

**MILLER SCHOOL DISTRICT NO. 29-4**  
**AUDITED FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2018**

**MILLER SCHOOL DISTRICT NO. 29-4**  
**SCHOOL DISTRICT OFFICIALS**  
**JUNE 30, 2018**

---

Board Members:

Tim Zacher, President  
Jonathan Hurd  
Natalie Bertsch  
Connie Schroeder  
Rob Mullaney  
Bryan Breitling  
Tara Yost

Superintendent:

Dan Trefz

Business Manager:

Sara Gates

# MILLER SCHOOL DISTRICT NO. 29-4

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**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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  
Miller School District No. 29-4  
Hand 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 Miller School District No. 29-4, South Dakota (School District), 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 and have issued our report thereon dated October 18, 2018, which was qualified for the governmental activities because the School District did not include the effect of their other post-employment benefits on the financial statements and related notes.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be material weaknesses. These findings are items #2018-01, #2018-02, and #2018-03.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards, and which is described in the accompanying Schedule of Current Audit Findings as item #2018-04.

### **School District's Response to Findings**

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District'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.

*Kohlman, Biersbach & Anderson, LLP*

October 18, 2018

**MILLER SCHOOL DISTRICT NO. 29-4**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2018**

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**PRIOR AUDIT FINDINGS:**

**Finding #2017-01**

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, capital assets, indebtedness, inventory, equity, and the preparation of trust and agency receipts and disbursements. This finding is restated as current audit finding #2018-01.

**Finding #2017-02**

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This finding is restated as current audit finding #2018-02.

**Finding #2017-03**

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This finding is restated as current audit finding #2018-03.

**Finding #2017-04**

The School District offers other post-employment benefits (OPEB) to their employees when they retire in the form of health insurance and has not disclosed or recorded a liability. This finding is restated as compliance and other matters finding #2018-04.

**MILLER SCHOOL DISTRICT NO. 29-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2018**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2018-01

Criteria

Internal control can help a School District achieve its performance targets, and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, capital assets, indebtedness, inventory, equity, and the preparation of trust and agency receipts and disbursements.

Cause

The School District has only three employees who prepare all accounting records. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, capital assets, indebtedness, inventory, equity, and the preparation of trust and agency receipts and disbursements, which could result in errors not being found in a timely manner. It is not known how long this comment has been carried forward.

Recommendation

We recommend the School Board take a more active role in their oversight of cash, revenues, receivables, capital assets, indebtedness, inventory, equity, and the preparation of trust and agency receipts and disbursements.

Management's Response

Natalie Bertsch is the contact person responsible for the corrective action plan for this comment. Miller School District No. 29-4 is aware of this problem and is attempting to provide compensating controls by having the school board president review all bank statements and cancelled checks. However, this lack of segregation of duties regarding cash, revenues, receivables, capital assets, indebtedness, inventory, equity, and the preparation of trust and agency receipts and disbursements continues to exist.



**MILLER SCHOOL DISTRICT NO. 29-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2018**  
**(Continued)**

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Finding #2018-02

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause

The School District does not have a system of internal control in place to provide for the preparation of the annual financial statements including required footnotes and disclosures in accordance with generally accepted accounting principles.

Effect

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

Recommendation

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

Management's Response

Natalie Bertsch is the contact person responsible for the corrective action plan for this comment. She stated that the administration and the Board of Education are aware of this finding and accept the degree of risk associated with this condition.

Finding #2018-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

**MILLER SCHOOL DISTRICT NO. 29-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2018**  
**(Continued)**

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Cause

The School District does not have a system of internal control in place to identify all adjustments necessary to ensure the financial statements are in conformity with generally accepted accounting principles.

Effect

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

Recommendation

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

Management's Response

Natalie Bertsch is the contact person responsible for the corrective action plan for this comment. She stated that the administration and Board of Education are aware of this finding and accept the degree of risk associated with this condition.

