NONOPERATING REVENUES:			
<i>State Sources:</i>			
Cash reimbursements	478	--	478
<i>Federal Sources:</i>			
Cash reimbursements	58,792	--	58,792
Donated food	7,402	--	7,402
<i>Total Nonoperating Revenue</i>	66,672	--	66,672
<i>Income (Loss) before Capital Contributions and Transfers</i>	1,435	(7,511)	(6,076)
Transfers Out	--	(600)	(600)
<i>Change in Net Position</i>	1,435	(8,111)	(6,676)
<i>NET POSITION - Beginning of Year</i>	44,154	9,336	53,490
<i>NET POSITION - End of Year</i>	\$ 45,589	\$ 1,225	\$ 46,814

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER FUND</i>	<i>TOTAL</i>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 51,688	\$ 2,750	\$ 54,438
Payments to suppliers	(108,512)	(452)	(108,964)
Payments to employees	--	(6,309)	(6,309)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	(56,824)	(4,011)	(60,835)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash reimbursements - state	478	--	478
Cash reimbursements - federal	58,792	--	58,792
Operating transfers - out	--	(600)	(600)
NET CASH PROVIDED FROM NONCAPITAL FINANCING ACTIVITIES	59,270	(600)	58,670
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,446	(4,611)	(2,165)
CASH AND CASH EQUIVALENTS, Beginning of Year	4,590	5,836	10,426
CASH AND CASH EQUIVALENTS, End of Year	\$ 7,036	\$ 1,225	\$ 8,261
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES			
<i>Operating Income (Loss)</i>	\$ (65,237)	\$ (7,511)	\$ (72,748)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>			
Depreciation	2,425	--	2,425
Noncash cost of sales - commodities	7,402	--	7,402
<i>Change in Assets and Liabilities:</i>			
Inventories	(2,914)	--	(2,914)
Accounts receivable	--	3,500	3,500
Due from other government	1,500	--	1,500
Net Cash Provided (Used) by Operating Activities	\$ (56,824)	\$ (4,011)	\$ (60,835)
NONCASH, INVESTING CAPITAL, AND FINANCING ACTIVITIES:			
Value of Commodities Received	\$ 7,402	\$ --	\$ 7,402

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	<u>PRIVATE-PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
ASSETS:		
Cash and cash equivalents	\$ 75,525	\$ 44,315
TOTAL ASSETS	75,525	44,315
LIABILITIES:		
Amounts held for others	--	44,315
TOTAL LIABILITIES	--	44,315
NET POSITION:		
Held in trust for school scholarship	75,525	--
TOTAL LIABILITIES AND NET POSITION	\$ 75,525	\$ 44,315

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>PRIVATE PURPOSE TRUST FUND</u>
ADDITIONS:	
Contributions and Donations	<u>\$ 579</u>
Change in Net Position	579
NET POSITION - Beginning of Year	<u>74,946</u>
NET POSITION - End of Year	<u><u>\$ 75,525</u></u>

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments.

a. *Financial Reporting Entity:*

The reporting entity of Iroquois School District No. 2-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The School District participates in a cooperative service unit 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 financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School District.

b. *Basis of Presentation:*

Government-Wide Financial Statements:

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

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

Government-Wide Financial Statements: (continued)

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

Fund Financial Statements:

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

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

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

b. *Basis of Presentation: (continued)*

Fund Financial Statements: (continued)

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

Governmental Funds:

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

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

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

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

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

Proprietary Funds:

Enterprise Funds – 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.

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

Other Enterprise Fund: A fund used to record financial transactions related to drivers' education and the FAST program. This fund is financed by user charges. This is not a major fund.

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Fiduciary Funds:

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

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 two private-purpose trust funds: Selix Scholarship Trust Fund and Diamond Davison Scholarship Trust Fund and their purpose is scholarships.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

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.

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

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

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Iroquois School District No. 2-3, the length of that cycle is sixty days.

