

BERESFORD SCHOOL DISTRICT NO 61-2

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2018

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BERESFORD SCHOOL DISTRICT NO. 61-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2018

School Board

Deb Bergland

Clifton Carnes

Russell Johnson

Dan Erickson

Chris Savey

Business Manager

Jared Olson

Superintendent

Brian Field

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INDEPENDENT AUDITOR'S REPORT

School Board
Beresford School District No. 61-2
Union County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Beresford School District No. 61-2, Union County, South Dakota, as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

Management has elected not to record their long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net assets in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of not recording their long-term financial obligations and commitments related to OPEB as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Beresford School District No. 61-2 as of June 30, 2018, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Beresford School District No. 61-2 as of June 30, 2018, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Pension Schedules and the Management's Discussion and Analysis (MD&A), as 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 the 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 the 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 24, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants
Elk Point, SD

January 24, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Beresford School District 61-2's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Increased revenue from the half-cent sales tax increased instructional staff pay and benefits in FY17. Legislation relating to those accountabilities restricted local decisions on how those new funds should be budgeted/spent. Beresford School District met both accountabilities in FY17. No accountability in relation to teacher compensation for FY18, but accountability will return in FY19. In FY19, the average teacher compensation (wages + benefits) needs to meet or exceed the average established in FY17.
- The District has continued discussions relating to facilities and future programming needs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the District operates like businesses.
 - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the District 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. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1
Required Components of Beresford School's Annual Financial Statements

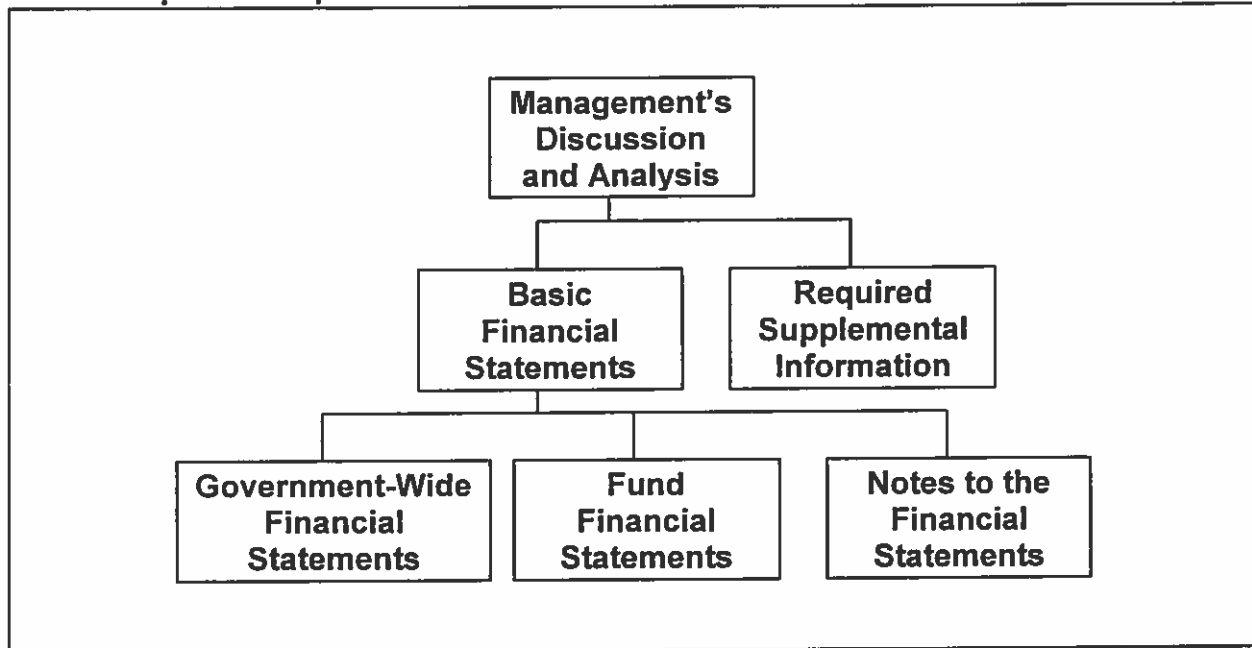


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (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.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flow	*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 expense during year, regardless of when cash is received or paid

Government-wide Statements

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

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

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District'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 District are reported in two categories:

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing hot lunch services to all students.

Fund Financial Statements

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

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between the fund financial statements and the government-wide statements.
- **Proprietary Funds** – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

