

**WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
OF CHARLES MIX COUNTY**

AUDIT REPORT

FISCAL YEAR JULY 1, 2017, TO JUNE 30, 2018

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

106 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2018

BOARD MEMBERS:

Chad Kreeger, President
Richie Sully, Vice-President
Mike Brunsing
Greg Krcil
Dennis Merkwan
Gene Niehus
Rachel Woods

SUPERINTENDENT:

Linda Foos

BUSINESS MANAGER:

Lory Dufrain

Schoenfish & Co., Inc.

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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

School Board
Wagner Community School District No. 11-4
Charles Mix County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wagner Community School District No. 11-4, South Dakota (School District), as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 29, 2018, which was qualified for each major governmental fund because of improper reporting of interest income.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2018-001 to be a material weakness.

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

School Board
Wagner Community School District No. 11-4
Charles Mix County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Wagner Community School District No. 11-4, South Dakota (School District) 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 the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit 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 for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the School District's compliance.

Opinion on Each Major Program

In our opinion, Wagner School District No. 11-4 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 programs for the year ended June 30, 2018.

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTSPRIOR AUDIT FINDINGS AND QUESTIONED COSTSPrior Federal Compliance Audit Findings:Prior Finding Number 2017-001:

A material weakness was reported for a lack of segregation of duties for revenues.

Views of Responsible Officials and Planned Corrective Action Plan:

The Wagner Community School District Business Manager, Lory DuFrain, is the contact person responsible for the corrective action plan for this finding. This finding is due to the limited number of staff in the district's business office. Staffing the office at an efficient and financially feasible level precludes the hiring of enough personnel to provide an ideal environment for the internal controls. We are aware of the weakness in internal controls and will continue to develop policies and procedures and provide compensating controls to reduce the risk. This will be an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk. This is a repeat audit finding since fiscal year 1997.

This finding has not been corrected and is restated under current audit finding number 2018-001.

Prior Finding Number 2017-002:

An amount of over \$14,000 was paid to various employees for bonuses by issuing "City Bucks" without paying the proper IRS payroll taxes and South Dakota Retirement. This affects the reporting compliance requirement category.

Views of Responsible Officials and Planned Corrective Action Plan:

The Wagner Community School District Business Manager, Lory DuFrain, is the contact person responsible for the corrective action plan for this finding. The school district will properly publish and withhold IRS and SDRS withholdings as required on any future bonus payments. This audit finding has been corrected.

Prior Other Audit Findings:Prior Finding Number 2017-003:

Errors and omissions were noted in the annual financial statements prepared by school officials.

Views of Responsible Officials and Planned Corrective Action Plan:

The Wagner Community School District Business Manager, Lory DuFrain, is the contact person responsible for the corrective action plan for this finding. Items A thru J as listed under the conditions portion of the Audit Schedule have all been reviewed, documented, and corrected accordingly. We will continue an ongoing process of continual processes and procedures in order to minimize these findings in the future. This is a repeat audit finding since fiscal year 2006.

This finding has been corrected.

No other prior other audit findings were found except for the lack of segregation of duties for revenues as discussed in the prior federal compliance audit finding number 2017-001 and payment of bonuses without paying payroll taxes and retirement as discussed in finding number 2017-002.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Major Federal Program:

The major federal programs affected are Impact Aid, CFDA No. 84.041; School Breakfast Program, CFDA No. 10.553; National School Lunch Program, CFDA No. 10.555; and Title I Grants to Local Education Agencies, CFDA No. 84.010.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

A limited number of employees process all transactions from beginning to end. A limited number of employees also receive and disburse money, issue receipts and checks, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

Identification as a Repeat Finding:

This is a repeat audit finding since fiscal year 1997.