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

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

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

d. *Interfund Eliminations and Reclassifications:*

Government-Wide Financial Statements:

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

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

e. Capital Assets:

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

Government-Wide Financial Statements:

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

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs. The total June 30, 2018 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

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

	<i>Capitalization Threshold</i>	<i>Depreciation Method</i>	<i>Estimated Useful Life</i>
Land	All	-- *	--
Land improvements	\$ 5,000	straight-line	10-20 years
Buildings	\$ 5,000	straight-line	50-75 years
Machinery and equipment	\$ 5,000	straight-line	5-20 years

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

Fund Financial Statements:

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

f. **Long-Term Liabilities:**

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of a capital lease/purchase debt and compensated absences.

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

g. **Program Revenues:**

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

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

h. **Proprietary Funds Revenue and Expense Classifications:**

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

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

i. *Cash and Cash Equivalents:*

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

j. *Equity Classifications:*

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

k. *Application of Net Position:*

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

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

l. *Fund Balance Classification Policies and Procedures:*

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

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

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

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

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by School Board.

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

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

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

m. *Use of Estimates:*

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

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

n. *Pensions:*

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

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

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

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

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

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

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

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

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

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

3. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in these financial statements. The School Districts expects all receivables to be collected in one year.

4. INVENTORY:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is consumption. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

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

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

5. PROPERTY TAX:

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

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

6. CHANGES IN CAPITAL ASSETS:

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

	<u>Balance 7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/19</u>
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 16,630	\$ --	\$ --	\$ 16,630
<i>Total, not being depreciated</i>	<u>16,630</u>	<u>--</u>	<u>--</u>	<u>16,630</u>
Capital assets, being depreciated:				
Buildings	1,867,325	--	--	1,867,325
Improvements other than buildings	530,123	56,780	--	586,903
Machinery and equipment	501,084	127,654	(136,929)	491,809
<i>Total, being depreciated</i>	<u>2,898,532</u>	<u>184,434</u>	<u>(136,929)</u>	<u>2,946,037</u>
Less accumulated depreciation for:				
Buildings	920,918	35,031	--	955,949
Improvements	137,426	37,597	--	175,023
Machinery and equipment	317,765	36,825	(136,620)	217,970
<i>Total accumulated depreciation</i>	<u>1,376,109</u>	<u>109,453</u>	<u>(136,620)</u>	<u>1,348,942</u>
<i>Total capital assets, being depreciated, net</i>	<u>1,522,423</u>	<u>74,981</u>	<u>(309)</u>	<u>1,597,095</u>
<i>Governmental activity capital assets, net</i>	<u>\$ 1,539,053</u>	<u>\$ 74,981</u>	<u>\$ (309)</u>	<u>\$ 1,613,725</u>

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

6. CHANGES IN CAPITAL ASSETS: (continued)

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$	57,580
Support services		24,205
Cocurricular activities		27,668
<i>Total depreciation expense - governmental activities</i>	<u>\$</u>	<u>109,453</u>

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

	<i>Balance 7/1/18</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/19</i>
<i>Business-Type Activities:</i>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 59,600	\$ --	\$ --	\$ 59,600
<i>Total, being depreciated</i>	<u>59,600</u>	<u>--</u>	<u>--</u>	<u>59,600</u>
Less accumulated depreciation for:				
Machinery and equipment	25,643	2,425	--	28,068
<i>Total accumulated depreciation</i>	<u>25,643</u>	<u>2,425</u>	<u>--</u>	<u>28,068</u>
<i>Total capital assets, being depreciated, net</i>	<u>33,957</u>	<u>(2,425)</u>	<u>--</u>	<u>31,532</u>
<i>Business-type activity capital assets, net</i>	<u>\$ 33,957</u>	<u>\$ (2,425)</u>	<u>\$ --</u>	<u>\$ 31,532</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food service	<u>\$ 2,425</u>
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7. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

	<i>Balance 7/1/2018</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2019</i>	<i>Amount Due Within One Year</i>
<i>Governmental Activities:</i>					
Other loan	\$ 111,096	\$ --	\$ 12,344	\$ 98,752	\$ 12,344
OPEB	56,743	8,973	--	65,716	--
Compensated absences	4,252	584	--	4,836	600
<i>Total Governmental Activities</i>	<u>\$ 172,091</u>	<u>\$ 9,557</u>	<u>\$ 12,344</u>	<u>\$ 169,304</u>	<u>\$ 12,944</u>