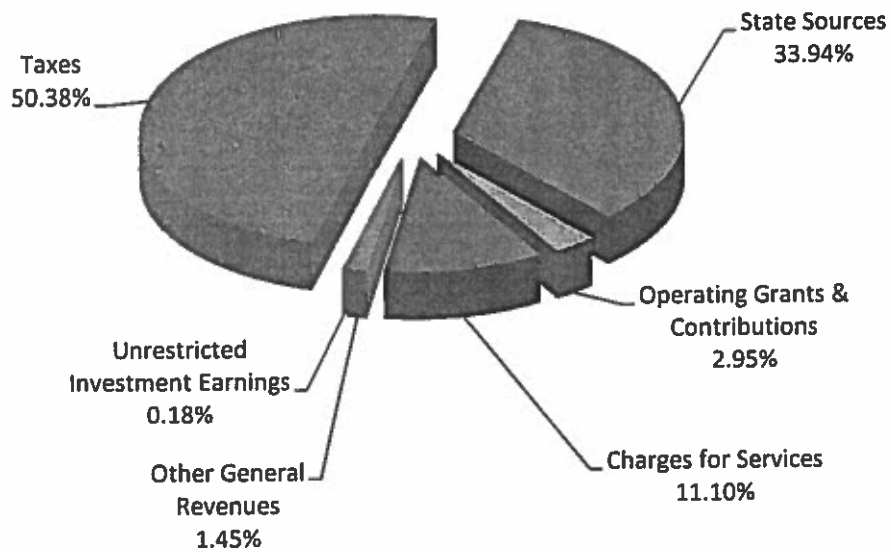
Statement of Net Position

TABLE A-1
BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF NET POSITION

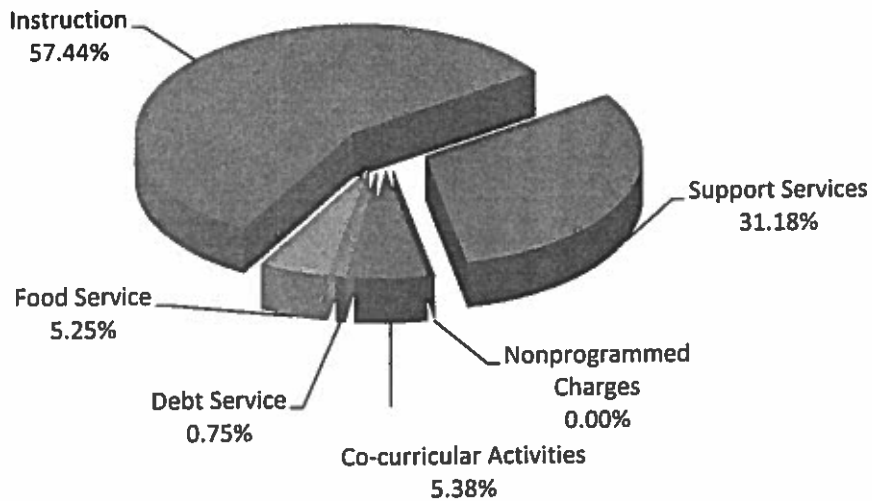
	Governmental Activities		Primary Government Business-Type Activities		Total	
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018
Current and Other Assets	\$ 3,872,563.95	\$ 4,130,834.30	\$ 126,110.73	\$ 146,102.15	\$ 3,998,674.68	\$ 4,276,936.45
Capital Assets	8,853,563.80	8,406,548.69	55,244.66	48,109.50	8,908,808.46	8,454,658.19
Total Assets	12,726,127.75	12,537,382.99	181,355.39	194,211.65	12,907,483.14	12,731,594.64
Pension Related Deferred Outflows	1,333,084.12	1,656,285.21			1,333,084.12	1,656,285.21
Long-Term Debt Outstanding	3,519,545.05	2,421,992.36			3,519,545.05	2,421,992.36
Other Liabilities	550,356.08	514,682.06	6,889.41	11,192.40	557,245.49	525,874.46
Total Liabilities	4,069,901.13	2,936,674.42	6,889.41	11,192.40	4,076,790.54	2,947,866.82
Taxes Levied for a Future Period	1,717,778.76	1,726,396.43			1,717,778.76	1,726,396.43
Pension Related Deferred Inflows	16,354.55	331,657.37			16,354.55	331,657.37
Total Deferred Inflows	1,734,133.31	2,058,053.80			1,734,133.31	2,058,053.80
Net Position:						
Net Investment in Capital Assets	6,028,563.80	6,106,548.69	55,244.66	48,109.50	6,083,808.46	6,154,658.19
Restricted	1,290,265.19	2,192,539.87			1,290,265.19	2,192,539.87
Unrestricted	936,348.44	899,851.42	119,221.32	134,909.75	1,055,569.76	1,034,761.17
Total Net Position	\$ 8,255,177.43	\$ 9,198,939.98	\$ 174,465.98	\$ 183,019.25	\$ 8,429,643.41	\$ 9,381,959.23
Increase (Decrease) in Net Position	72,163.83	943,762.55	(313.12)	8,553.27	71,850.71	952,315.82
Beginning Net Position	8,183,013.60	8,255,177.43	174,779.10	174,465.98	8,357,792.70	8,429,643.41
Ending Net Position	\$ 8,255,177.43	\$ 9,198,939.98	\$ 174,465.98	\$ 183,019.25	\$ 8,429,643.41	\$ 9,381,959.23
Percentage of Increase (Decrease) in Net Position	0.88%	11.43%	-0.18%	4.90%	0.86%	11.30%

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

**Figure A-3
Beresford School District
Sources of Revenues for FY2018**



**Figure A-4
Beresford School District
Functional Expenses for FY2018**



GOVERNMENTAL ACTIVITIES

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

TABLE A-2
BERESFORD SCHOOL DISTRICT NO. 61-2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018
Revenues						
Program Revenues						
Charges for Services	\$ 42,043.04	\$ 619,595.96	\$ 208,973.30	\$ 239,958.50	\$ 251,016.34	\$ 859,554.46
Operating Grants and Contributions	198,802.10	101,352.00	108,321.64	126,814.59	307,123.74	228,166.59
General Revenues						
Taxes	3,984,556.34	3,901,283.54			3,984,556.34	3,901,283.54
Revenue State Sources	2,579,985.14	2,626,792.73	1,422.70	1,079.91	2,581,407.84	2,627,872.64
Other General Revenue	101,609.50	112,242.10			101,609.50	112,242.10
Unrestricted Investment Earnings	11,939.69	12,565.28	1,181.04	1,302.55	13,120.73	13,867.83
Total Revenues	6,918,935.81	7,373,831.61	319,898.68	369,155.55	7,238,834.49	7,742,987.16
Expenses						
Instruction	4,298,726.80	3,898,609.47			4,298,726.80	3,898,609.47
Support Services	2,161,686.50	2,115,750.16			2,161,686.50	2,115,750.16
Debt Services	30,320.08	50,608.75			30,320.08	50,608.75
Cocurricular Activities	356,038.60	365,100.68			356,038.60	365,100.68
Other Enterprise			320,211.80	360,602.28	320,211.80	356,252.73
Total Expenses	6,846,771.98	6,430,069.06	320,211.80	360,602.28	7,166,983.78	6,786,321.79
Increase (Decrease) in Net Position	72,163.83	943,762.55	(313.12)	8,553.27	71,850.71	956,665.37
NET POSITION - ENDING	\$ 8,255,177.43	\$ 9,198,939.98	\$ 174,465.98	\$ 183,019.25	\$ 8,429,643.41	\$ 9,386,308.78

GOVERNMENTAL ACTIVITIES

Revenues for the governmental activities increased by 6.6% while expenses decreased by 6.1%. Most notable is the SDRS GASB 68 change of about \$570,000 as SDRS was underfunded in FY17 and overfunded in FY18. The capital outlay and special education funds had revenue dollars available that were held for a future year as well.

BUSINESS-TYPE ACTIVITIES

There was an increase in the Business-Type activities revenue and expenditures in FY18 compared to FY17. Prices were increased as required by the paid lunch equity program for FY18. Due to cash on hand limits new equipment was purchased and allowable expenses were moved to the food service fund.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The general fund balance decreased by \$38,250.54 in FY18 or about 0.8% of the general fund operating expenses. Conservative budgeting and efforts to be competitive with staff wages, along with allowable capital outlay transfer resulted in a budget where the District slightly deficit spent. Adequate reserves were available and the enrollment trend along with instructional staff accountability were all factors in deciding to utilize the available fund balance dollars.

The pension fund balance was increased because of local decisions made regarding legislation passed during the 2016 session. Looking ahead we realize our reliance on the Pension fund to cover a traditional general fund expenditure will be greatly diminished as our fund balance was nearly gone following FY15, and 2016 legislative changes to this fund will also impact operations in the general fund going forward.

The special education ending fund balance for FY17 of \$47,129.60 increased to \$161,218.45 at the end of FY18. Special education was also impacted by the 2017 legislative changes and the new funding formula. Disability categories were reviewed and additional funds were provided to assist with this fund. Student needs and staffing is an ongoing evaluation.

BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget a couple of 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 the district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There was a budget amendment to shift allowable expenses typically paid from the general fund to the capital outlay and pension funds. Overall, revenues were close to what was expected and expenditures were kept at a minimum.

CAPITAL ASSET ADMINISTRATION

Table A-3
BERESFORD SCHOOL DISTRICT 61-2 - Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-Type Activities		
	FY2017	FY2018	Increase/ (Decrease)	FY2017	FY2018	Increase/ (Decrease)
Land	\$ 45,585	\$ 45,585	\$	\$	\$	\$
Construction Work in Progress		56,631	56,631			
Buildings	4,986,730	4,807,883	(178,847)			
Improvements other than Building	3,519,959	3,181,239	(338,720)			
Machinery and Equipment	250,093	269,768	19,675	55,245	48,110	(7,135)
Library Books	51,197	45,443	(5,754)			
Total Capital Assets	<u>\$ 8,853,564</u>	<u>\$ 8,406,549</u>	<u>\$ (447,015)</u>	<u>\$ 55,245</u>	<u>\$ 48,110</u>	<u>\$ (7,135)</u>

LONG-TERM DEBT

At year-end the District had \$2,421,992.36 in capital outlay certificates and other long-term obligations. Most of this debt is from the HVAC/boiler work completed at both the Elem and the MS/HS campuses in the summers of 2014 and 2015. New CO certificates were issued in FY16 to fund part of the Shop/Restroom/Concession project and that debt will be retired in FY19.