RECOMMENDATION:

1. We recommend that the Wagner Community School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the Board President, Superintendent, and Business Manager on December 13, 2018.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

School Board
Wagner Community School District No. 11-4
Charles Mix County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wagner Community School District No. 11-4, South Dakota, (School District) as of June 30, 2018 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 is presented for purposes of additional analysis and 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
November 29, 2018

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	6,369,324.10		1,563,843.71		(4,805,480.39)		(4,805,480.39)
Support Services	4,142,353.98	8,642.65			(4,133,711.33)		(4,133,711.33)
Nonprogrammed Charges	11,527.16				(11,527.16)		(11,527.16)
Cocurricular Activities	276,131.43	46,582.27			(229,549.16)		(229,549.16)
Total Governmental Activities	10,799,336.67	55,224.92	1,563,843.71	0.00	(9,180,268.04)		(9,180,268.04)
Business-type Activities:							
Food Service	704,991.98	3,099.19	683,293.34			(18,599.45)	(18,599.45)
Driver's Education		2,100.00				2,100.00	2,100.00
Total Business-type Activities	704,991.98	5,199.19	683,293.34	0.00		(16,499.45)	(16,499.45)
Total Primary Government	11,504,328.65	60,424.11	2,247,137.05	0.00	(9,180,268.04)	(16,499.45)	(9,196,767.49)

General Revenues:

Taxes:

Property Taxes

Utility Taxes

Revenue from State Sources:

State Aid

Revenue from Federal Sources

Unrestricted Investment Earnings

Other General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

NET POSITION - ENDING

1,767,470.26

127,031.74

1,767,470.26

127,031.74

3,858,697.23

10,339,812.80

226,486.61

57,174.74

(612.58)

16,376,060.80

7,195,792.76

42,909,946.36

50,105,739.12

3,858,697.23

10,339,812.80

226,486.61

57,174.74

612.58

16,376,673.38

7,179,905.89

43,180,032.88

50,359,938.77

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

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds	<u>25,635,989.02</u>
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.	<u>26,568.58</u>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>22,493,556.19</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>2,875,361.63</u>
Long-term liabilities, such as SDSDBF Insurance Deficit, accrued leave payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(405,081.53)</u>
Assets, such as taxes receivable that are not available to pay for the current period expenditures, are deferred in the funds.	<u>19,268.09</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(539,922.86)</u>
Net Position - Governmental Activities	<u><u>50,105,739.12</u></u>

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

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	1,736,832.53	57,142.07				1,793,974.60
Middle/Junior High	985,909.08	37,130.92				1,023,040.00
High School	1,147,884.67	39,931.80				1,187,816.47
Preschool Services	598,076.18	7,831.53				605,907.71
Special Programs:						
Gifted and Talented	3,336.37					3,336.37
Programs for Special Education		2,665.44	1,159,689.29			1,162,354.73
Educationally Deprived	760,243.17					760,243.17
Support Services:						
Students:						
Guidance	307,380.06					307,380.06
Health	64,382.72					64,382.72
Psychological			19,306.26			19,306.26
Speech Pathology			90,095.88			90,095.88
Student Therapy Services			63,193.08			63,193.08
Instructional Staff:						
Improvement of Instruction	76,405.76					76,405.76
Educational Media	228,976.94	799.23				229,776.17
General Administration:						
Board of Education	73,388.42					73,388.42
Executive Administration	198,967.87					198,967.87
School Administration:						
Office of the Principal	608,072.49					608,072.49
Other	814.27					814.27
Business:						
Fiscal Services	221,198.29	15,589.06				236,787.35
Facilities Acquisition and Construction					88,073.63	88,073.63
Operation and Maintenance of Plant	1,061,617.22	167,050.21				1,228,667.43
Student Transportation	380,806.07	19,066.24				399,872.31
Food Services	29,574.03	12,495.85				42,069.88

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

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	6,550,968.22
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Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	786,832.33
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This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(1,214,037.88)
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In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(26,924.17)
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In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	(4,636.00)
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Governmental funds recognize expenditures for amounts of compensated absences and early retirement actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences and early retirement earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(11,766.96)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (Pension Expense) (SDSDBF Payable)	150,078.72
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Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	965,278.50
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Change in Net Position of Governmental Activities	7,195,792.76
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The notes to the financial statements are an integral part of this statement.