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

7. LONG-TERM LIABILITIES: (continued)

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

Debt payable at June 30, 2019 is comprised of the following:

State Energy Loan	The School District received a loan for \$123,440. The loan is 0% interest, and \$12,344 payments. Annual payments are due by July 31st. The Capital Outlay fund makes this payment. There are funds remaining to be spent from loan.	98,752
Other post-employment benefits	The School District provides medical coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board.	65,716
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff and the business manager are entitled to reimbursement of unused sick leave up to 90 days at \$40 a day or a \$3,600 maximum. Classified staff are entitled to reimbursement of unused sick leave up to 60 days at \$30 a day or a \$1,800 maximum.	4,836

The annual requirements to maturity for long-term debt June 30, 2019:

<i>Year Ending June 30,</i>	<i>Other Loans</i>		<i>TOTAL</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2020	\$ 12,344	--	\$ 12,344	--
2021	12,344	--	12,344	--
2022	12,344	--	12,344	--
2023	12,344	--	12,344	--
2024	12,344	--	12,344	--
2025-2028	37,032	--	37,032	--
TOTALS	\$ 98,752	\$ --	\$ 98,752	\$ --

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

8. OPERATIONAL LEASES:

The District entered into an agreement to lease a copier for a sixty (60) month period in June 2016. The monthly payment is \$190 with provisions for adjustments based on copier usage, etc. The agreement contains various covenants, restrictions, and provisions.

The District entered into an agreement to lease a dishwasher. The payments are \$65 per month. The agreement expires January 2021.

Payments are made from the Capital Outlay Fund. The minimal rental payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 2,345
2020	\$ 2,345
2021	\$ 2,345

9. INTERFUND ACTIVITY:

Transfers to/from other funds at June 30, 2019, consist of the following:

Transfer to cover the expenditures in the general fund for insurance, utilities, and fuel.	\$ 179,999
Transfer to the general fund for preschool expenditures	\$ 600

10. RESTRICTED NET POSITION:

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	law	\$ 751,261
Special Education	law	612,198
Pension	law	115,710
SDRS Pension Purposes	law	332,492
		\$ 1,811,661

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

11. **PENSION PLAN:**

a. **Plan Information:**

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

b. **Benefits Provided:**

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

11. *PENSION PLAN: (continued)*

b. *Benefits Provided: (continued)*

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

c. *Contributions:*

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

<i>Year Ended</i>	
<i>June 30,</i>	
2019	\$ 73,764
2018	\$ 69,733
2017	\$ 65,749

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

At June 30, 2018, SDRS is 100.02% funded and accordingly has a net pension (asset). The proportionate share of the components of the net pension (asset) of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2018 and reported by the School District as of June 30, 2019 are as follows:

Proportionate share of pension liability	\$	6,839,099
Less proportionate share of net pension restricted for pension benefits		6,840,403
<i>Proportionate share of net pension (asset)</i>	\$	<i>(1,304)</i>

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

11. *PENSION PLAN: (continued)*

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

At June 30, 2019, the School District reported an (asset) of \$(1,304) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2017 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the School District's proportion was 0.05590520%, which is an increase of 0.0019718% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$85,290. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 49,280	\$ --
Changes in assumption	331,022	--
Net difference between projected and actual earnings on pension plan investments	--	98,540
Changes in proportion and difference between District contributions and proportionate share of contributions	--	24,338
District contributions subsequent to the measurement date	73,764	--
<i>TOTAL</i>	\$ 454,066	\$ 122,878

\$73,764 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<i>Year Ended June 30,</i>	
2020	\$ 168,471
2021	123,784
2022	(22,929)
2023	(11,902)
<i>TOTAL</i>	\$ 257,424

