

***OELRICHS SCHOOL DISTRICT NO. 23-3
FINANCIALS STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2018***

*OELRICHS SCHOOL DISTRICT NO. 23-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2018*

Board Members:

**Dave Osmotherly – President
Vince Logue
Dennis Quivey
Jennifer Her Many Horses
Lance Tlusto**

Superintendent:

Dr. Mitchell Stone

Business Manager:

Valerie Sword

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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***

To the School Board
Oelrichs School District No. 23-3
Oelrichs, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oelrichs School District No. 23-3, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Oelrichs School District No 23-3's basic financial statements and have issued our report thereon dated July 10, 2019

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oelrichs School District No. 23-3'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 Oelrichs School District No. 23-3's internal control. Accordingly, we do not express an opinion on the effectiveness of Oelrichs School District No. 23-3's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies may exist that were not identified. We did identify any deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we that we consider to be a material weaknesses; see finding 2018-001, and 2018-002.

Mitchell ■ 605.996.7717
Sioux Falls ■ 605.271.1302
Chamberlain ■ 605.234.6055
Huron ■ 605.352.8573
Miller ■ 605.853.2130

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oelrichs School District No. 23-3's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The School District's response(s) to the findings identified in our audit are described (in the accompanying Schedule of Current Audit Findings and Questioned Costs in the accompanying Schedule of Current Audit Findings

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 Oelrichs School District's No 23-3's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oelrichs School District No 23-3'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.



Chamberlain, South Dakota
July 10, 2019



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

**To the School Board
Oelrichs School District No. 23-3
Oelrichs, South Dakota**

Report on Compliance for Each Major Federal Program

We have audited Oelrichs School District No. 23-3's, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Oelrichs School District's major federal programs for the year ended June 30, 2018. Oelrichs School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Mitchell ■ 605.996.7717
Sioux Falls ■ 605.271.1302
Chamberlain ■ 605.234.6055
Huron ■ 605.352.8573
Miller ■ 605.853.2130

Opinion on Each Major Federal Program

In our opinion, Olerichs School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questions costs as items 2018-001, and 2018-002, that we consider to be material weaknesses.

Purpose of this Report

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



Chamberlain, South Dakota
July 10, 2019

OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF CURRENT AUDIT FINDINGS

Section I - Summary of Auditor's Results

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. A material weakness was disclosed by our audit of the financial statements for preparation of financials statements and footnotes discussed in Finding 2018-001. A material weakness was disclosed by our audit of the financial statements for lack of segregation of duties for revenues as discussed in Finding 2018-002.
- c. Our audit did not disclose any noncompliance which was material to the financials statements.

Federal Awards

- d. A material weakness was disclosed for preparation of financials statements and footnotes discussed in Finding 2018-001. A material weakness was disclosed for internal control over major federal programs for lack of segregation of duties as discussed in Finding 2018-002.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a). See findings 2018-001, and 2018-002.
- g. The federal awards tested as major programs were:
84,041 Impact Aid
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000
- i. Olerichs School District No. 23-2 did not qualify as a low-risk entity.

OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

Section II - Current Federal Audit Findings:

Internal Control - Related Findings - Material Weaknesses:

Finding No. 2018-001 – Preparation of Financial Statements, and Footnotes

Criteria: The School's internal control structure should provide for the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: The Oelrichs School District requested the external auditors to prepare the financial statements and related notes for the year ended June 30, 2018.

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

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

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

Views of Responsible Officials: Management agrees with the finding and recommendations.

Finding No. 2018-002 – Lack of Segregation of Duties

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

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

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

Effect: As a result, a misappropriation of assets and errors could occur in the financial reporting process and not detected.

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

Views of Responsible Officials: Management agrees with the finding and recommendations. They will monitor internal controls by reviewing all bills presented for payment, and review budget to actual reports. A council member will review cash reconciliations.

Section III - Current (Other) Audit Findings

There are no written current (other) audit findings to report.

***OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018***

Prior Audit Findings

Finding 2017.001

Condition : The District spent in excess of budgeted amounts without making appropriate supplemental budget amendments to pay for operating costs throughout the school year.

Criteria : South Dakota Codified Law 13-11-2 requires school districts to adopt an annual budget resolution to appropriate enough funds to operate within that budget. A school is not allowed to exceed those expenditures unless it passes a supplemental budget resolution that authorizes additional spending.

Auditor's Recommendation : It is the responsibility of management and those charged with governance to ensure that amounts budgeted for expenditures are not exceeded unless supplemental budget resolutions are passed. This is especially important to be update when student enrollment has materially changed from the enrollment numbers used to prepare the original budget appropriations resolutions.

Current Status : The District agrees with the finding. The District's Board of Directors has complied with all state laws for budget procedures.

Oelrichs School

Mitchell Stone
Superintendent

Darla Peterson
Principal

Valerie Sword
Business Manager

214 West 7th Street ☎ PO Box 65, Oelrichs, SD 57763 District 23-3
605.535.2631 (Phone) ☎ 605.535.2046 (Fax)

CORRECTIVE ACTION PLAN (UNAUDITED)

Oelrichs School District respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

ELO Prof LLC
PO Box 249
Mitchell, SD 57302

Finding No. 2018-001 – Preparation of Financial Statements, and Footnotes

Criteria: The School's internal control structure should provide for the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

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

Managements Response: This is common practice for schools of similar size and management feels comfortable with this practice. The District accepts the risk associated with the auditor preparing financial statements and footnotes. Management will review and approve a copy of a draft.