Table A-4
BERESFORD SCHOOL DISTRICT 61-2
Outstanding Debt and Obligations

	Governmental Activities		Total % Change
	<u>FY2017</u>	<u>FY2018</u>	
SDRS Pension Liability	\$ 546,380.34	\$	100.00%
Capital Outlay Certificates	2,825,000.00	2,300,000.00	-18.58%
Capital Acquisition Lease	44,542.80	22,788.84	-48.84%
Compensated Absences	103,621.91	99,203.52	-4.26%
Total Long-Term Liabilities	<u>\$ 3,519,545.05</u>	<u>\$ 2,421,992.36</u>	
Net Increase (Decrease)			-31.18%

The School is liable for the accrued vacation leave payable to the superintendent. The School is also liable for ¼ of any unused sick leave to any employee who has worked for fifteen years or more for the School District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the general fund, one of the primary sources of revenue to the School was previously based on a per student allocation received from the State of South Dakota. This per-student allocation is based on student average daily membership (ADM). The state aid formula for FY16 ensured that property taxes plus state aid would equal \$4,876.76 per pupil. There was a new funding formula for FY17 based on a student to teacher ratio and that ratio will be on a sliding scale based on the number of students. The target average instructional staff salary for FY18 was \$48,645.50. The BSD worked to utilize the new dollars derived from the half-cent sales tax to be in compliance with the new legislation and boost instructional staff compensation. The District met its obligations in FY17 and will continue to monitor revenues/expenditures and compliance going forward.

Per Student Allocation

<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>
\$4,642.02	\$4,804.60	\$4,804.60	\$4,389.95	\$4,490.92	\$4,625.65	\$4,781.14	\$4,876.76

Target Average Salary

<u>FY2017</u>	<u>FY2018</u>						
\$48,500	\$48,645.50						

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Beresford School District's Business Office, 301 W Maple Street, Beresford, SD 57004.

BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 2,136,605.76	\$ 142,877.78	\$ 2,279,483.54
Taxes Receivable	1,818,179.32		1,818,179.32
Accounts Receivable		2,445.20	2,445.20
Due from Government	160,575.54		160,575.54
Inventories		779.17	779.17
Net Pension Asset	15,473.68		15,473.68
Capital Assets:			
Land and Construction in Progress	102,216.97		102,216.97
Other Capital Assets, Net of Depreciation	<u>8,304,331.72</u>	<u>48,109.50</u>	<u>8,352,441.22</u>
TOTAL ASSETS	<u>12,537,382.99</u>	<u>194,211.65</u>	<u>12,731,594.64</u>
 DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	<u>1,656,285.21</u>		<u>1,656,285.21</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,656,285.21</u>		<u>1,656,285.21</u>
 LIABILITIES :			
Accounts Payable	16,535.50	4,323.63	20,859.13
Contracts and Benefits Payable	498,146.56		498,146.56
Unearned Revenue		6,868.77	6,868.77
Noncurrent Liabilities:			
Due Within One Year	601,395.54		601,395.54
Due in More than One Year	<u>1,820,596.82</u>		<u>1,820,596.82</u>
TOTAL LIABILITIES	<u>2,936,674.42</u>	<u>11,192.40</u>	<u>2,947,866.82</u>
 DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	1,726,396.43		1,726,396.43
Pension Related Deferred Inflows	<u>331,657.37</u>		<u>331,657.37</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,058,053.80</u>		<u>2,058,053.80</u>
 NET POSITION:			
Net Investment in Capital Assets	6,106,548.69	48,109.50	6,154,658.19
Restricted for:			
Capital Outlay	548,862.79		548,862.79
Special Education	174,833.16		174,833.16
Pension	128,742.40		128,742.40
SDRS Pension Purposes	1,340,101.52		1,340,101.52
Unrestricted	<u>899,851.42</u>	<u>134,909.75</u>	<u>1,034,761.17</u>
TOTAL NET POSITION	<u>\$ 9,198,939.98</u>	<u>\$ 183,019.25</u>	<u>\$ 9,381,959.23</u>

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

BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>				
	<u>Program Revenues</u>		<u>Primary Government</u>		
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Expenses</u>					
Primary Government:					
Governmental Activities:					
Instruction	\$ 3,898,609.47	\$ 12,141.21	\$ 101,352.00	\$	\$ (3,785,116.26)
Support Services	2,115,750.16	570,694.22			(1,545,055.94)
*Interest on Long-term Debt	50,608.75				(50,608.75)
Cocurricular Activities	365,100.68	36,760.53			(328,340.15)
Total Governmental Activities	<u>6,430,069.06</u>	<u>619,595.96</u>	<u>101,352.00</u>	<u>(5,709,121.10)</u>	<u>(5,709,121.10)</u>
Business-type Activities:					
Food Service	340,064.98	218,034.52	126,814.59	4,784.13	4,784.13
Driver's Education	9,949.42	13,579.00		3,629.58	3,629.58
Computer Fees	10,587.88	8,344.98		(2,242.90)	(2,242.90)
Total Business-type Activities	<u>360,602.28</u>	<u>239,958.50</u>	<u>126,814.59</u>	<u>6,170.81</u>	<u>6,170.81</u>
Total Primary Government	<u>\$ 6,790,671.34</u>	<u>\$ 859,554.46</u>	<u>\$ 228,166.59</u>	<u>6,170.81</u>	<u>(5,702,950.29)</u>
*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.					
<u>General Revenues:</u>					
Taxes:					
Property Taxes			3,842,060.00		3,842,060.00
Utility Taxes			59,223.54		59,223.54
Revenue from State Sources:					
State Aid			2,626,792.73	1,079.91	2,627,872.64
Unrestricted Investment Earnings			12,565.28	1,302.55	13,867.83
Other General Revenues			112,242.10		112,242.10
Total General Revenues			<u>6,652,883.65</u>	<u>2,382.46</u>	<u>6,655,266.11</u>
Change in Net Position			943,762.55	8,553.27	952,315.82
Net Position - Beginning			8,255,177.43	174,465.98	8,429,643.41
NET POSITION - ENDING			<u>\$ 9,198,939.98</u>	<u>\$ 183,019.25</u>	<u>\$ 9,381,959.23</u>

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

BERESFORD SCHOOL DISTRICT NO. 61-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