COMPLIANCE AND OTHER MATTERS:

Finding #2018-04

Criteria

Governmental Accounting Standards Board (GASB) Statement No. 75 requires that local government employers that provide other post-employment benefits (OPEB) to their employees requires measurement, recognition, and displaying OPEB expense and related liabilities (assets), note disclosures and, if applicable, required supplementary information in the financial statements. These amounts may be obtained through an actuarial valuation.

Condition Found

The School District offers OPEB to their employees when they retire in the form of health insurance, and has not disclosed or recorded a liability.

Cause

The School District has not obtained an actuarial valuation to determine the cost of the OPEB.

Effect

Since the School District has not obtained an actuarial valuation of their OPEB, the School District is not in compliance with GASB Statement No. 75.

**MILLER SCHOOL DISTRICT NO. 29-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2018**  
**(Continued)**

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Recommendation

We recommend that the School District obtain an actuarial valuation of their OPEB, so that the necessary expense, liabilities, and note disclosures can be included in the financial statements.

Management's Response

Natalie Bertsch is the contact person for the corrective action plan for this comment. She stated, "This finding is related to the requirement of GASB 75 to perform an actuarial valuation of other post-employment benefits (OPEB) that we provide to our employees. At this time, Miller School District has not performed an actuarial valuation of our cost of the OPEB. This has put us out of compliance with GASB 75. It is the intent of the District to perform an actuarial valuation of the OPEB."

Closing Conference

The contents of this report were discussed with Natalie Bertsch, Dan Trefz, and Sara Gates on August 23, 2018.

**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PARTNERS

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WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

**INDEPENDENT AUDITORS' REPORT**

School Board  
Miller School District No. 29-4  
Hand 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 Miller School District No. 29-4, South Dakota (School District), 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.

**Auditors' 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 auditors' 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 unmodified and qualified audit opinions.

### **Basis for Qualified Opinion on Governmental Activities**

The School District was required to include the effect of their other post-employment benefits (OPEB) in the financial statements and related note disclosures in accordance with Governmental Accounting Standards Board Statement No. 45. The School District did not obtain an actuarial valuation to determine the value of their OPEB. Therefore, it was not able to be included in the financial statements and related note disclosures. The amount by which this departure would affect the liabilities, net position, and expenditures of the governmental activities has not been determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Miller School District No. 29-4, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Miller School District No. 29-4, 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, the Schedule of the School District’s Proportionate Share of the Net Pension Liability (Asset) and the Schedule of the School District Contributions on pages 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School 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 combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 or to 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 October 18, 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 other matters. The purpose of that report is solely 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 effectiveness of the School District's 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.

*Kohlman, Bierbach & Anderson, LLP*

October 18, 2018

**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,572,936	\$ 76,419	\$ 3,649,355
Investments	1,656,056	--	1,656,056
Taxes receivable	2,286,008	--	2,286,008
Inventories	7,000	--	7,000
Other assets	276,003	9,773	285,776
Net pension asset	11,205	--	11,205
Capital assets:			
Land, improvements and construction in progress	74,405	--	74,405
Other capital assets, net of depreciation	<u>10,272,918</u>	<u>86,786</u>	<u>10,359,704</u>
<b>TOTAL ASSETS</b>	<u>18,156,531</u>	<u>172,978</u>	<u>18,329,509</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>1,212,304</u>	--	<u>1,212,304</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,212,304</u>	--	<u>1,212,304</u>
<b>LIABILITIES:</b>			
Accounts payable	114,677	6,466	121,143
Other current liabilities	310,733	--	310,733
Unearned revenue	--	3,891	3,891
Noncurrent Liabilities:			
Due within one year	317,399	--	317,399
Due in more than one year	<u>4,771,151</u>	--	<u>4,771,151</u>
<b>TOTAL LIABILITIES</b>	<u>5,513,960</u>	<u>10,357</u>	<u>5,524,317</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	2,472,713	--	2,472,713
Pension related deferred inflows	<u>238,318</u>	--	<u>238,318</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,711,031</u>	--	<u>2,711,031</u>
<b>NET POSITION:</b>			
Net investment in capital assets	5,462,323	86,786	5,549,109
Restricted for:			
Capital outlay purposes	1,748,141	--	1,748,141
Special education purposes	1,027,909	--	1,027,909
Pension purposes	29,727	--	29,727
Debt service purposes	616,056	--	616,056
SDRS pension purposes	985,191	--	985,191
Unrestricted	<u>1,274,497</u>	<u>75,835</u>	<u>1,350,332</u>
<b>TOTAL NET POSITION</b>	<u>\$11,143,844</u>	<u>\$162,621</u>	<u>\$11,306,465</u>