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

11. *PENSION PLAN: (continued)*

e. *Actuarial Assumptions:*

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

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

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

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

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

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

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

11. *PENSION PLAN: (continued)*

f. *Discount Rate:*

The discount rate used to measure the total pension (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

g. *Sensitivity of asset to changes in the discount rate:*

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

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
School District's proportionate share of the net pension liability (asset)	\$ 984,764	\$ (1,304)	\$ (803,416)

h. *Pension Plan Fiduciary Net Position:*

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

i. *Payables to the Pension Plan:*

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

12. JOINT VENTURES:

The School participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Arlington School District No. 38-1	3.67%	Henry School District No. 14-2	2.32%
Britton-Hecla School District No. 45-4	5.75%	Iroquois School District No. 2-3	3.25%
Castlewood School District No. 28-1	3.85%	Lake Preston School District No. 38-3	2.01%
Clark School District No. 12-2	4.90%	Rosholt School District No. 54-4	3.19%
DeSmet School District No. 38-2	4.28%	Sioux Valley School District No. 5-5	9.36%
Deubrook School District No. 5-2	4.74%	Summit School District No. 54-6	1.97%
Deuel School District No. 19-4	6.75%	Waubay School District No. 18-3	2.22%
Elkton School District No. 5-3	4.93%	Waverly School District No. 14-5	3.35%
Enemy Swim Day School	2.42%	Webster School District No. 18-4	7.62%
Estelline School District No. 28-2	3.72%	Willow Lake School District No. 12-3	3.08%
Florence School District No. 14-1	3.42%	Wilmot School District No. 54-7	2.75%
Hamlin School District No. 28-3	10.46%		

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

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

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

At June 30, 2019, this joint venture had a total of \$2,303,450 net position, total liabilities and deferred inflows of resources of \$214,043 and net assets and deferred outflows of resources of \$993,047.

***IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019***

13. RISK MANAGEMENT:

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

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

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

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

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

During the year ended June 30, 2019, \$0 in claims were paid for unemployment. At June 30, 20189 no new claims had been filed for unemployment benefits, but claims are anticipated to be paid out in the next fiscal year.

14. POST EMPLOYMENT HEALTHCARE PLAN:

Plan Description:

The Iroquois School District offers a single employer defined benefit healthcare plan. The plan provides medical and dental coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. An employee with a combination of years of service with the school district and age totaling 60 or greater leaving the district may continue insurance coverage with the group health insurance plan until they reach the age 65. Spousal and dependent coverage is provided as long as the required contributions are paid. Spouses may continue coverage after the retiree's coverage terminates until the spouse has reached age 65. The eligible retiree must pay monthly contributions based on 100% of the full active employee premium rate. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation if elected.

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

14. POST EMPLOYMENT HEALTHCARE PLAN: (continued)

Funding Policy:

The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

Changes in Liability:

For the year ended June 30, 2019, the beginning balance of the OPEB liability was \$65,716. Total OPEB liability was determined as of the measurement date, which is June 30, 2019. The changes in the total OPEB liability for 2019 were as follows:

	<i>2018-2019</i>
Beginning of year balances	\$ 56,743
Charges for the year:	
Service cost	9,422
Interest on total OPEB liability	2,357
Effect on assumption changes or inputs	(2,102)
Benefit payments	<u>(704)</u>
End of year balances	<u>\$ 65,716</u>

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019*

14. POST EMPLOYMENT HEALTHCARE PLAN: (continued)

For the year ended June 30, 2019, the District recognized OPEB Expense of 10,971. OPEB expense was determined as follows:

	<i>2018-2019</i>
Service Cost	\$ 9,422
Interest on total OPEB liability	2,357
Recognition of Deferred Inflos/Outflows of Resources:	
Recognition of assumption changes	(808)
End of year balances	<u>\$ 10,971</u>

As of June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Changes in Assumptions	\$ --	\$ --
District contributions subsequent to the measurement date	<u>(5,616)</u>	<u>--</u>
End of year balances	<u>\$ (5,616)</u>	<u>\$ --</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (revenue) expense as follows:

	<i>Year ended June 30,</i>
2020	\$ (808)
2021	(808)
2022	(808)
2023	(808)
2024	(808)
Thereafter	<u>(1,576)</u>
Total	<u>\$ (5,616)</u>

:

**IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

14. POST EMPLOYMENT HEALTHCARE PLAN: (continued)

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Active employees and retirees are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated based on the discount rate and actuarial assumptions below and projected forward to the measurement date.