Finding No. 2018-002 – Lack of Segregation of Duties

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

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

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

Management Response: This is common practice for schools of similar size and management feels comfortable with this practice. The District accepts the risk associated with the Business Manager performing entries and reconciliations without proper oversight. The District will consider additional internal control processes where they are cost effective.

If there are any questions regarding this plan, please contact Dr. Mitchell Stone at (605) 535-2631.

Sincerely,



Dr. Mitchell Stone, Superintendent
Oelrichs School District No 23-3

“Oelrichs School District is committed to provide a positive place for our students to grow and learn life skills to allow them to succeed.”

THAT'S THE TIGER WAY



INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Oelrichs School District No. 23-3
Oelrichs, South Dakota**

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 Oelrichs School District No. 23-3 as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Mitchell ■ 605.996.7717
Sioux Falls ■ 605.271.1302
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Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Oelrichs School District No 23-3 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 Schedules, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of District's Contributions (SDRS) on Pages 39-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) listed in the Table of Contents are (is) presented for purposes of additional analysis and are (is) not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2019, on our consideration of the Oelrichs School District 23-3's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 Oelrichs School District 23-3's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Chamberlain, South Dakota
July 10, 2019

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF NET POSITION – GOVERNMENT-WIDE
JUNE 30, 2018

	<i>Primary Government</i>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and cash equivalents	\$ 5,208,998	\$ 27,634	\$ 5,236,632
Taxes receivable	189,035	--	189,035
Inventories	--	661	661
Other assets	152,223	374	152,597
Net pension asset	4,157	129	4,286
Capital assets:			
Land	123,500	--	123,500
Other capital assets, net of depreciation	945,545	12,741	958,286
Total capital assets, net of depreciation	<u>1,069,045</u>	<u>12,741</u>	<u>1,081,786</u>
TOTAL ASSETS	<u>6,623,458</u>	<u>41,539</u>	<u>6,664,997</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension-related deferred outflows	536,155	16,582	552,737
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>536,155</u>	<u>16,582</u>	<u>552,737</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,159,613</u>	<u>\$ 58,121</u>	<u>\$ 7,217,734</u>
LIABILITIES:			
Accounts payable	35,421	151	35,572
Long-term liabilities:			
Due in one year	4,000	--	4,000
Due in more than one year	397	--	397
TOTAL LIABILITIES	<u>39,818</u>	<u>151</u>	<u>39,969</u>
DEFERRED INFLOWS OF RESOURCES:			
Property taxes levied for future periods	193,805	--	193,805
Pension-related deferred inflows	93,400	2,888	96,288
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>287,205</u>	<u>2,888</u>	<u>290,093</u>
NET POSITION:			
Net investment in capital assets	1,069,045	12,741	1,081,786
Restricted for:			
Capital outlay	448,912	--	448,912
Special education	12,404	--	12,404
SDRS pension purposes	446,912	13,823	460,735
Unrestricted	4,855,317	28,518	4,883,835
TOTAL NET POSITION	<u>\$ 6,832,590</u>	<u>\$ 55,082</u>	<u>\$ 6,887,672</u>

*The accompanying Notes to Financial Statements are
an integral part of this financial statement.*

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE
JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<i>Governmental Activities:</i>						
Instruction	\$ 1,214,324	\$ --	\$ 427,381	\$ (786,943)	\$ --	\$ (786,943)
Support Services	1,036,546	--	12,917	(1,023,629)	--	(1,023,629)
Cocurricular Activities	83,396	524	--	(82,872)	--	(82,872)
Total Governmental Activities	2,334,266	524	440,298	(1,893,444)	--	(1,893,444)
<i>Business-Type Activities</i>						
Food Service	113,767	8,559	102,425	--	(2,783)	(2,783)
Total Primary Government	\$ 2,448,033	\$ 9,083	\$ 542,723	(1,893,444)	(2,783)	(1,896,227)
		<i>General Revenues:</i>				
		Taxes:				
			Property Taxes	366,235	--	366,235
			Gross Receipts Taxes	18,018	--	18,018
		Revenue from State Sources:				
			State Aid	1,028,884	--	1,028,884
			Other	651	--	651
			Revenue from Federal Sources	1,672,171	--	1,672,171
			Unrestricted Investment Earnings	44,151	--	44,151
			Other General Revenues	13,776	--	13,776
			Transfers	(50,000)	50,000	--
			Total General Revenues and Gain	3,093,886	50,000	3,143,886
			Change in Net Position	1,200,442	47,217	1,247,659
			<i>NET POSITION - Beginning</i>	<i>5,632,148</i>	<i>7,865</i>	<i>5,640,013</i>
			<i>NET POSITION - Ending</i>	<i>\$ 6,832,590</i>	<i>\$ 55,082</i>	<i>\$ 6,887,672</i>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 4,741,216	\$ 452,194	\$ 15,588	\$ 5,208,998
Capital credits receivable	62,671	--	--	62,671
Taxes receivable, current	63,336	78,944	43,861	186,141
Taxes receivable, delinquent	1,633	830	431	2,894
Due from other governments	89,552	--	--	89,552
TOTAL ASSETS	<u>\$ 4,958,408</u>	<u>\$ 531,968</u>	<u>\$ 59,880</u>	<u>\$ 5,550,256</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 34,039	\$ --	\$ 1,382	\$ 35,421
Total Liabilities	<u>34,039</u>	<u>--</u>	<u>1,382</u>	<u>35,421</u>
Deferred Inflows of Resources:				
Property taxes levied for future periods	67,863	81,597	44,345	193,805
Unavailable revenue - property taxes	2,028	1,459	1,749	5,236
Capital credits redeemable in future period	62,671	--	--	62,671
Total Deferred Inflows of Resources	<u>132,562</u>	<u>83,056</u>	<u>46,094</u>	<u>261,712</u>
Fund Balances:				
Restricted:				
Capital outlay	--	448,912	--	448,912
Special education	--	--	12,404	12,404
Unassigned	<u>4,791,807</u>	<u>--</u>	<u>--</u>	<u>4,791,807</u>
Total Fund Balances	<u>4,791,807</u>	<u>448,912</u>	<u>12,404</u>	<u>5,253,123</u>
Total Fund Balances	<u>4,791,807</u>	<u>448,912</u>	<u>12,404</u>	<u>5,253,123</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,958,408</u>	<u>\$ 531,968</u>	<u>\$ 59,880</u>	<u>\$ 5,550,256</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**OELRICHS SCHOOL DISTRICT NO. 23-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balances - Governmental Funds \$ 5,253,123