ASSETS	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,238,082.02	\$ 544,810.74	\$ 226,571.94	\$ 127,141.06	\$ 2,136,605.76
Taxes Receivable--Current	786,798.16	619,758.32	319,839.95		1,726,396.43
Taxes Receivable--Delinquent	46,651.09	29,915.75	13,614.71	1,601.34	91,782.89
Due from Other Governments	160,575.54				160,575.54
TOTAL ASSETS	\$ 2,232,106.81	\$ 1,194,484.81	\$ 560,026.60	\$ 128,742.40	\$ 4,115,360.62
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 13,460.64	\$ 3,074.86	\$	\$	\$ 16,535.50
Contracts Payable	342,897.31		45,368.84		388,266.15
Payroll Deductions and Withholdings and Employer Matching Payable	89,895.76		19,984.65		109,880.41
Total Liabilities	446,253.71	3,074.86	65,353.49		514,682.06
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	786,798.16	619,758.32	319,839.95		1,726,396.43
Unavailable Revenue-Property Taxes	46,651.09	29,915.75	13,614.71	1,601.34	91,782.89
Total Deferred Inflows of Resources	833,449.25	649,674.07	333,454.66	1,601.34	1,818,179.32
Fund Balances:					
Restricted					
Capital Outlay		541,735.88			541,735.88
Special Education			161,218.45		161,218.45
Pension				127,141.06	127,141.06
Assigned - Next Year's Budget	27,194.00				27,194.00
Assigned - Unemployment	6,625.87				6,625.87
Unassigned	918,583.98				918,583.98
Total Fund Balances	952,403.85	541,735.88	161,218.45	127,141.06	1,782,499.24
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,232,106.81	\$ 1,194,484.81	\$ 560,026.60	\$ 128,742.40	\$ 4,115,360.62

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

**BERESFORD SCHOOL DISTRICT NO. 61-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balances - Governmental Funds	\$ 1,782,499.24
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of these assets is:

	\$ 15,355,968.33	
Less accumulated depreciation:	<u>(6,949,419.64)</u>	8,406,548.69

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Capital Outlay Certificates	(2,300,000.00)	
Capital (Financing) Leases	(22,788.84)	
Accrued Leave Payable	<u>(99,203.52)</u>	(2,421,992.36)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.

15,473.68

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

1,656,285.21

Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.

(331,657.37)

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

91,782.89

Net Position - Governmental Funds	<u>\$ 9,198,939.98</u>
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The notes to the financial statements are an integral part of this statement.

BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 1,709,912.86	\$ 1,381,629.00	\$ 710,845.52	\$	\$ 3,802,387.38
Prior Years' Ad Valorem Taxes	16,906.83	8,540.86	3,817.32	526.77	29,791.78
Utility Taxes	59,223.54				59,223.54
Penalties and Interest on Taxes	7,049.81	3,238.53	1,511.18	115.62	11,915.14
Earnings on Investments and Deposits	10,173.59	816.18	558.05	1,017.46	12,565.28
Cocurricular Activities:					
Admissions	31,831.88				31,831.88
Other Pupil Activity Income	4,928.65				4,928.65
Other Revenue from Local Sources:					
Contributions and Donations	20,000.00				20,000.00
Charges for Services	5,072.24		7,068.97		12,141.21
Other	17,647.53	1,746.00			19,393.53
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	71,271.57				71,271.57
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	2,476,606.79				2,476,606.79
Restricted Grants-in-Aid	1,943.94		148,242.00		150,185.94
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid Received from Federal Government Through State	101,352.00				101,352.00
Total Revenue	<u>4,533,921.23</u>	<u>1,395,970.57</u>	<u>872,043.04</u>	<u>1,659.85</u>	<u>6,803,594.69</u>

Expenditures:

Instruction:				
Regular Programs:				
Elementary	1,092,729.22	70,632.57		1,163,361.79
Middle/Junior High	433,215.12	51,081.08		484,296.20
High School	919,740.33	76,683.65		996,423.98
Special Programs:				
Gifted and Talented	275.26			275.26
Programs for Special Education			675,959.54	675,959.54
Programs for Educationally Deprived	77,860.81			77,860.81
Support Services:				
Pupils:				
Guidance	98,200.26			98,200.26
Health	46,382.88			46,382.88
Psychological			5,967.25	5,967.25
Speech Pathology			13,092.30	13,092.30
Student Therapy			60,402.26	60,402.26
Support Services - Instructional Staff:				
Improvement of Instruction	52,918.73		1,892.76	54,811.49
Educational Media	126,946.14			126,946.14
Support Services - General Administration:				
Board of Education	51,890.68			51,890.68
Executive Administration	171,666.03			171,666.03
Support Services - School Administration:				
Office of the Principal	372,802.50			372,802.50
Other	573.24			573.24
Support Services - Business:				
Fiscal Services	108,019.54	6,600.00		114,619.54
Operation and Maintenance of Plant	591,108.94	65,535.96		656,644.90
Pupil Transportation	243,721.80	500.00		244,221.80

BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Debt Services		597,362.71			597,362.71
Cocurricular Activities:					
Male Activities	58,146.32	6,543.53			64,689.85
Female Activities	45,685.79	5,502.28			51,188.07
Transportation	12,629.50				12,629.50
Combined Activities	178,243.68	6,336.81	640.08		185,220.57
Capital Outlay		205,794.82			205,794.82
Total Expenditures	<u>4,682,756.77</u>	<u>1,092,573.41</u>	<u>757,954.19</u>		<u>6,533,284.37</u>
Excess (Deficiency) of Revenues Over Expenditures	(148,835.54)	303,397.16	114,088.85	1,659.85	270,310.32
Other Financing Sources (Uses):					
Net Transfers In	110,000.00				110,000.00
Net Transfers Out		(110,000.00)			(110,000.00)
Sale of Surplus Property	585.00	992.00			1,577.00
Total Other Financing Sources (Uses)	<u>110,585.00</u>	<u>(109,008.00)</u>			<u>1,577.00</u>
Net Change in Fund Balances	(38,250.54)	194,389.16	114,088.85	1,659.85	271,887.32
Beginning Fund Balance	<u>990,654.39</u>	<u>347,346.72</u>	<u>47,129.60</u>	<u>125,481.21</u>	<u>1,510,611.92</u>
FUND BALANCE	<u>\$ 952,403.85</u>	<u>\$ 541,735.88</u>	<u>\$ 161,218.45</u>	<u>\$ 127,141.06</u>	<u>\$ 1,782,499.24</u>

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

BERESFORD SCHOOL DISTRICT NO. 61-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 271,887.32

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeds capital outlays by this amount.

Capital Outlay	\$ 205,794.82	
Depreciation Expense	<u>(652,809.93)</u>	(447,015.11)

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

Accrued Compensation	4,418.39
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Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

546,753.96

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

569,752.29

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year.

(2,034.30)

Change in Net Position of Governmental Activities	<u>\$ 943,762.55</u>
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The notes to the financial statements are an integral part of this statement.

BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	\$ 137,720.16	\$ 5,157.62	\$ 142,877.78
Account Receivable	2,445.20		2,445.20
Inventory of Donated Food	779.17		779.17
Total Current Assets	<u>140,944.53</u>	<u>5,157.62</u>	<u>146,102.15</u>
Capital Assets:			
Machinery and Equipment	172,529.26		172,529.26
Less: Accumulated Depreciation	<u>(124,419.76)</u>		<u>(124,419.76)</u>
Total Noncurrent Assets	<u>48,109.50</u>		<u>48,109.50</u>
TOTAL ASSETS	<u>189,054.03</u>	<u>5,157.62</u>	<u>194,211.65</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	4,323.63		4,323.63
Deposits Payable	<u>6,868.77</u>		<u>6,868.77</u>
Total Current Liabilities	<u>11,192.40</u>		<u>11,192.40</u>
NET POSITION:			
Net Investment in Capital Assets	48,109.50		48,109.50
Unrestricted Net Position	<u>129,752.13</u>	<u>5,157.62</u>	<u>134,909.75</u>
TOTAL NET POSITION	<u>\$ 177,861.63</u>	<u>\$ 5,157.62</u>	<u>\$ 183,019.25</u>