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF ACTIVITIES**  
**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	Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Instruction	\$2,626,694	\$ --	\$233,476	\$1,227	\$ (2,391,991)		\$ (2,391,991)
Support services	1,859,017	3,274	28,653	--	(1,827,090)		(1,827,090)
Nonprogrammed charges	34,797	--	--	--	(34,797)		(34,797)
*Interest on long-term debt	153,189	--	--	--	(153,189)		(153,189)
Cocurricular activities	<u>385,833</u>	<u>56,833</u>	<u>--</u>	<u>5,086</u>	<u>(323,914)</u>		<u>(323,914)</u>
<b>Total Governmental Activities</b>	<b><u>5,059,530</u></b>	<b><u>60,107</u></b>	<b><u>262,129</u></b>	<b><u>6,313</u></b>	<b><u>(4,730,981)</u></b>		<b><u>(4,730,981)</u></b>
<b>Business-Type Activities:</b>							
Food service	237,383	141,317	82,928	--		\$ (13,138)	(13,138)
Drivers education	<u>5,265</u>	<u>5,265</u>	<u>--</u>	<u>--</u>		<u>--</u>	<u>--</u>
<b>Total Business-Type Activities</b>	<b><u>242,648</u></b>	<b><u>146,582</u></b>	<b><u>82,928</u></b>	<b><u>--</u></b>		<b><u>(13,138)</u></b>	<b><u>(13,138)</u></b>
<b>Total Primary Government</b>	<b><u>\$5,302,178</u></b>	<b><u>\$206,689</u></b>	<b><u>\$345,057</u></b>	<b><u>\$6,313</u></b>	<b><u>(4,730,981)</u></b>	<b><u>(13,138)</u></b>	<b><u>(4,744,119)</u></b>
<b>* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.</b>							
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes					5,041,564	--	5,041,564
Utility taxes					130,588	--	130,588
<b>Revenue from state sources:</b>							
State aid					488,686	--	488,686
Other					144,196	--	144,196
<b>Revenue from federal sources</b>							
					4,502	--	4,502
<b>Grants and contributions not restricted to specific programs</b>							
					3,910	--	3,910
Unrestricted investment earnings					(1,337)	41	(1,296)
Other general revenues					<u>194,132</u>	<u>--</u>	<u>194,132</u>
<b>Total General Revenues</b>					<b><u>6,006,241</u></b>	<b><u>41</u></b>	<b><u>6,006,282</u></b>
<b>CHANGE IN NET POSITION</b>					<b>1,275,260</b>	<b>(13,097)</b>	<b>1,262,163</b>
<b>NET POSITION - BEGINNING</b>					<b><u>9,868,584</u></b>	<b><u>175,718</u></b>	<b><u>10,044,302</u></b>
<b>NET POSITION - ENDING</b>					<b><u>\$11,143,844</u></b>	<b><u>\$162,621</u></b>	<b><u>\$11,306,465</u></b>