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

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds	4,157
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,069,045
Pension related deferred outflows are components of pension asset and changes are not reported in the funds.	536,155
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated Absences	(4,397)
Assets, including property taxes receivable and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.	67,907
Net pension asset reported in the governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>(93,400)</u>

Net Position - Governmental Activities \$ 6,832,590

*The accompanying Notes to Financial Statements are
an integral part of this financial statement.*

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 130,353	\$ 159,382	\$ 87,611	\$ 377,346
Prior years ad valorem taxes	2,299	2,142	1,035	5,476
Utility taxes	18,018	--	--	18,018
Penalties and interest on taxes	695	767	401	1,863
<i>Earnings on investments and deposits</i>	44,151	--	--	44,151
<i>Cocurricular Activities:</i>				
Admissions	374	--	--	374
Other student activity income	150	--	--	150
<i>Other local revenue:</i>				
Rentals	4,200	--	--	4,200
Contributions and donations	10	--	--	10
Refund of prior year expenditures	6,488	--	--	6,488
Other	667	--	--	667
<i>Revenue from Intermediate Sources:</i>				
County Sources	2,411	--	--	2,411
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	900,179	101,717	26,988	1,028,884
Other state revenue	651	--	--	651
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	1,663,031	--	8,540	1,671,571
Restricted grants-in-aid	408,740	--	18,641	427,381
<i>Revenue in Lieu of Taxes</i>	12,917	--	--	12,917
<i>Other Federal Revenue</i>	600	--	--	600
TOTAL REVENUES	3,195,934	264,008	143,216	3,603,158

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
JUNE 30, 2018
(CONTINUED)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
EXPENDITURES				
<i>Instructional Services:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 290,944	\$ 1,066	\$ --	\$ 292,010
Middle/junior high	224,947	118	--	225,065
High school	301,062	3,635	--	304,697
<i>Special Programs:</i>				
Culturally different	44,717	--	--	44,717
Educationally deprived	306,111	--	--	306,111
Programs for special education	--	--	125,370	125,370
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	6,582	--	--	6,582
Health	690	--	--	690
Psychological	--	--	5,614	5,614
Speech pathology	--	--	35,500	35,500
Student therapy services	--	--	12,160	12,160
<i>Instructional Staff:</i>				
Improvement of instruction	104,488	--	--	104,488
Educational media	35,925	--	--	35,925
<i>General Administration:</i>				
Board of education	71,354	--	--	71,354
Executive administration	145,093	--	--	145,093
<i>School Administration:</i>				
Office of the principal	91,423	--	--	91,423
Title I program administration	7,781	--	--	7,781
<i>Business:</i>				
Fiscal services	171,618	--	--	171,618
Operation and maintenance of plant	247,923	14,592	--	262,515
Pupil transportation	125,294	--	--	125,294
Internal services	--	7,332	--	7,332
Food services	7,218	--	--	7,218
<i>Central:</i>				
Staff services	438	--	--	438
<i>Cocurricular Activities:</i>				
Male activities	28,360	1,757	--	30,117
Female activities	25,702	3,758	--	29,460
Combined activities	17,823	--	--	17,823
Transportation	1,833	--	--	1,833
<i>Capital Outlays</i>	--	122,342	--	122,342
TOTAL EXPENDITURES	<u>2,257,326</u>	<u>154,600</u>	<u>178,644</u>	<u>2,590,570</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	938,608	109,408	(35,428)	1,012,588
OTHER FINANCING SOURCES:				
Interfund transfers (out)	(50,000)	--	--	(50,000)
Sale of surplus property	--	105	--	105
TOTAL OTHER FINANCING SOURCES	<u>(50,000)</u>	<u>105</u>	<u>--</u>	<u>(49,895)</u>
<i>Net Change in Fund Balances</i>	888,608	109,513	(35,428)	962,693
<i>FUND BALANCE, Beginning</i>	<u>3,903,199</u>	<u>339,399</u>	<u>47,832</u>	<u>4,290,430</u>
<i>FUND BALANCE, Ending</i>	<u>\$ 4,791,807</u>	<u>\$ 448,912</u>	<u>\$ 12,404</u>	<u>\$ 5,253,123</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2018