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

BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue:			
Sales:			
To Pupils	\$ 161,766.72	\$	\$ 161,766.72
To Adults	7,283.60		7,283.60
A La Carte	48,984.20		48,984.20
Other Charges for Goods & Services		21,923.98	21,923.98
Total Operating Revenue	<u>218,034.52</u>	<u>21,923.98</u>	<u>239,958.50</u>
Operating Expenses:			
Salaries	21,911.97	8,632.20	30,544.17
Employee Benefits	2,702.35	1,178.29	3,880.64
Purchased Services	264,258.71		264,258.71
Supplies	1,650.56	10,726.81	12,377.37
Cost of Sales-Donated Food	35,721.03		35,721.03
Depreciation-Local Funds	13,820.36		13,820.36
Total Operating Expenses	<u>340,064.98</u>	<u>20,537.30</u>	<u>360,602.28</u>
Operating Income (Loss)	(122,030.46)	1,386.68	(120,643.78)
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	1,285.68	16.87	1,302.55
State Sources:			
State Reimbursements	1,079.91		1,079.91
Federal Sources:			
Cash Reimbursements	95,333.77		95,333.77
Donated Food	31,480.82		31,480.82
Total Nonoperating Revenue (Expense)	<u>129,180.18</u>	<u>16.87</u>	<u>129,197.05</u>
Change in Net Position	7,149.72	1,403.55	8,553.27
Net Position - Beginning	<u>170,711.91</u>	<u>3,754.07</u>	<u>174,465.98</u>
NET POSITION - ENDING	<u>\$ 177,861.63</u>	<u>\$ 5,157.62</u>	<u>\$ 183,019.25</u>

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

BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 218,689.51	\$ 21,923.98	\$ 240,613.49
Payments to Suppliers	(262,117.22)	(10,726.81)	(272,844.03)
Payments to Employees	(24,614.32)	(9,810.49)	(34,424.81)
Net Cash Provided (Used) by Operating Activities	(68,042.03)	1,386.68	(66,655.35)
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	96,413.68		96,413.68
Net Cash Provided (Used) by Noncapital Financing Activities	96,413.68		96,413.68
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(6,685.20)		(6,685.20)
Cash Flows from Investing Activities			
Investment Earnings	1,285.68	16.87	1,302.55
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 22,972.13	\$ 1,403.55	24,375.68
Cash and Cash Equivalents at Beginning of Year	\$ 114,748.03	\$ 3,754.07	\$ 118,502.10
Cash and Cash Equivalents at End of Year	137,720.16	5,157.62	142,877.78
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 22,972.13	\$ 1,403.55	\$ 24,375.68
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (122,030.46)	\$ 1,386.68	\$ (120,643.78)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	13,820.36		13,820.36
Value of Commodities Used	35,721.03		35,721.03
Change in Assets and Liabilities:			
Receivables	144.05		144.05
Accounts Payable	3,792.05		3,792.05
Deposits Payable	510.94		510.94
Net Cash Provided (Used) by Operating Activities	\$ (68,042.03)	\$ 1,386.68	\$ (66,655.35)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 31,480.82		

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

BERESFORD SCHOOL DISTRICT NO. 61-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 165,570.01
Accounts Receivable	<u>1,188.64</u>
TOTAL ASSETS	<u>166,758.65</u>
LIABILITIES:	
Accounts Payable	
Amounts Held for Others	<u>166,758.65</u>
Total Liabilities	<u>\$ 166,758.65</u>

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

BERESFORD SCHOOL DISTRICT NO. 61-2
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Beresford School District No. 61-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on 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 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 Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds, and fiduciary-type component units. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a, above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a, above.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are

specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or 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 School District or it meets the following criteria:

1. Total assets, liabilities, deferred inflows and outflows, 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, deferred inflows and outflows, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

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

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

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

Proprietary Funds:

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

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

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

Other Enterprise Fund - A fund used to record financial transactions related to drivers' education instruction and iPad fees conducted for the benefit of the children. The fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Agency Funds - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Beresford School District No. 61-2, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2018 are accounts receivable from various sources.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

Government-Wide Financial Statements

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

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

The total June 30, 2018 balance of capital assets for governmental activities includes approximately 1.08% for which the costs were determined by estimates of original costs. The total June 30, 2018 balance of capital assets for business-type activities are valued at original cost. These estimated original costs were established by prior records at cost or historical costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	ALL	NA	NA
Improvements	\$ 10,000.00	Straight Line	10-50 yrs
Buildings	50,000.00	Straight Line	50 yrs
Machinery and Equipment	5,000.00	Straight Line	2-20 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	12 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

f. Long-Term Liabilities:

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

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

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

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 non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

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

j. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is 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.

l. Deferred Inflows and Deferred Outflows of Resources:

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

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

m. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the 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.

A schedule of fund balances is provided as follows:

BERESFORD SCHOOL DISTRICT NO. 61-2
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital	Special	Pension	Total
	Fund	Outlay	Education	Fund	Governmental
Fund Balance:	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<i>Restricted for:</i>					
Capital Outlay	\$	\$ 541,735.88	\$	\$	\$ 541,735.88
Special Education			161,218.45		161,218.45
Pension				127,141.06	127,141.06
<i>Assigned for:</i>					
Unemployment	6,625.87				6,625.87
Next Year's Budget	27,194.00				27,194.00
<i>Unassigned:</i>	<u>918,583.98</u>				<u>918,583.98</u>
Total Fund Balances	<u>\$ 952,403.85</u>	<u>\$ 541,735.88</u>	<u>\$ 161,218.45</u>	<u>\$ 127,141.06</u>	<u>\$ 1,782,499.24</u>

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.

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

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

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

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

subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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.

As of June 30, 2018, the School District had the following investment:

<u>External Investment Pool</u>	<u>Credit Rating</u>	<u>Fair Value</u>
South Dakota Public Funds Investment- Trust	Unrated	\$ 440,883.48

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the General Fund except for the Food Service Fund which retains its investment income. USGAAP, 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.

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

NOTE 4 - INVENTORY

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2018 in the governmental funds.

NOTE 5 - PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

Primary Government	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Governmental Activities:				
Capital Asset, not depreciated:				
Land	\$ 45,585.36	\$	\$	\$ 45,585.36
Construction Work in Progress		56,631.61		56,631.61
Total	<u>45,585.36</u>	<u>56,631.61</u>		<u>102,216.97</u>
Capital Assets, depreciated:				
Buildings	8,713,367.88			8,713,367.88
Improvements	5,328,673.03	56,988.27		5,385,661.30
Library Books	170,292.25	1,710.00	7,098.00	164,904.25
Machinery and Equipment	958,624.99	90,464.94	59,272.00	989,817.93
Totals	<u>15,170,958.15</u>	<u>149,163.21</u>	<u>66,370.00</u>	<u>15,253,751.36</u>
Less Accumulated Depreciation:				
Buildings	3,726,637.83	178,847.48		3,905,485.31
Improvements	1,808,714.57	395,707.59		2,204,422.16
Library Books	119,095.54	7,464.42	7,098.00	119,461.96
Machinery and Equipment	708,531.77	70,790.44	59,272.00	720,050.21
Total Accumulated Depreciation	<u>6,362,979.71</u>	<u>652,809.93</u>	<u>66,370.00</u>	<u>6,949,419.64</u>
Total Capital Assets, being depreciated, net	<u>8,807,978.44</u>	<u>(503,646.72)</u>		<u>8,304,331.72</u>
Governmental activities capital assets, net	<u>\$ 8,853,563.80</u>	<u>\$ (447,015.11)</u>	<u>\$</u>	<u>\$ 8,406,548.69</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 499,489.96
Support Services	101,947.28
Cocurricular	51,372.69
Total Depreciation Expense - Governmental Activities	<u>\$ 652,809.93</u>