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



**MILLER SCHOOL DISTRICT NO. 29-4**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$1,012,644	\$1,975,129	\$ 555,781	\$ 29,382	\$3,572,936
Investments	550,753	--	489,247	616,056	1,656,056
Taxes receivable - current	1,212,904	802,334	253,432	--	2,268,670
Taxes receivable - delinquent	12,680	3,080	1,233	345	17,338
Accounts receivable, net	2,776	--	--	--	2,776
Due from federal government	58,715	--	55,942	--	114,657
Due from state government	53,320	--	--	--	53,320
Due from county government	77,267	--	--	--	77,267
Inventory of materials and supplies	7,000	--	--	--	7,000
Prepaid expenses	<u>23,183</u>	<u>4,800</u>	<u>--</u>	<u>--</u>	<u>27,983</u>
<b>TOTAL ASSETS</b>	<b><u>\$3,011,242</u></b>	<b><u>\$2,785,343</u></b>	<b><u>\$1,355,635</u></b>	<b><u>\$645,783</u></b>	<b><u>\$7,798,003</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 27,229	\$ 79,656	\$ 7,792	\$ --	\$ 114,677
Contracts payable	235,794	--	38,910	--	274,704
Payroll deductions and withholdings and employer matching payable	<u>30,860</u>	<u>--</u>	<u>5,169</u>	<u>--</u>	<u>36,029</u>
<b>TOTAL LIABILITIES</b>	<b><u>293,883</u></b>	<b><u>79,656</u></b>	<b><u>51,871</u></b>	<b><u>--</u></b>	<b><u>425,410</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	12,680	3,080	1,233	345	17,338
Taxes levied for future period	<u>1,323,533</u>	<u>873,325</u>	<u>275,855</u>	<u>--</u>	<u>2,472,713</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>1,336,213</u></b>	<b><u>876,405</u></b>	<b><u>277,088</u></b>	<b><u>345</u></b>	<b><u>2,490,051</u></b>
<b>FUND BALANCES:</b>					
Nonspendable	30,183	4,800	--	--	34,983
Restricted	--	1,824,482	1,026,676	645,438	3,496,596
Assigned	14,380	--	--	--	14,380
Unassigned	<u>1,336,583</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,336,583</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,381,146</u></b>	<b><u>1,829,282</u></b>	<b><u>1,026,676</u></b>	<b><u>645,438</u></b>	<b><u>4,882,542</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$3,011,242</u></b>	<b><u>\$2,785,343</u></b>	<b><u>\$1,355,635</u></b>	<b><u>\$645,783</u></b>	<b><u>\$7,798,003</u></b>

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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Total Fund Balances - Governmental Funds	\$ 4,882,542
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.	11,205
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	10,347,323
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	1,212,304
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,088,550)
Bonds	\$2,000,000
CO certificates	\$2,885,000
Early retirement	\$ 119,329
Accrued interest	\$ <u>84,221</u>
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	17,338
Taxes receivable	\$ <u>17,338</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(238,318)</u>
Net Position - Governmental Activities	<u>\$11,143,844</u>

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$2,645,444	\$1,742,383	\$ 631,224	\$ --	\$5,019,051
Prior years' ad valorem taxes	2,457	521	214	43	3,235
Utility taxes	130,588	--	--	--	130,588
Penalties and interest on taxes	5,406	3,229	1,286	5	9,926
Revenue from local governmental units other than school districts:					
Revenue in lieu of taxes	3,514	598	189	--	4,301
Earnings on investments and deposits	5,160	906	4,454	(11,857)	(1,337)
Cocurricular activities:					
Admissions	41,822	--	--	--	41,822
Other student activity income	15,011	--	--	--	15,011
Other revenue from local sources:					
Rentals	5,642	--	--	--	5,642
Contributions and donations	1,787	8,436	--	--	10,223
Refund of prior years' expenditures	12,179	--	--	--	12,179
Charges for services	3,012	--	262	--	3,274
Other	16,347	29	--	--	16,376
Revenue from Intermediate Sources:					
County sources:					
County apportionment	47,290	--	--	--	47,290
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	632,882	--	--	--	632,882
Restricted grants-in-aid	--	--	28,653	--	28,653
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received from federal government through an intermediate source	4,502	--	--	--	4,502
Restricted grants-in-aid received from federal government through the state	117,429	13,948	102,099	--	233,476
Other federal revenue	<u>--</u>	<u>162,516</u>	<u>--</u>	<u>--</u>	<u>162,516</u>
<b>TOTAL REVENUE</b>	<u><b>3,690,472</b></u>	<u><b>1,932,566</b></u>	<u><b>768,381</b></u>	<u><b>(11,809)</b></u>	<u><b>6,379,610</b></u>
<b>EXPENDITURES:</b>					
Instruction:					
Regular programs:					
Elementary	999,148	88,194	--	47,831	1,135,173
Middle/junior high	190,142	--	--	9,564	199,706
High school	603,445	100,174	--	27,331	730,950
Special programs:					
Programs for special education	--	--	433,613	--	433,613