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$	962,693
 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. is the amount by which capital purchases exceeded depreciation expense in the current period.		67,179
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		(18,450)
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.		546
Pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>188,474</u>
<i>Change in net position of governmental activities</i>	\$	<u>1,200,442</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Food Service Fund</u>
ASSETS:	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 27,634
Due from other governments	374
Inventory	<u>661</u>
<i>Total Current Assets</i>	<u>28,669</u>
 <i>Noncurrent Assets:</i>	
Machinery and equipment - local funds	34,900
Less accumulated depreciation	<u>(22,159)</u>
<i>Total Noncurrent Assets</i>	<u>12,741</u>
 <i>Restricted Assets:</i>	
Net pension asset	<u>129</u>
TOTAL ASSETS	<u>41,539</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Pension-related deferred outflows of resources	<u>16,582</u>
 LIABILITIES:	
<i>Current Liabilities:</i>	
Accounts payable	151
<i>Total Liabilities</i>	<u>151</u>
 DEFERRED INFLOWS OF RESOURCES:	
Pension-related deferred inflows of resources	<u>2,888</u>
 NET POSITION:	
Net investment in capital assets	12,741
Restricted net pension	13,823
Unrestricted	<u>28,518</u>
<i>Total Net Position</i>	<u><u>\$ 55,082</u></u>

*The accompanying Notes to Financial Statements are
an integral part of this financial statement.*

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
JUNE 30, 2018

	<i>Food Service Fund</i>
OPERATING REVENUE:	
Sales to Pupils	\$ 144
Sales to Adults	4,940
Other	3,475
<i>Total Operating Revenue</i>	8,559
 <i>Food Service:</i>	
Personnel	57,076
Cost of Sales	51,306
Depreciation	2,011
Miscellaneous	1,834
Supplies	1,540
<i>Total Operating Expenses</i>	113,767
 <i>Operating (Loss)</i>	 (105,208)
 NONOPERATING REVENUES:	
<i>Local Sources:</i>	
Gain on sale of capital assets	20
<i>State Sources:</i>	
Cash reimbursements	279
<i>Federal Sources:</i>	
Capital grants	5,113
Cash reimbursements	90,873
Donated food	6,140
<i>Total Nonoperating Revenue</i>	102,425
 <i>Income Before Transfers</i>	 (2,783)
 Transfers In	 50,000
 <i>Change in Net Position</i>	 47,217
 <i>NET POSITION - Beginning</i>	 7,865
<i>NET POSITION - Ending</i>	\$ 55,082

*The accompanying Notes to Financial Statements are
an integral part of this financial statement.*

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 8,559
Payments to Employees	(67,567)
Payments to Suppliers	<u>(48,093)</u>
<i>Net Cash (Used) by Operating Activities</i>	<u>(107,101)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Payments for Cash Overdraft	(13,719)
Operating Subsidies	103,566
Transfers from other funds	<u>50,000</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>139,847</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from sale of fixed assets	20
Purchase of capital assets	<u>(5,132)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>(5,112)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,634
CASH AND CASH EQUIVALENTS, Beginning of Year	--
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 27,634</u>
Net Increase in Cash and Cash Equivalents	<u>\$ 27,634</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
<i>Operating (Loss)</i>	\$ (105,208)
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>	
Depreciation Expense	2,011
Cost of Sales - Donated Food	1,750
Change in Assets and Liabilities:	
Receivables	--
Accounts payable	151
Inventory	296
Pension change	<u>(6,101)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (107,101)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of commodities received	<u>\$ 6,140</u>

*The accompanying Notes to Financial Statements are
an integral part of this financial statement.*

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 17,412</u>
TOTAL ASSETS	<u><u>\$ 17,412</u></u>
LIABILITIES	
Amounts held for others	<u>\$ 17,412</u>
TOTAL LIABILITIES	<u><u>\$ 17,412</u></u>

*The accompanying Notes to Financial Statements are
an integral part of this financial statement.*

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:*

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

a. *Reporting Entity:*

The reporting entity of Oelrichs School District No. 23-3 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in a cooperative service unit with several other School Districts. See Note 10 – Joint Venture 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 the notes because of the nature of their relationship with the District.

b. *Government-Wide and Fund Financial Statements:*

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

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

b. *Government-Wide and Fund Financial Statements: (continued)*

Government-Wide Financial Statements: (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, 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, deferred inflows and outflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

c. *Fund Types and Major Funds:*

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the District or if it meets the following criteria:

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

c. Fund Types and Major Funds: (continued)

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

Governmental Funds:

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

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District’s special revenue funds are as follows:

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

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

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

c. *Fund Types and Major Funds: (continued)*

Proprietary Funds:

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

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.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

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

d. *Measurement Focus and Basis of Accounting:*

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Receivables, such as taxes receivable and grants receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

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

e. *Interfund Eliminations and Reclassifications:*

In the process of aggregating data for the government-wide financial statements the District has charged certain “centralized expenses”, including an administrative overhead component, as direct expenses to programs in order to show all expenses that are associated with a service, program or department. This process minimizes the doubling-up effect on internal service fund activity.

f. *Cash and Cash Equivalents:*

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

g. *Inventory:*

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories.

Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental funds and governmental activities consist of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statement are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. Nonspendable fund balances related to inventory are reported net of the related liability (accounts payable). The governmental funds did not report any inventory balances as of June 30, 2018.

h. *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’ fiduciary net position have been determined on the same basis as they are reported by SDRS. District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

**OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

i. Capital Assets:

Capital assets include land, buildings, improvements, 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 of 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. Interest costs incurred during construction of capital assets are not capitalized.