	Balance 06/30/17	Increases	Decreases	Balance 06/30/18
Business Type Activities:				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 165,844.06	\$ 6,685.20	\$	\$ 172,529.26
Less Accumulated Depreciation:				
Machinery and Equipment	<u>110,599.40</u>	<u>13,820.36</u>		<u>124,419.76</u>
Business-type activity capital assets, net	<u>\$ 55,244.66</u>	<u>\$ (7,135.16)</u>	<u>\$</u>	<u>\$ 48,109.50</u>

Depreciation expense was charged to functions as follows:

Business-type Activity	
Total Depreciation expense-business-type activities	<u>\$ 13,820.36</u>

Construction Work in Progress at June 30, 2018 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended through 6/30/18</u>	<u>Committed</u>
Shop Addition & Stadium Concession Project	<u>\$ 75,086.80</u>	<u>\$ 56,631.61</u>	<u>\$ 18,455.19</u>

NOTE 7 - LONG -TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2018 is as follows:

Primary Government	Beginning Balance 06/30/17	Additions	Retired	Ending Balance 06/30/17	Due Within One Year
Governmental Activities:					
Capital Outlay Certificates	\$ 2,825,000.00	\$	\$ 525,000.00	\$ 2,300,000.00	\$ 535,000.00
Capital Acquisition Leases	44,542.80		21,753.96	22,788.84	21,753.96
SDRS Pension Liability	546,380.34		546,380.34		
Accrued Compensated Absences-Governmental	<u>103,621.91</u>	<u>48,963.53</u>	<u>53,381.92</u>	<u>99,203.52</u>	<u>44,641.58</u>
Total Governmental Activities	<u>\$ 3,519,545.05</u>	<u>\$ 48,963.53</u>	<u>\$ 1,146,516.22</u>	<u>\$ 2,421,992.36</u>	<u>\$ 601,395.54</u>

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

Liabilities payable at June 30, 2018 are comprised of the following:

Primary Government

Governmental Activities:

Capital Outlay Certificates Payable:

Certificates dated April 24, 2012 interest of 0.50
to 0.65% payable annually, original maturity July 2014.

Payments are made from the Capital Outlay Fund. \$ 2,040,000.00

Certificates dated July 15, 2015 interest of 0.950
to 1.100% payable annually, original maturity July 2018.

Payments are made from the Capital Outlay Fund. 260,000.00

Capital (Financing) Lease:

Capital acquisition lease dated July 14, 2015 for the purchase of
Copiers, monthly payments of \$1,763.55, with final maturity
in August, 2019. Payments are made from the Capital Outlay Fund

21,162.60

Capital acquisition lease dated March 29, 2016 for the purchase of
Postage Meter, monthly payments of \$49.28, with final maturity
in April, 2121. Payments are made from the Capital Outlay Fund

1,626.24

Compensated Absences:

Vested annual leave and vested sick leave
liability to be paid from the General and Special Education Fund.

99,203.52

The purchase price at the commencement of the financing (capital acquisition) leases was:

	<u>Copier Capital</u>	<u>Postage Meter</u>
	<u>Lease</u>	<u>Lease</u>
Principal	\$ 84,650.40	\$ 2,956.80
Interest		
Total	<u>\$ 84,650.40</u>	<u>\$ 2,956.80</u>

The annual debt service requirements to maturity for all debt outstanding, other than compensated absences, as of June 30, 2018 are as follows:

Year	Capital Outlay		Financing	Totals	
Ending	Certificates		(Capital		
June 30,			Acquisition)		
	Principal	Interest	Leases	Principal	Interest
2019	\$ 535,000.00	\$ 45,227.50	\$ 21,753.96	\$ 556,753.96	\$ 45,227.50
2020	280,000.00	38,410.00	591.36	280,591.36	38,410.00
2021	285,000.00	33,532.50	443.52	285,443.52	33,532.50
2022	290,000.00	27,635.00		290,000.00	27,635.00
2023	295,000.00	20,757.50		295,000.00	20,757.50
2024-28	615,000.00	17,370.00		615,000.00	17,370.00
	<u>\$ 2,300,000.00</u>	<u>\$ 182,932.50</u>	<u>\$ 22,788.84</u>	<u>\$ 2,322,788.84</u>	<u>\$ 182,932.50</u>

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 were as follows:

<u>Transfer From:</u>	<u>Transfers to:</u>	
	<u>General Fund</u>	<u>Totals</u>
Capital Outlay Fund	<u>\$ 110,000.00</u>	<u>\$ 110,000.00</u>
	<u>\$ 110,000.00</u>	<u>\$ 110,000.00</u>

A transfer was made to the General Fund from Capital Outlay to cover insurance, utility, and fuel expenses.

NOTE 9 – RESTRICTED NET POSITION

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

<u>Major Purposes:</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 548,862.79
Special Education Purposes	Law	174,833.16
Pension Purposes	Law	128,742.40
SDRS Pension Purposes	Law	1,340,101.52
TOTAL		<u>\$ 2,192,539.87</u>

NOTE 10 – PENSION PLAN

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same

manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

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

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.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2018, 2017, and 2016 were \$207,861.48, \$184,542.27, and \$176,664.51, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 19,838,415.58
Less proportionate share of net pension restricted for pension benefits	<u>19,853,889.26</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (15,473.68)</u></u>

At June 30, 2018, the School District reported a liability (asset) of \$(15,473.68) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June

30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the School District's proportion was 0.17050690%, which is an increase (decrease) of 0.0087555% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense (reduction of expense) of \$(569,752.29). At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 247,930.85	\$
Changes in assumption	1,201,434.81	
Net difference between projected and actual earnings on pension plan investments		297,496.80
Changes in proportion and difference between School District contributions and proportionate share of contributions		34,160.57
District contributions subsequent to the measurement date	206,919.55	
TOTAL	<u>\$ 1,656,285.21</u>	<u>\$ 331,657.37</u>

\$206,919.55 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 (asset) in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2019	\$ 312,418.29
2020	524,480.81
2021	385,624.00
2022	(70,654.22)
TOTAL	<u>\$ 1,151,868.88</u>

Actuarial Assumptions:

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.7%
Total	<u>100.0%</u>	

Discount Rate:

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the School's proportionate share of the net pension liability (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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 2,834,001.24	\$ (15,473.68)	\$ (2,335,872.91)

Pension Plan Fiduciary Net Position:

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

NOTE 11 - JOINT VENTURES

The School District participates in the Southeast Area Cooperative, a cooperative service unit (co-op) formed for the purpose of providing public support services to the member school districts.

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

Alcester-Hudson	8.90%
Beresford	19.50%
Canton	25.20%
Elk Point-Jefferson	19.90%
Gayville-Volin	8.10%
Irene-Wakonda	8.50%
Viborg-Hurley	9.90%

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and for setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the net position of the co-op, but does have 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 Southeast Area Cooperative.