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Funds	Total Governmental Funds
Coordinated early intervening services instruction	--	--	72,918	--	72,918
Educationally deprived	120,230	--	--	141	120,371
Support Services:					
Students:					
Guidance	75,223	--	--	3,790	79,013
Health	3,409	--	--	--	3,409
Psychological	--	--	85,203	--	85,203
Speech pathology	--	--	57,959	--	57,959
Student therapy services	--	--	12,567	--	12,567
Instructional staff:					
Improvement of instruction	18,477	--	--	409	18,886
Educational media	100,171	1,074	--	2,677	103,922
General administration:					
Board of education	36,051	--	--	--	36,051
Executive administration	119,295	1,330	--	5,127	125,752
School administration:					
Office of the principal	226,451	1,238	--	9,984	237,673
Other	318	--	--	--	318
Business:					
Fiscal services	96,152	5,481	--	3,465	105,098
Facilities acquisition and construction	--	5,962	--	--	5,962
Operation and maintenance of plant	484,586	42,564	--	6,425	533,575
Student transportation	409,343	--	--	--	409,343
Food services	7,916	--	--	--	7,916
Central:					
Staff	649	--	--	--	649
Special education:					
Administrative costs	--	--	73,555	--	73,555
Transportation costs	--	--	6,860	--	6,860
Nonprogrammed Charges:					
Payments to state - unemployment	1,625	--	--	--	1,625
Early retirement payments	--	--	--	33,172	33,172
Debt Services	--	387,055	--	--	387,055
Cocurricular Activities:					
Male activities	49,695	16,485	--	1,167	67,347
Female activities	40,391	7,699	--	1,254	49,344
Transportation	50,199	--	--	--	50,199
Combined activities	104,826	26,797	--	4,477	136,100
Capital Outlay	<u>--</u>	<u>262,263</u>	<u>--</u>	<u>--</u>	<u>262,263</u>
<b>TOTAL EXPENDITURES</b>	<b><u>3,737,742</u></b>	<b><u>946,316</u></b>	<b><u>742,675</u></b>	<b><u>156,814</u></b>	<b><u>5,583,547</u></b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b><u>(47,270)</u></b>	<b><u>986,250</u></b>	<b><u>25,706</u></b>	<b><u>(168,623)</u></b>	<b><u>796,063</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	405,416	--	--	125,000	530,416

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**  
**(Continued)**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Transfers out	--	(525,906)	(4,454)	(56)	(530,416)
TOTAL OTHER FINANCING SOURCES (USES)	<u>405,416</u>	<u>(525,906)</u>	<u>(4,454)</u>	<u>124,944</u>	<u>--</u>
NET CHANGE IN FUND BALANCES	358,146	460,344	21,252	(43,679)	796,063
FUND BALANCE - BEGINNING	<u>1,023,000</u>	<u>1,368,938</u>	<u>1,005,424</u>	<u>689,117</u>	<u>4,086,479</u>
FUND BALANCE - ENDING	<u>\$1,381,146</u>	<u>\$1,829,282</u>	<u>\$1,026,676</u>	<u>\$ 645,438</u>	<u>\$4,882,542</u>

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

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Net Change in Fund Balances - Total Governmental Funds	\$ 796,063
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.	262,263
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.	(385,976)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	233,178
CO Certificate                      \$200,000	
Early Retirement                      \$ <u>33,178</u>	
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".	9,352
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(54,172)
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 governmental funds.	688
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>413,864</u>
Change in Net Position of Governmental Activities	<u>\$1,275,260</u>