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	All	--
Buildings	\$ 20,000	50-100 years
Improvements	10,000	20 years
Equipment - (Government)	5,000	7-20 years
Equipment - (Proprietary Funds)	2,000	12 years

Depreciation expense is calculated using the straight-line and composite methods. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. 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.

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

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

j. *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.

Government-Wide Financial Statements:

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

Compensated Absences Payable – Compensated absences payable is the annual leave earned by employees. Vacation leave is earned by employees at varying rates depending on years of service. Sick leave is earned by the employees at the rate of one day for each month worked. Unused sick leave may accumulate to a total of 800 hours. Sick leave is only paid out to retirees of the District who have been employees for 12 years at a rate of \$25/day up to 100 days. Accrued leave payable balances are reported in Note 5 as compensated absences. For employees normally paid out of the governmental funds, these amounts are charges as an expenditure at the time of termination or when the benefit becomes payable to the employee.

Fund Financial Statements:

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 as in the government-wide financial statements.

k. *Deferred Outflows/Inflows of Resources:*

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as the available period, properties taxes collected within the available period that are intended to finance the next fiscal year, and grants and capital credits receivable not collected within the available period. In the government-wide financial statements, the District reports deferred inflows of resources for the property taxes that are levied for future periods and pension-related deferrals. The District reports only deferred inflows related to pension activity in the proprietary funds and business type activities.

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

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

1. *Net Position and Fund Balance:*

Government-Wide Financial Statements:

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. Net position includes the following three components:

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 capital outlay certificates of other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – 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.

Unrestricted – Represents all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classed as fund balance, which is distinguished between the following classifications:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts that are constrained by the District's intent to be used for specific purposes but are not restricted. Amounts can be assigned by committees of the School Board or management of the District.

Unassigned – Represents fund balance that has not been assigned to other funds and that has not been restricted or assigned.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use assigned, then unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a minimum fund balance policy.

Proprietary net positions are classified the same as in the government-wide financial statements. Fiduciary net positions (except for Agency Funds, which do not have net position) are reported as net position held in trust for other purposes.

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

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

m. *Proprietary Fund Revenue and Expense Classifications:*

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

n. *Program Revenues:*

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

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.

Program Revenues – Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the use in a particular program.

Program Revenues – 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.

2. *DEPOSITS AND INVESTMENTS:*

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund of the fund making the investment. The District's policy is to credit all income from investments to the fund that generated the income. The District also reports deposits at cost plus interest and credits all income from deposits to the fund that generated the income.

**OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

2. DEPOSITS AND INVESTMENTS: (continued)

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) 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.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, the District’s deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralize by pledged securities.

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

Concentrations of Credit Risk – The District places no limit on the amount that may be deposited with any one financial institution or invested with any one issuer.

Interest Rate Risk – The 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.

3. DUE FROM OTHER GOVERNMENTS:

As of June 30, 2018, amounts due from other governments as reported in the financial statements consisted of the following:

SD Department of Education	\$ 77,956
Fall River County	<u>11,596</u>
	<u><u>\$ 89,552</u></u>

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

4. CHANGES IN CAPITAL ASSETS:

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

	<i>Balance 7/1/2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2018</i>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 123,500	\$ --	\$ --	\$ 123,500
<i>Total capital assets not being depreciated</i>	<u>123,500</u>	<u>--</u>	<u>--</u>	<u>123,500</u>
Capital assets being depreciated:				
Buildings	968,487	--	--	968,487
Improvements	17,775	--	--	17,775
Equipment	441,739	122,342	--	564,081
<i>Total capital assets being depreciated</i>	<u>1,428,001</u>	<u>122,342</u>	<u>--</u>	<u>1,550,343</u>
Less accumulated depreciation for:				
Buildings	251,703	36,266	--	287,969
Equipment	290,951	17,798	--	308,749
Improvements	6,981	1,099	--	8,080
<i>Total accumulated depreciation</i>	<u>549,635</u>	<u>55,163</u>	<u>--</u>	<u>604,798</u>
<i>Total capital assets being depreciated, net</i>	<u>878,366</u>	<u>67,179</u>	<u>--</u>	<u>945,545</u>
<i>Net Capital Assets</i>	<u>\$ 1,001,866</u>	<u>\$ 67,179</u>	<u>\$ --</u>	<u>\$ 1,069,045</u>
	<i>Balance 7/1/2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2018</i>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 29,767	\$ 5,133	\$ --	\$ 34,900
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>20,148</u>	<u>2,011</u>	<u>--</u>	<u>22,159</u>
<i>Total capital assets being depreciated, net</i>	<u>\$ 9,619</u>	<u>\$ 3,122</u>	<u>\$ --</u>	<u>\$ 12,741</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 11,242
Support services	39,758
Co-curricular activities	4,163
<i>Total Depreciation Expense</i>	<u>\$ 55,163</u>

All depreciation expense related to the business-type activities was for the Food Service Fund.

**OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

5. LONG TERM LIABILITIES:

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

	<u>Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>	<u>Amount Due Within 1 Year</u>
Governmental Activities:					
Other Liabilities					
Compensated absences	\$ 4,943	\$ --	\$ 546	\$ 4,397	\$ 4,000
Total Long-term liabilities	<u>\$ 4,943</u>	<u>\$ --</u>	<u>\$ 546</u>	<u>\$ 4,397</u>	<u>\$ 4,000</u>

6. RESTRICTED NET POSITION:

The following table shows the components of restricted net position as presented on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
<i>Major Purposes:</i>		
Capital Outlay	Law	\$ 448,912
Special Education	Law	12,404
Share of Net Pension Liability	Law	460,735
<i>Total</i>		<u>\$ 922,051</u>

7. PROPERTY TAX:

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

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

The District is permitted by state statute to levy the specified amounts of taxes per \$1,000 of taxable valuation of the property in the school district. State statute allows the General Fund tax rates to be increased by special election of the voters.

8. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS:

Transfers to/from other funds at June 30, 2018 consist of the following:

Transfer from General Fund to Food Service for operating purposes	<u>\$ 50,000</u>
--	------------------

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

9. *PENSION PLAN:*

a. *Plan Information:*

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

b. *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 on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - ^ 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
 - ^ 0.0% 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 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 COLA's, 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.

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

9. *PENSION PLAN:*

c. *Contributions:*

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the years ended June 30, 2018, 2017, and 2016, were \$57,733, \$68,409, and \$80,894, respectively, equal to the required contributions each year.

d. *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 the South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2017 and reported by the District as of June 30, 2018 are as follows:

Proportionate share of pension liability	\$ 5,494,530
Less proportionate share of net pension restricted for pension benefits	5,498,816
<i>Proportionate share of net pension liability (asset)</i>	<i>\$ (4,286)</i>

At June 30, 2018, the District reported a (asset) of (\$4,286) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the District's proportion was .04722430%, which is a decrease of 0.250047% from its proportion measured as of June 30, 2016.

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. **PENSION PLAN:** (continued)

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

For the year ended June 30, 2018, the District recognized pension expense (reduction of pension expense) of \$(71,180). At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 68,668	\$ --
Changes in Assumption	332,754	--
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	--	82,396
Changes in Proportion and Difference Between School		
District Contributions and Proportionate Share of Contributions	85,513	13,892
District Contributions Subsequent to the Measurement Date	65,802	--
TOTAL	\$ 552,737	\$ 96,288

\$65,803 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

<i>Year Ended</i>	
<i>June 30,</i>	
2019	\$ 111,931
2020	164,406
2021	124,649
2022	(10,340)
Thereafter	--
TOTAL	\$ 390,646

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

9. **PENSION PLAN:** (continued)

e. **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 MO-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	2.0%	0.7%
<i>Total</i>	<u>100%</u>	

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

9. *PENSION PLAN: (continued)*

f. 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 employee 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).

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

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

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
School District's proportionate share of the net pension (asset)	\$ 784,917	\$ (4,286)	\$ (646,953)

h. Pension Plan Fiduciary Net Position:

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

10. *JOINT VENTURE:*

The District participates in the Black Hills Educational Benefits Cooperative (BHEBC); a cooperative service unit formed for the purpose of providing health insurance services to the member school districts. The relative percentage of participation of each member in BHEBC was not deemed to be a measurable matter.

The members of the BHEBC are Black Hills Special Service Cooperative, New Underwood School District, Wall School District, Custer School District, Oelrichs School District, and Belle Fourche School District.

BHEBC’s governing board is composed of two representatives from each member school district. The board is responsible for adopting BHEBC’s budget and setting service fees at a level adequate to fund the adopted budget. Members are not liable for claims in excess of BHEBC’s assets.

Separate financial statements may be obtained by writing to BHSSC, PO Box 218, Sturgis SD 57785. At June 30, 2018, this joint venture had assets of \$6,356,111, current liabilities of \$363,655, and total fund equity of \$5,992,456.

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018*

10. JOINT VENTURE: (continued)

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special education and other services to the member school districts. During the year ended June 30, 2018, the district paid \$6,500 for services provided by the Co-op.

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

Belle Fourche School District	8.33%	Hot Springs School District	8.33%
Custer School District	8.33%	Lead/Deadwood School District	8.33%
Douglas School District	8.33%	Meade School District	8.33%
Edgemont School District	8.33%	Oelrichs School District	8.33%
Haakon School District	8.33%	Rapid City School District	8.33%
Hill City School District	8.33%	Spearfish School District	8.33%

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

The 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 may be obtained by writing to BHSSC, PO Box 218, Sturgis SD 57785.

At June 30, 2018, this joint venture had assets of \$6,448,534, deferred inflows of \$6,523,334, liabilities of \$2,558,671, deferred outflows of \$1,145,180 and net position of \$9,268,017.

11. RISK MANAGEMENT:

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

Employee Health Insurance:

As discussed in Note 10, the District joined together with other educational units in the state to form a public entity risk pool. This is a public entity risk pool currently operating as a common risk management and insurance program for six-member districts. The District pay a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it received from the members. The coverage provides a deductible of \$1,500 per person up to \$3,000 per family. The plan also provides for coinsurance of 70 or 80 percent up to \$6,000. The coverage also includes a \$1,000,000 lifetime maximum payment per person.

The District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

11. RISK MANAGEMENT: (continued)

Liability Insurance:

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

Workers' Compensation:

The District purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits:

The District has elected to be self-insured and retain all risk for liabilities resulting in claims for unemployment benefits. There were no unemployment claims paid during the year ended June 30, 2017. There are no claims anticipated for the year ended June 30, 2018.

12. CONCENTRATIONS:

The District is dependent upon grant revenues, property taxes and operating revenues from the State of South Dakota for its primary existence.