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions:

- The discount rate used was 3.87% and was based up on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.
- The retiree participation rate was assumed to be 25%. The retiree election of family coverage rate was assumed to be 25%.
- Mortality rates were based on 97% of the RP_2014 Mortality Table, White Collar table for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2017.
- Net Claims Cost in future years equal the starting claim cost adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design and cost containment features. Selected rates are shown below:

<u>Duration</u>	<u>Medical Rate</u>	<u>Dental Rate</u>
1	6.10%	5.00%
2	5.80%	5.00%
3	6.50%	5.00%
4	5.00%	5.00%
5	5.00%	4.90%
10	5.30%	4.80%
15	5.80%	4.90%
20	5.70%	4.90%
25	5.60%	5.00%
30	5.30%	4.80%
35	5.10%	4.70%
40	5.00%	4.70%
45	4.90%	4.60%

IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

14. POST EMPLOYMENT HEALTHCARE PLAN: (continued)

Actuarial Methods and Assumptions: (continued)

- Assumed annual salary, including inflation, for active members are as follows:

<u>Service</u>	<u>Percentage Increase</u>
0	6.50%
1	6.00%
2	5.55%
3	5.30%
4	5.15%
10	4.25%
15	3.76%
20	3.36%
25	3.05%
25+	3.00%

Sensitivity Analysis

The following represents the District's total OPEB liability, calculated using a discount rate that is one percent lower or one percentage point higher than the current rate:

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
	<i>2.87%</i>	<i>3.87%</i>	<i>4.87%</i>
Total OPEB Liability	\$ 73,353	\$ 65,716	\$ 59,105

The following represents the District's total OPEB liability, calculated using healthcare the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trends analysis.

	<i>1% Decrease</i>	<i>Current Trend Rate</i>	<i>1% Increase</i>
Total OPEB Liability	\$ 56,244	\$ 65,716	\$ 77,456

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,924,348	\$ 1,924,348	\$ 1,708,349	\$ (215,999)
Prior years' ad valorem taxes	3,000	3,000	10,292	7,292
Utility taxes	45,000	45,000	49,746	4,746
Penalties and interest on taxes	1,500	1,500	2,405	905
<i>Revenue from Local Governmental Units Other Than LEAs:</i>				
Revenue in lieu of taxes	2,000	2,000	2,809	809
<i>Tuitions and Fees:</i>				
Preschool Tuition	7,800	7,800	5,310	(2,490)
<i>Earnings on Investments and Deposits</i>	5,000	5,000	5,250	250
<i>Cocurricular Activities:</i>				
Admissions	10,000	10,000	8,512	(1,488)
<i>Other Revenue from Local Sources:</i>				
Charges for services	5,000	5,000	2,604	(2,396)
Other	2,500	2,500	15,274	12,774
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	15,000	15,000	13,968	(1,032)
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	461,089	461,089	371,344	(89,745)
<i>Other State Revenue</i>	--	--	--	--
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid received directly from federal government	--	--	13,890	13,890
Restricted grants-in-aid received from federal government through the state	159,485	159,485	157,988	(1,497)
TOTAL REVENUES	<u>\$ 2,641,722</u>	<u>\$ 2,641,722</u>	<u>\$ 2,367,741</u>	<u>\$ (273,981)</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