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Enterprise Funds		Total
	Food Service Fund	Driver's Ed Fund	Business Type Funds
Operating Revenue:			
Food Sales:			
Student	75.50		75.50
Adult	1,259.90		1,259.90
Other Charges for Goods and Services	1,763.79	2,100.00	3,863.79
Total Operating Revenue	3,099.19	2,100.00	5,199.19
Operating Expenses:			
Salaries	267,209.71		267,209.71
Employee Benefits	92,276.79		92,276.79
Purchased Services	1,713.89		1,713.89
Supplies	7,522.81		7,522.81
Cost of Sales - Purchased	246,706.10		246,706.10
Cost of Sales - Donated	58,466.56		58,466.56
Depreciation	30,273.12		30,273.12
Total Operating Expenses	704,168.98	0.00	704,168.98
Operating Income (Loss)	(701,069.79)	2,100.00	(698,969.79)
Nonoperating Revenue:			
State Grants	2,277.77		2,277.77
Federal Grants	622,549.01		622,549.01
Donated Food	58,466.56		58,466.56
Nonoperating Expense:			
Loss on Disposal of Capital Assets	(823.00)		(823.00)
Total Nonoperating Revenue (Expense)	682,470.34	0.00	682,470.34
Income (Loss) Before Contributions	(18,599.45)	2,100.00	(16,499.45)
Capital Contributions	612.58		612.58
Change in Net Position	(17,986.87)	2,100.00	(15,886.87)
Net Position - Beginning	270,086.52	0.00	270,086.52
NET POSITION - ENDING	252,099.65	2,100.00	254,199.65

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

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2018

	Private- Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	40,441.23	77,497.85
Investments in Certificates of Deposits		10,000.00
TOTAL ASSETS	40,441.23	87,497.85
LIABILITIES:		
Amounts Held for Others		87,497.85
TOTAL LIABILITIES	0.00	87,497.85
NET POSITION:		
Held in Trust for Scholarships	40,441.23	
TOTAL NET POSITION	40,441.23	

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Wagner Community School District No. 11-4 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the 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 School District participates in a cooperative service unit with other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Proprietary Funds:

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

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

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

Driver's Education Fund – A fund used to record financial transactions related to driver's education operations. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

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

Scholarship funds for the benefit of students.

Agency Fund Types – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

Custodial funds for classes and clubs.

c. **Measurement Focus and Basis of Accounting:**

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

Government-Wide Statements

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	----N/A----	-----N/A-----
Improvements	\$ 500.00	Straight-line	50 yrs.
Buildings	\$ 500.00	Straight-line	100 yrs.
Machinery & Equipment	\$ 500.00	Straight-line	5-20 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

j. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

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

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

As of June 30, 2018, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

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

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

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

3. RECEIVABLES AND PAYABLES

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

4. INVENTORY

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

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

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

5. PROPERTY TAXES

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Services	30,273.12
Total Depreciation Expense - Business-Type Activities	<u>30,273.12</u>

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

Project Name	Project Authorization	Expended through 6/30/2018	Committed	Required Future Financing
Tech Center/Life Skills Remodel	\$ 336,690.00	\$ 26,690.00	\$ 310,000.00	\$0.00
TOTAL	<u>\$ 336,690.00</u>	<u>\$ 26,690.00</u>	<u>\$ 310,000.00</u>	<u>\$0.00</u>

7. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
SDSDBF Insurance Deficit	497,350.00		121,570.00	375,780.00	123,400.00
Early Retirement Payable	0.00	11,527.16		11,527.16	11,527.16
Accrued Compensated Absences - Governmental Funds	17,534.57	4,785.32	4,545.52	17,774.37	2,000.00
Total Governmental Activities	<u>514,884.57</u>	<u>16,312.48</u>	<u>126,115.52</u>	<u>405,081.53</u>	<u>136,927.16</u>
Business-type Activities:					
Accrued Compensated Absences - Business-type Funds	2,615.90	319.72	1,337.02	1,598.60	1,000.00
Total Business-type Activities	<u>2,615.90</u>	<u>319.72</u>	<u>1,337.02</u>	<u>1,598.60</u>	<u>1,000.00</u>
TOTAL PRIMARY GOVERNMENT	<u>517,500.47</u>	<u>16,632.20</u>	<u>127,452.54</u>	<u>406,680.13</u>	<u>137,927.16</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Food Service Fund. Early Retirement Benefits payable for governmental activities typically have been liquidated from the General Fund.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The following are the minimum payments required for existing operating leases:

	Copier Maintenance	Energy System Maintenance
2019	\$ 14,557.44	\$ 76,549.00
2020	\$ 14,332.44	
2021	\$ 14,257.44	
2022	\$ 14,257.44	
2023	\$ 1,188.12	

9. RESTRICTED NET POSITION

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

Purpose	Restricted By:	Amount
Major Funds:		
Capital Outlay	Law	\$ 1,194,885.16
Special Education	Law	247,803.08
Capital Projects	Governmental Accounting Standards	120,555.42
SDRS Pension	Governmental Accounting Standards	2,362,007.25
Total Restricted Net Position		<u>\$ 3,925,250.91</u>

10. INTERFUND TRANSFERS

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

	Transfers To:		
Transfers From:	General Fund	Capital Projects Fund	Totals
Major Funds:			
General		1,000,000.00	1,000,000.00
Pension	1,268.67		1,268.67
Totals	<u>1,268.67</u>	<u>1,000,000.00</u>	<u>1,001,268.67</u>

The School District uses transfers to transfer federal monies from the General Fund to other funds to conduct the indispensable functions of the School District and from the Pension Fund to the General Fund to close the fund.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2018, 2017, and 2016 were \$385,409.94, \$356,901.22, and \$325,634.17, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 34,062,914.73
Less proportionate share of net pension restricted for pension benefits	<u>\$ 34,089,483.31</u>
Proportionate share of net pension liability (asset)	<u>\$ (26,568.58)</u>

At June 30, 2018, the School District reported a liability (asset) of \$(26,568.58) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the School District's proportion was 0.29276340%, which is an increase (decrease) of 0.0073448% from its proportion measured as of June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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).

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

14. RISK MANAGEMENT

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

Employee Health Insurance:

The School District joined the South Dakota District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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

Liability Insurance:

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

Worker's Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,000,000 per individual per incident.

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

Unemployment Benefits:

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

REQUIRED SUPPLEMENTARY INFORMATION
WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,183,870.00	1,183,870.00	1,189,867.50	5,997.50
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	9,902.88	4,902.88
Utility Taxes	65,000.00	65,000.00	127,031.74	62,031.74
Penalties and Interest on Taxes	3,000.00	3,000.00	4,225.25	1,225.25
Earnings on Investments and Deposits	150,000.00	150,000.00	226,486.61	76,486.61
Cocurricular Activities:				
Admissions	25,000.00	25,000.00	19,649.28	(5,350.72)
Other Student Activity Income	11,700.00	11,700.00	26,932.99	15,232.99
Other Revenue from Local Sources:				
Rentals	1,200.00	1,200.00	0.00	(1,200.00)
Charges for Services	10,000.00	10,000.00	8,168.65	(1,831.35)
Other	25,000.00	25,000.00	24,028.70	(971.30)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	40,000.00	40,000.00	33,146.04	(6,853.96)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	3,958,364.00	3,958,364.00	3,858,697.23	(99,666.77)
Other State Revenue	0.00	0.00	1,841.08	1,841.08
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received				
Directly from Federal Government	125,830.00	125,830.00	129,484.00	3,654.00
Restricted Grants-in-Aid Received				
from Federal Government				
Through the State	784,353.00	784,353.00	783,034.63	(1,318.37)
Johnson O'Malley Funds	18,000.00	18,000.00	7,321.70	(10,678.30)
Other Federal Revenue	210,000.00	210,000.00	217,838.28	7,838.28
Total Revenue	6,616,317.00	6,616,317.00	6,667,656.56	51,339.56
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,763,010.00	1,763,010.00	1,737,457.53	25,552.47
Middle/Junior High	1,023,947.00	1,023,947.00	986,534.08	37,412.92
High School	1,153,917.00	1,160,717.00	1,157,582.39	3,134.61
Preschool Services	599,917.00	599,917.00	598,701.18	1,215.82
Special Programs:				
Gifted and Talented	12,122.00	12,122.00	3,336.37	8,785.63
Educationally Deprived	851,620.87	851,620.87	760,243.17	91,377.70