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

OELRICHS SCHOOL DISTRICT NO. 23-3
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – BUDGETARY BASIS
JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 131,000	\$ 131,000	\$ 130,353	\$ (647)
Prior years ad valorem taxes	2,200	2,200	2,299	99
Utility taxes	20,000	20,000	18,018	(1,982)
Penalties and interest on taxes	600	600	695	95
<i>Earnings on investments and deposits</i>	49,000	49,000	44,151	(4,849)
<i>Cocurricular Activities:</i>				
Admissions	375	375	374	(1)
Other student activity income	150	150	150	--
<i>Other local revenue:</i>				
Rentals	3,900	3,900	4,200	300
Contributions and donations	--	--	10	10
Refund of prior year expenditures	8,000	8,000	6,488	(1,512)
Other	700	700	667	(33)
<i>Revenue from Intermediate Sources:</i>				
County Sources	2,500	2,500	2,411	(89)
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	900,356	900,356	900,179	(177)
Restricted grants-in-aid	--	--	--	--
Other state revenue	700	700	651	(49)
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	1,538,085	1,538,085	1,663,031	124,946
Restricted grants-in-aid	479,268	479,268	408,740	(70,528)
<i>Revenue in Lieu of Taxes</i>	15,000	15,000	12,917	(2,083)
<i>Other Federal Revenue</i>	--	--	600	600
TOTAL REVENUES	3,151,834	3,151,834	3,195,934	44,100

OELRICHS SCHOOL DISTRICT NO. 23-3
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – BUDGETARY BASIS
JUNE 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
<i>Instructional Services:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 274,139	\$ 274,139	\$ 290,944	\$ (16,805)
Middle/junior high	212,369	212,369	224,947	(12,578)
High school	280,244	280,244	301,062	(20,818)
<i>Special Programs:</i>				
Culturally different	23,155	23,155	44,717	(21,562)
Educationally deprived	295,846	295,846	306,111	(10,265)
Programs for special education	--	--	--	--
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	9,897	9,897	6,582	3,315
Health	--	--	690	(690)
<i>Instructional Staff:</i>				
Improvement of instruction	132,220	132,220	104,488	27,732
Educational media	50,470	50,470	35,925	14,545
<i>General Administration:</i>				
Board of education	40,553	40,553	71,354	(30,801)
Executive administration	178,808	178,808	145,093	33,715
<i>School Administration:</i>				
Office of the principal	93,066	93,066	91,423	1,643
Title I program administration	3,500	3,500	7,781	(4,281)
<i>Business:</i>				
Fiscal services	195,805	195,805	171,618	24,187
Operation and maintenance of plant	293,196	293,196	247,923	45,273
Pupil transportation	135,492	135,492	125,294	10,198
Internal services	2,500	2,500	--	2,500
Food services	1,604	1,604	7,218	(5,614)
<i>Central:</i>				
Staff services	500	500	438	62
<i>Cocurricular Activities:</i>				
Male activities	27,985	27,985	28,360	(375)
Female activities	25,738	25,738	25,702	36
Combined activities	18,274	18,274	17,823	451
Transportation	2,200	2,200	1,833	367
TOTAL EXPENDITURES	2,297,561	2,297,561	2,257,326	40,235
<i>Excess of Revenue Over (Under) Expenditures</i>	854,273	854,273	938,608	84,335
OTHER FINANCING SOURCES (USES):				
Transfers (Out)	(102,077)	(102,077)	(50,000)	52,077
Total Other Financing Sources (Uses):	(102,077)	(102,077)	(50,000)	52,077
<i>Net Change in Fund Balances</i>	752,196	752,196	888,608	136,412
<i>FUND BALANCE, Beginning</i>	3,903,199	3,903,199	3,903,199	--
<i>FUND BALANCE, Ending</i>	\$ 4,655,395	\$ 4,655,395	\$ 4,791,807	\$ 136,412

OELRICHS SCHOOL DISTRICT NO. 23-3
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – CAPITAL OUTLAY FUND – BUDGETARY BASIS
JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 150,000	\$ 150,000	\$ 159,382	\$ 9,382
Prior year ad valorem taxes	2,000	2,000	2,142	142
Penalties and interest on taxes	660	660	767	107
Other	105	105	--	(105)
<i>Revenue from Federal Sources:</i>				
Unrestricted grants-in-aid	<u>101,720</u>	<u>101,720</u>	<u>101,717</u>	<u>(3)</u>
TOTAL REVENUES	<u>254,485</u>	<u>254,485</u>	<u>264,008</u>	<u>9,523</u>
<u>EXPENDITURES</u>				
<i>Instructional Services:</i>				
Elementary	1,200	1,200	1,066	134
Middle school	120	120	118	2
High school	3,700	3,700	3,635	65
<i>Support Services:</i>				
<i>Instructional staff:</i>				
Educational media	5,000	5,000	--	5,000
School administration	--	--	--	--
Business	--	--	--	--
Operation and maintenance of plant	109,275	109,275	14,592	94,683
Student transportation services	116,090	116,090	108,139	7,951
Internal services	116,090	116,090	7,332	108,758
<i>Cocurricular Activities:</i>				
Male activities	5,500	5,500	6,491	(991)
Female activities	12,800	12,800	13,227	(427)
Combined activities	800	800	--	800
TOTAL EXPENDITURES	<u>370,575</u>	<u>370,575</u>	<u>154,600</u>	<u>215,975</u>
<i>Excess of Revenue Over (Under)</i>				
<i>Expenditures</i>	<u>(116,090)</u>	<u>(116,090)</u>	<u>109,408</u>	<u>225,498</u>
<i>OTHER FINANCING SOURCES (USES):</i>				
Sale of surplus property	<u>--</u>	<u>--</u>	<u>105</u>	<u>(105)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>--</u>	<u>105</u>	<u>(105)</u>
<i>Net Change in Fund Balances</i>	(116,090)	(116,090)	109,513	225,393
FUND BALANCE, Beginning	339,399	339,399	339,399	--
FUND BALANCE, Ending	<u>\$ 223,309</u>	<u>\$ 223,309</u>	<u>\$ 448,912</u>	<u>\$ 225,393</u>