IROQUOIS SCHOOL DISTRICT NO. 2-3
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY BASIS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 647,055	\$ 647,055	\$ 603,638	\$ 43,417
Middle school	145,750	145,750	136,511	9,239
High school	612,000	612,000	559,172	52,828
Preschool services	37,500	37,500	34,942	2,558
<i>Special Programs:</i>				
Educationally deprived	118,930	118,930	159,173	(40,243)
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	76,500	76,500	69,674	6,826
<i>Instructional Staff:</i>				
Improvement of instruction	--	--	--	--
Educational media	108,550	108,550	88,369	20,181
<i>General Administration:</i>				
Board of education	31,500	31,500	24,441	7,059
Executive administration	69,100	69,100	64,392	4,708
<i>School Administration:</i>				
Office of the principal	122,450	122,450	113,634	8,816
Other	1,000	1,000	269	731
<i>Business:</i>				
Fiscal services	94,500	94,500	93,405	1,095
Operation and maintenance of plant	245,100	245,100	231,346	13,754
Student transportation	221,000	221,000	186,164	34,836
Food services	5,000	5,000	6,937	(1,937)
<i>Central:</i>				
Staff	1,000	1,000	155	845
<i>Nonprogrammed Charges:</i>				
Payments to state - unemployment	10,000	10,000	--	10,000
<i>Cocurricular Activities:</i>				
Male activities	41,000	41,000	33,424	7,576
Female activities	43,000	43,000	37,116	5,884
Transportation	25,000	25,000	22,321	2,679
Combined activities	20,300	20,300	15,542	4,758
<i>Contingencies</i>	15,000	15,000	--	15,000
TOTAL EXPENDITURES	2,691,235	2,691,235	2,480,625	210,610
<i>Excess of Revenue Over (Under) Expenditures</i>	(49,513)	(49,513)	(112,884)	(63,371)
OTHER FINANCING SOURCES:				
Transfers in	--	--	180,599	180,599
TOTAL OTHER FINANCING SOURCES	--	--	180,599	180,599
<i>Net Change in Fund Balances</i>	(49,513)	(49,513)	67,715	117,228
<i>FUND BALANCE - Beginning of Year</i>	1,197,068	1,197,068	1,197,068	--
<i>FUND BALANCE - End of Year</i>	\$ 1,147,555	\$ 1,147,555	\$ 1,264,783	\$ 117,228

*The accompanying Notes to Required Supplementary Information are
an integral part of these financial statements.*

IROQUOIS SCHOOL DISTRICT NO. 2-3
BUDGETARY COMPARISON SCHEDULE – CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>BUDGETARY</u> <u>BASIS</u>	<u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 450,000	\$ 450,000	\$ 400,078	\$ (49,922)
Prior years' ad valorem taxes	200	200	3,131	2,931
Penalties and interest on taxes	300	300	663	363
<i>Other Revenue from Local Sources</i>				
Other	--	--	--	--
TOTAL REVENUES	<u>450,500</u>	<u>450,500</u>	<u>403,872</u>	<u>(46,628)</u>
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	20,000	20,000	14,998	5,002
Middle school	10,000	10,000	10,026	(26)
High school	15,000	15,000	25,393	(10,393)
<i>Support Services:</i>				
<i>Instructional Staff:</i>				
Educational media	75,000	75,000	103,718	(28,718)
<i>General Administration:</i>				
Board of education	500	500	--	500
Executive administration	1,000	1,000	654	346
<i>School Administration:</i>				
Office of the principal	1,000	1,000	783	217
<i>Business:</i>				
Fiscal services	1,000	1,000	--	1,000
Facilities acquisition and construction	125,000	125,000	109,676	15,324
Operation and maintenance of plant	50,000	50,000	36,696	13,304
Student transportation	50,000	50,000	78,153	(28,153)
Food Services	25,000	25,000	6,346	18,654
Debt Services	12,500	12,500	12,344	156
<i>Cocurricular Activities:</i>				
Male activities	12,500	12,500	50	12,450
Female activities	12,500	12,500	3,770	8,730
Combined activities	2,500	2,500	1,868	632
TOTAL EXPENDITURES	<u>413,500</u>	<u>413,500</u>	<u>404,475</u>	<u>9,025</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>37,000</u>	<u>37,000</u>	<u>(603)</u>	<u>(37,603)</u>
OTHER FINANCING SOURCES:				
Transfers in	193,000	193,000	--	(193,000)
Transfer out	(180,000)	(180,000)	(179,999)	1
TOTAL OTHER FINANCING SOURCES:	<u>13,000</u>	<u>13,000</u>	<u>(179,999)</u>	<u>(192,999)</u>
<i>Net Change in Fund Balances</i>	50,000	50,000	(180,602)	(230,602)
<i>FUND BALANCE - Beginning of Year</i>	931,863	931,863	931,863	--
<i>FUND BALANCE - End of Year</i>	<u>\$ 981,863</u>	<u>\$ 981,863</u>	<u>\$ 751,261</u>	<u>\$ (230,602)</u>