REQUIRED SUPPLEMENTARY INFORMATION
WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received				
Directly from Federal Government	50,000.00	50,000.00	2,372.00	(47,628.00)
Total Revenue	50,000.00	50,000.00	2,372.00	(47,628.00)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	46,500.00	76,850.00	79,416.23	(2,566.23)
Middle/Junior High	72,500.00	72,500.00	49,720.64	22,779.36
High School	110,000.00	110,000.00	99,147.07	10,852.93
Preschool Services	3,000.00	15,000.00	13,747.25	1,252.75
Special Programs:				
Programs for Special Education	0.00	2,700.00	2,665.44	34.56
Support Services:				
Students:				
Health	3,000.00	3,000.00	0.00	3,000.00
Instructional Staff:				
Educational Media	95,000.00	95,000.00	6,442.23	88,557.77
Business:				
Fiscal Services	35,000.00	35,000.00	20,780.10	14,219.90
Operation and Maintenance of Plant	339,600.00	339,600.00	172,278.20	167,321.80
Student Transportation	145,000.00	145,000.00	110,776.61	34,223.39
Food Services	18,000.00	18,000.00	12,495.85	5,504.15
Cocurricular Activities:				
Male Activities	7,000.00	7,000.00	0.00	7,000.00
Female Activities	800.00	2,500.00	2,476.35	23.65
Combined Activities	17,000.00	17,000.00	6,297.68	10,702.32
Total Expenditures	892,400.00	939,150.00	576,243.65	362,906.35
Excess of Revenue Over (Under)				
Expenditures	(842,400.00)	(889,150.00)	(573,871.65)	315,278.35
Other Financing Sources (Uses):				
Transfers In	842,400.00	842,400.00	0.00	(842,400.00)
Total Other Financing Sources (Uses)	842,400.00	842,400.00	0.00	(842,400.00)
Net Change in Fund Balances	0.00	(46,750.00)	(573,871.65)	(527,121.65)
Fund Balance - Beginning	1,768,749.39	1,768,749.39	1,768,749.39	0.00
FUND BALANCE - ENDING	1,768,749.39	1,721,999.39	1,194,877.74	(527,121.65)

REQUIRED SUPPLEMENTARY INFORMATION
WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	0.00	0.00	588.99	588.99
Penalties and Interest on Taxes	0.00	0.00	45.74	45.74
Total Revenue	0.00	0.00	634.73	634.73
Expenditures	0.00	0.00	0.00	0.00
Excess of Revenue Over (Under)				
Expenditures	0.00	0.00	634.73	634.73
Other Financing Sources (Uses):				
Transfers Out	0.00	0.00	(1,268.67)	(1,268.67)
Total Other Financing Sources (Uses)	0.00	0.00	(1,268.67)	(1,268.67)
Net Change in Fund Balances	0.00	0.00	(633.94)	(633.94)
Fund Balance - Beginning	633.94	633.94	633.94	0.00
FUND BALANCE - ENDING	633.94	633.94	0.00	(633.94)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	<u>Year Ended 6/30/2018</u>
General Fund:	
USGAAP Basis Fund Balance	\$ 24,076,109.06
(Deduct) Impact Aid Revenue	(10,013,786.77)
Impact Aid Beginning Balance	(16,887,660.22)
Impact Aid Transfer Out	<u>2,300,000.00</u>
Net Adjustment to GAAP Basis Fund Balance	<u>(24,601,446.99)</u>
Budgetary Basis Fund Balance	<u>\$ (525,337.93)</u>

Note 2. GAAP/Budgetary Accounting Basis Differences:

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

Last 4 Fiscal Years

	2018	2017	2016	2015
Contractually required contribution	\$ 385,410	\$ 356,901	\$ 325,634	\$ 308,996
Contributions in relation to the contractually required contribution	\$ 385,410	\$ 356,901	\$ 325,634	\$ 308,996
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,423,483	\$ 5,948,335	\$ 5,427,226	\$ 5,149,915
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%

WAGNER COMMUNITY SCHOOL DISTRICT NO. 11-4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal Reimbursement

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.