OELRICHS SCHOOL DISTRICT NO. 23-3
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION FUND – BUDGETARY BASIS
JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 81,000	\$ 81,000	\$ 87,611	\$ 6,611
Prior years' ad valorem taxes	1,000	1,000	1,035	35
Penalties and interest on taxes	350	350	401	51
Charges for services				
<i>Revenue from State Sources:</i>				
Restricted grants-in-aid	26,990	26,990	26,988	(2)
<i>Revenue from Federal Sources:</i>				
Unrestricted grants-in-aid	8,540	8,540	8,540	--
Restricted grants-in-aid	18,640	18,640	18,641	1
				<u>6,696</u>
TOTAL REVENUES	<u>136,520</u>	<u>136,520</u>	<u>143,216</u>	<u>6,696</u>
<u>EXPENDITURES</u>				
<i>Instructional Services:</i>				
Programs for special education	126,549	126,549	125,370	1,179
<i>Support Services:</i>				
Pupils				--
Guidance				
Health				
Psychological	6,835	6,835	5,614	1,221
Speech pathology	40,000	40,000	35,500	4,500
Student therapy services	13,166	13,166	12,160	1,006
TOTAL EXPENDITURES	<u>186,550</u>	<u>186,550</u>	<u>178,644</u>	<u>7,906</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(50,030)	(50,030)	(35,428)	14,602
<i>OTHER FINANCING SOURCES (USES):</i>				
Transfer in	50,030	50,030	--	(50,030)
<i>Net Change in Fund Balance</i>	--	--	(35,428)	(35,428)
FUND BALANCE, Beginning	<u>47,832</u>	<u>47,832</u>	<u>47,832</u>	<u>--</u>
FUND BALANCE, Ending	<u>\$ 47,832</u>	<u>\$ 47,832</u>	<u>\$ 12,404</u>	<u>\$ (35,428)</u>

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present capital outlay expenditures as a separate function.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

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

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

**OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.04722430%	0.07222900%	0.0669089%	0.0550174%
District's proportionate share of net pension liability (asset)	\$ (4,286)	\$ 243,982	\$ (283,780)	\$ (396,378)
District's covered-employee payroll	\$ 961,453	\$ 961,453	\$ 1,279,573	\$ 1,344,535
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.45%	25.38%	(22.18%)	(29.48%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	96.89%	104.10%	107.30%

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

**OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually-required contribution	\$ 65,803	\$ 57,687	\$ 79,500	\$ 80,894
Contributions in relation to the contractually-required contribution	<u>65,803</u>	<u>57,687</u>	<u>79,500</u>	<u>80,894</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,108,683	\$ 961,453	\$ 1,279,573	\$ 1,344,535
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.21%	6.02%

SUPPLEMENTARY INFORMATION

OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>PASS-THROUGH ENTITY IDENTIFYING NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<i>U.S. Department of the Interior:</i>			
Mineral Leasing (Note 2)	15.277	--	\$ 23,958
Payments in Lieu of Taxes (Note 2)	15.226	--	12,917
<i>Total U.S. Department of the Interior</i>			36,875
<i>U.S. Department of Agriculture:</i>			
<i>Child Nutrition Cluster</i>			
<i>Pass through the S.D. Department of Education:</i>			
<i>Non Cash Assistance (Commodities):</i>			
National School Lunch Program	10.555	NSLP-17-139	6,140
<i>Cash Assistance:</i>			
School Breakfast Program (Note 2)	10.553	--	28,919
National School Lunch Program (Note 2)	10.555	NSLP-17-139	61,953
<i>Total Child Nutrition Cluster</i>			97,012
<i>Pass through the S.D. Department of Education:</i>			
<i>Team Nutrition Grants</i>			
Team Nutrition Grants	10.579		5,133
Fresh Fruit and Vegetable Program	10.582		1,822
<i>Total U.S. Department of Agriculture</i>			103,967
<i>U.S. Department of Education:</i>			
<i>Pass through the S.D. Department of Education:</i>			
<i>Title I Grants to Local Educational Agencies</i>			
Title I Grants to Local Educational Agencies	84.010	S010A170041	110,769
School Improvement Grants	84.377	--	272,875
<i>Special Educaiton Cluster</i>			
Special Education Grants to States	84.027	H027A15091	18,641
<i>Total Special Education Cluster</i>			18,641
<i>Direct Programs</i>			
Impact Aid	84.041	--	1,050,000
Title VII - Indian Education	84.060	--	23,274
<i>Total U.S. Department of Education</i>			1,475,559
GRAND TOTAL			\$ 1,616,401

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: Summary of Significant Accounting Policies

Federal reimbursements are not based up specific expenditures. Therefore, the amounts reproted here represen teash received rather than federal expenditures.

Note 3: Federal Reimbursement

The District did not elect to use the 10% de minimus indirect cost rate.

Note 4: Pass Through Numbers

Pass through entity identifying numbers are presented where available.