*The accompanying Notes to Required Supplementary Information are
an integral part of these financial statements.*

IROQUOIS SCHOOL DISTRICT NO. 2-3
BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY</u>	<u>FINAL BUDGET-</u>
			<u>BASIS</u>	<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 247,280	\$ 247,280	\$ 247,889	\$ 609
Prior years' ad valorem taxes	300	300	2,185	1,885
Penalties and interest on taxes	200	200	457	257
<i>Other Revenue from Local Sources:</i>				
Charges for services	2,000	2,000	423	(1,577)
Other Revenue from Local Sources:	--	--	--	--
TOTAL REVENUES:	249,780	249,780	250,954	1,174
EXPENDITURES:				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	256,000	256,000	245,828	10,172
<i>Support Services:</i>				
<i>Students:</i>				
Guidance	500	500	303	197
Psychological	8,000	8,000	8,227	(227)
Speech pathology	17,000	17,000	13,784	3,216
Student therapy services	12,000	12,000	9,731	2,269
<i>Special Education:</i>				
Administrative costs	--	--	--	--
Transportation costs	5,000	5,000	--	5,000
Other	15,000	15,000	1,334	13,666
TOTAL EXPENDITURES	313,500	313,500	279,207	34,293
<i>Excess of Revenue Over Expenditures</i>	(63,720)	(63,720)	(28,253)	35,467
OTHER FINANCING USES:				
Transfers in	63,720	63,720	--	(63,720)
<i>Net Change in Fund Balances</i>	--	--	(28,253)	(28,253)
<i>FUND BALANCE - Beginning of Year</i>	640,451	640,451	640,451	--
<i>FUND BALANCE - End of Year</i>	\$ 640,451	\$ 640,451	\$ 612,198	\$ (28,253)

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

*IROQUOIS SCHOOL DISTRICT NO. 2-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A
JUNE 30, 2019*

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

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

2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:

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

IROQUOIS SCHOOL DISTRICT NO. 2-3
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM
JUNE 30, 2019

	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
District's proportion of the net pension liability (asset)	0.0559052%	0.0539334%	0.0472595%	0.0472636%	0.0452841%
District's proportionate share of net pension liability (asset)	\$ (1,304)	\$ (4,895)	\$ 159,758	\$ (200,458)	\$ (326,253)
District's covered-employee payroll	\$ 1,162,209	\$ 1,095,821	\$ 899,317	\$ 862,895	\$ 862,900
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.11%	0.45%	17.76%	23.23%	37.81%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.02%	100.10%	96.89%	104.10%	107.29%

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

**GASB Statement No. 68 required ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

IROQUOIS SCHOOL DISTRICT NO. 2-3
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS TO PENSION
SOUTH DAKOTA RETIREMENT SYSTEM
JUNE 30, 2019

	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually required contribution	\$ 73,764	\$ 69,733	\$ 65,749	\$ 53,959	\$ 51,774
Contributions in relation to the contractually required contribution	<u>73,764</u>	<u>69,733</u>	<u>65,749</u>	<u>53,959</u>	<u>51,774</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,229,402	\$ 1,162,209	\$ 1,095,821	\$ 899,317	\$ 862,900
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

*GASB Statement No. 68 required ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

IROQUOIS SCHOOL DISTRICT NO. 2-3
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2019

	<i>2019</i>	<i>2018</i>
Service cost	\$ 9,422	\$ 10,252
Interest on total OPEB liability	2,357	1,786
Effect on assumption changes or inputs	(2,102)	(4,887)
Benefit payments	(704)	(5,588)
	<u>8,973</u>	<u>1,563</u>
 Beginning of year balances	 <u>\$ 56,743</u>	 <u>\$ 55,180</u>
 End of year balances	 <u>\$ 65,716</u>	 <u>\$ 56,743</u>
 District's covered employee payroll	 \$ 1,095,267	 \$ 945,717
 Total OPEB liability as a Percentage of Covered-employee Payroll	 6.00%	 6.00%

*GASB Statement No. 75 required ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.