At June 30, 2018, this joint venture has total assets of \$660,811.15, total deferred outflows of resources \$541,203.05, total liabilities of \$185,564.87, total deferred inflows of resources \$96,370.30 and net position of \$920,079.03.

NOTE 12 - RISK MANAGEMENT

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

Employee Health Insurance

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

Liability Insurance

The school district purchases liability insurance for risks related to torts; theft of, 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 during the past three years.

Worker's Compensation

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

Unemployment Benefits

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

The school district has Assigned Fund Balance in the General Fund in the amount of \$6,625.87 for the payment of future unemployment benefits.

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

NOTE 13 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2018, the school district was not involved in any litigation.

**REQUIRED SUPPLEMENTARY INFORMATION
BERESFORD SCHOOL DISTRICT NO. 61-2
BUDGETARY COMPARISON SCHEDULE- BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,763,928.00	\$ 1,763,928.00	\$ 1,709,912.86	\$ (54,015.14)
Prior Years' Ad Valorem Taxes	23,000.00	23,000.00	16,906.83	(6,093.17)
Utility Taxes	45,000.00	45,000.00	59,223.54	14,223.54
Penalties and Interest on Taxes	7,000.00	7,000.00	7,049.81	49.81
Earnings on Investments and Deposits	9,000.00	9,000.00	10,173.59	1,173.59
Cocurricular Activities:				
Admissions	28,900.00	28,900.00	31,831.88	2,931.88
Other Pupil Activity Income	3,700.00	3,700.00	4,928.65	1,228.65
Other Revenue from Local Sources:				
Rentals	300.00	300.00		(300.00)
Contributions and Donations	26,358.00	26,358.00	20,000.00	(6,358.00)
Charges for Services	4,000.00	4,000.00	5,072.24	1,072.24
Other	13,500.00	13,500.00	17,647.53	4,147.53
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	65,000.00	65,000.00	71,271.57	6,271.57
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	2,336,859.00	2,419,744.00	2,476,606.79	56,862.79
Restricted Grants-in-Aid	19,402.00	21,402.00	1,943.94	(19,458.06)
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through the State	100,747.00	130,747.00	101,352.00	(29,395.00)
Total Revenue	4,446,694.00	4,561,579.00	4,533,921.23	(27,657.77)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	1,112,354.70	1,118,354.70	1,092,729.22	25,625.48
Middle/Junior High	455,298.00	461,298.00	433,215.12	28,082.88
High School	939,988.00	977,988.00	919,740.33	58,247.67
Other Regular Programs	1,500.00	1,500.00		1,500.00
Special Programs:				
Gifted and Talented	28,450.00	28,450.00	275.26	28,174.74
Educationally Deprived	74,884.00	74,884.00	77,860.81	(2,976.81)

REQUIRED SUPPLEMENTARY INFORMATION
BERESFORD SCHOOL DISTRICT NO. 61-2
BUDGETARY COMPARISON SCHEDULE- BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Support Services:				
Pupils:				
Guidance	99,090.00	104,090.00	98,200.26	5,889.74
Health	42,609.67	56,609.67	46,382.88	10,226.79
Support Services - Instructional Staff:				
Improvement of Instruction	65,658.00	65,658.00	52,918.73	12,739.27
Educational Media	127,052.46	132,052.46	126,946.14	5,106.32
Support Services - General Administration:				
Board of Education	43,500.00	43,500.00	51,890.68	(8,390.68)
Executive Administration	171,299.35	176,299.35	171,666.03	4,633.32
Support Services - School Administration:				
Office of the Principal	375,219.61	390,219.61	372,802.50	17,417.11
Other	500.00	500.00	573.24	(73.24)
Support Services - Business:				
Fiscal Services	107,495.40	117,380.40	108,019.54	9,360.86
Operation and Maintenance of Plant	558,285.41	564,285.41	591,108.94	(26,823.53)
Pupil Transportation	229,218.53	234,218.53	243,721.80	(9,503.27)
Cocurricular Activities:				
Male Activities	63,256.00	63,256.00	58,146.32	5,109.68
Female Activities	47,060.28	47,060.28	45,685.79	1,374.49
Transportation	12,774.50	12,774.50	12,629.50	145.00
Combined Activities	175,610.35	175,610.35	178,243.68	(2,633.33)
Total Expenditures	<u>4,731,104.26</u>	<u>4,845,989.26</u>	<u>4,682,756.77</u>	<u>163,232.49</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(284,410.26)</u>	<u>(284,410.26)</u>	<u>(148,835.54)</u>	<u>135,574.72</u>
Other Financing Sources:				
Transfers In	200,000.00	200,000.00	110,000.00	(90,000.00)
Sale of Surplus Property			585.00	585.00
Total Other Financing Sources (Uses)	<u>200,000.00</u>	<u>200,000.00</u>	<u>110,585.00</u>	<u>(89,415.00)</u>
Net Change in Fund Balances	<u>(84,410.26)</u>	<u>(84,410.26)</u>	<u>(38,250.54)</u>	<u>46,159.72</u>
Fund Balance - July 1, 2017	<u>990,654.39</u>	<u>990,654.39</u>	<u>990,654.39</u>	
FUND BALANCE - JUNE 30, 2018	<u>\$ 906,244.13</u>	<u>\$ 906,244.13</u>	<u>\$ 952,403.85</u>	<u>\$ 46,159.72</u>

**REQUIRED SUPPLEMENTARY INFORMATION
BERESFORD SCHOOL DISTRICT NO. 61-2
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,369,576.00	\$ 1,369,576.00	\$ 1,381,629.00	\$ 12,053.00
Prior Years' Ad Valorem Taxes	10,000.00	10,000.00	8,540.86	(1,459.14)
Penalties and Interest on Taxes	4,000.00	4,000.00	3,238.53	(761.47)
Earnings on Investments and Deposits	800.00	800.00	816.18	16.18
Other			1,746.00	1,746.00
Total Revenue	<u>1,384,376.00</u>	<u>1,384,376.00</u>	<u>1,395,970.57</u>	<u>11,594.57</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	107,500.00	107,500.00	70,632.57	36,867.43
Middle/Junior High	60,000.00	60,000.00	51,081.08	8,918.92
High School	90,000.00	90,000.00	76,969.21	13,030.79
Support Services - Instructional Staff:				
Educational Media	6,000.00	6,000.00	1,424.44	4,575.56
Support Services - Business:				
Fiscal Services	6,600.00	6,600.00	6,600.00	
Operation and Maintenance of Plant	137,681.00	267,681.00	222,320.78	45,360.22
Pupil Transportation	47,300.00	47,300.00	47,800.00	(500.00)
Debt Services	602,508.75	602,508.75	597,362.71	5,146.04
Cocurricular Activities:				
Male Activities	7,000.00	7,000.00	6,543.53	456.47
Female Activities	7,000.00	7,000.00	5,502.28	1,497.72
Combined Activities	7,000.00	7,000.00	6,336.81	663.19
Total Expenditures	<u>1,078,589.75</u>	<u>1,208,589.75</u>	<u>1,092,573.41</u>	<u>116,016.34</u>
Excess of Revenues over Expenditures	305,786.25	175,786.25	303,397.16	127,610.91
Other Financing Sources (Uses)				
Transfers (Out)	(200,000.00)	(200,000.00)	(110,000.00)	90,000.00
Sale of Surplus Property			992.00	992.00
Total Other Financing Sources	<u>(200,000.00)</u>	<u>(200,000.00)</u>	<u>(109,008.00)</u>	<u>90,992.00</u>
Net Change in Fund Balance	105,786.25	(24,213.75)	194,389.16	218,602.91
Fund Balance - July 1, 2017	<u>347,346.72</u>	<u>347,346.72</u>	<u>347,346.72</u>	
FUND BALANCE - JUNE 30, 2018	<u>\$ 453,132.97</u>	<u>\$ 323,132.97</u>	<u>\$ 541,735.88</u>	<u>\$ 218,602.91</u>

**REQUIRED SUPPLEMENTARY INFORMATION
BERESFORD SCHOOL DISTRICT NO. 61-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 651,728.00	\$ 651,728.00	\$ 710,845.52	\$ 59,117.52
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	3,817.32	(182.68)
Penalties and Interest on Taxes	1,600.00	1,600.00	1,511.18	(88.82)
Earnings on Investments and Deposits	200.00	200.00	558.05	358.05
Other Revenue from Local Sources:				
Charges for Services	4,300.00	4,300.00	7,068.97	2,768.97
Revenue from State Sources:				
Restricted Grants-in-Aid	<u>113,513.00</u>	<u>113,513.00</u>	<u>148,242.00</u>	<u>34,729.00</u>
Total Revenue	<u>775,341.00</u>	<u>775,341.00</u>	<u>872,043.04</u>	<u>96,702.04</u>
Expenditures:				
Special Programs:				
Programs for Special Education	697,512.00	697,512.00	675,959.54	21,552.46
Support Services-Pupils:				
Psychological	6,000.00	6,000.00	5,967.25	32.75
Speech Pathology	12,500.00	12,500.00	13,092.30	(592.30)
Student Therapy Services	59,200.00	59,200.00	60,402.26	(1,202.26)
Support Services - Instructional Staff:				
Improvement of Instruction	3,300.00	3,300.00	1,892.76	1,407.24
Support Services - Special Education:				
Other Special Education Costs			<u>640.08</u>	<u>(640.08)</u>
Total Expenditures	<u>778,512.00</u>	<u>778,512.00</u>	<u>757,954.19</u>	<u>20,557.81</u>
Net Change in Fund Balance	(3,171.00)	(3,171.00)	114,088.85	117,259.85
Fund Balance - July 1, 2017	<u>47,129.60</u>	<u>47,129.60</u>	<u>47,129.60</u>	
FUND BALANCE - JUNE 30, 2018	<u>\$ 43,958.60</u>	<u>\$ 43,958.60</u>	<u>\$ 161,218.45</u>	<u>\$ 117,259.85</u>

**REQUIRED SUPPLEMENTARY INFORMATION
BERESFORD SCHOOL DISTRICT NO. 61-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	\$ 200.00	\$ 200.00	\$ 526.77	\$ 326.77
Penalties and Interest on Taxes	100.00	100.00	115.62	15.62
Earnings on Investments and Deposits	<u>700.00</u>	<u>700.00</u>	<u>1,017.46</u>	<u>317.46</u>
Total Revenue	<u>1,000.00</u>	<u>1,000.00</u>	<u>1,659.85</u>	<u>659.85</u>
 Net Change in Fund Balance	 1,000.00	 1,000.00	 1,659.85	 659.85
 Fund Balance - July 1, 2017	 <u>125,481.21</u>	 <u>125,481.21</u>	 <u>125,481.21</u>	 <u></u>
FUND BALANCE - JUNE 30, 2018	<u>\$ 126,481.21</u>	<u>\$ 126,481.21</u>	<u>\$ 127,141.06</u>	<u>\$ 659.85</u>

Schedule of Required Supplementary Information
BERESFORD SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET)
South Dakota Retirement System

	2015	2016	2017	2018
District's proportion of the net pension liability (asset)	0.1549141%	0.1612746%	0.1617514%	0.1705069%
District's proportionate share of net pension liability (asset)	\$ (1,116,093)	\$ (684,012)	\$ 546,380	\$ (15,474)
District's covered-employee payroll	\$ 2,709,010	\$ 2,944,399	\$ 3,075,700	\$ 3,464,355
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.20%	23.23%	17.76%	0.45%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.29%	104.10%	96.89%	100.10%

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

Schedule of Required Supplementary Information

BERESFORD SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

	2014	2015	2016	2017	2018
Contractually required contribution	<u>\$ 162,541</u>	<u>\$ 176,665</u>	<u>\$ 184,542</u>	<u>\$ 207,861</u>	<u>\$ 206,920</u>
Contributions in relation to the contractually required contribution	<u>\$ 162,541</u>	<u>\$ 176,665</u>	<u>\$ 184,542</u>	<u>\$ 207,861</u>	<u>\$ 206,920</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
District's covered-employee payroll	\$2,709,010	\$2,944,399	\$3,075,700	\$3,464,355	\$3,448,658
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

BERESFORD SCHOOL DISTRICT NO. 61-2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGET AND BUDGETARY ACCOUNTING

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

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

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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
Beresford School District No. 61-2
Union 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 Beresford School District No. 61-2, Union County, South Dakota, as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise Beresford School District's basic financial statements and have issued our report thereon dated January 24, 2019, which was qualified because long-term financial obligations and commitments related to other postemployment benefits was not recorded.

Internal Control Over Financial Reporting

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

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

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

consider to be significant deficiencies. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2018-001 to be a significant deficiency.

School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Beresford 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.



Quam, Berglin & Post, P.C.
Certified Public Accountants
Elk Point, SD

January 24, 2019

BERESFORD SCHOOL DISTRICT NO. 61-2
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2018

PRIOR AUDIT FINDINGS:

Audit Finding Number 2017-001:

A material weakness was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is restated as a significant deficiency under current audit finding number 2018-001.

CURRENT AUDIT FINDING:

Internal Control-Related Findings-Significant Deficiency:

Audit Finding Number 2018-001:

There is a significant deficiency resulting from lack of segregation of duties for revenues.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to the revenues, expenditures, and payroll. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

We recommend that Beresford School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls whenever and wherever, practical.

Corrective Action Plan:

Jared Olson, Business Manager for Beresford School District, is the contact person responsible for the corrective action plan for this comment. The Board of Education is aware of this problem, which is a result of the size of the entity and precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Board of Education has prepared a response as shown on the next page.



"Together We Aspire, Act, and Achieve"

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CORRECTIVE PLAN OF ACTION

June 30, 2018

Beresford School District No. 61-2 has considered the lack of segregation of duties for revenues. At this time it is not cost effective for Beresford School District to hire the additional staff needed to achieve segregation of duties. Alternative procedures have been implemented by Beresford School District to decrease the likelihood that financial data is adversely affected.

The Beresford School District's Board will continue to monitor the necessity to have segregation of duties and implement such a segregation as budget dollars and board authority allow.

Business Manager

Jared Olson

Superintendent

Brian Field

Superintendent – BRIAN FIELD (763-4293) ~ Business Manager – JARED OLSON (763-4293)
K-5 Principal - KEVIN NELSON (763-5012) ~ 6-12 Principal – DUSTIN DEGEN (763-2145)
Asst. Principal/Activities Director – GEOFF GROSS (763-4291)
Board of Education – President DEB BERGLAND ~ Vice-President CHRIS SAVEY
DAN ERICKSON ~ ASHLEY SHARPE ~ RUSSELL JOHNSON