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

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	<u>Enterprise Funds</u> Food Service Fund
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 76,419
Accounts receivable, net	5,326
Due from federal government	<u>4,447</u>
<b>Total Current Assets</b>	<u>86,192</u>
<b>Capital Assets:</b>	
Machinery and equipment - local funds	219,651
Less: accumulated depreciation	<u>(132,865)</u>
<b>Total Capital Assets</b>	<u>86,786</u>
<b>TOTAL ASSETS</b>	<u>172,978</u>
<b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts payable	6,466
Unearned revenue	<u>3,891</u>
<b>TOTAL LIABILITIES</b>	<u>10,357</u>
<b>NET POSITION:</b>	
Net investment in capital assets	86,786
Unrestricted net position	<u>75,835</u>
<b>TOTAL NET POSITION</b>	<u>\$ 162,621</u>

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
<b>OPERATING REVENUE:</b>			
Food Sales:			
Student	\$135,182	\$ --	\$135,182
Adult	3,955	--	3,955
Other charges for goods and services	<u>2,180</u>	<u>5,265</u>	<u>7,445</u>
<b>TOTAL OPERATING REVENUE</b>	<u>141,317</u>	<u>5,265</u>	<u>146,582</u>
<b>OPERATING EXPENSES:</b>			
Salaries	12,836	4,392	17,228
Employee benefits	982	600	1,582
Purchased services	188,358	--	188,358
Supplies	75	273	348
Cost of sales - donated	22,213	--	22,213
Other	4,000	--	4,000
Depreciation	<u>8,919</u>	<u>--</u>	<u>8,919</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>237,383</u>	<u>5,265</u>	<u>242,648</u>
<b>OPERATING LOSS</b>	<u>(96,066)</u>	<u>--</u>	<u>(96,066)</u>
<b>NONOPERATING REVENUE:</b>			
Investment earnings	41	--	41
State grants	806	--	806
Federal grants	59,909	--	59,909
Donated food	<u>22,213</u>	<u>--</u>	<u>22,213</u>
<b>TOTAL NONOPERATING REVENUE</b>	<u>82,969</u>	<u>--</u>	<u>82,969</u>
<b>CHANGE IN NET POSITION</b>	(13,097)	--	(13,097)
<b>NET POSITION - BEGINNING</b>	<u>175,718</u>	<u>--</u>	<u>175,718</u>
<b>NET POSITION - ENDING</b>	<u>\$162,621</u>	<u>\$ --</u>	<u>\$162,621</u>

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



**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 134,282	\$ 5,265	\$ 139,547
Cash payments to employees for services	(13,818)	(4,992)	(18,810)
Cash payments to suppliers of goods or services	<u>(187,690)</u>	<u>(273)</u>	<u>(187,963)</u>
Net cash used by operating activities	<u>(67,226)</u>	<u>--</u>	<u>(67,226)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants	<u>60,587</u>	<u>--</u>	<u>60,587</u>
Net cash flows from noncapital financing activities	<u>60,587</u>	<u>--</u>	<u>60,587</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>--</u>	<u>--</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash received for interest	<u>41</u>	<u>--</u>	<u>41</u>
Net cash provided by investing activities	<u>41</u>	<u>--</u>	<u>41</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(6,598)	--	(6,598)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>83,017</u>	<u>--</u>	<u>83,017</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 76,419</u>	<u>\$ --</u>	<u>\$ 76,419</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u></b>			
<b>OPERATING LOSS</b>	\$ (96,066)	\$ --	\$ (96,066)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Depreciation	8,919	--	8,919
Bad debt expense	4,000	--	4,000
Value of donated commodities used	22,213	--	22,213
Change in assets and liabilities:			
Receivables	(4,097)	--	(4,097)
Accounts and other payables	743	--	743
Unearned revenue	<u>(2,938)</u>	<u>--</u>	<u>(2,938)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (67,226)</u>	<u>\$ --</u>	<u>\$ (67,226)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Value of commodities received	\$ 22,213	\$ --	\$ 22,213

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

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	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,556	\$97,914
Other assets	<u>193,236</u>	<u>---</u>
<b>TOTAL ASSETS</b>	<b><u>\$194,792</u></b>	<b><u>\$97,914</u></b>
<b>LIABILITIES:</b>		
Amounts held for others	\$ ---	\$97,914
<b>TOTAL LIABILITIES</b>	<u>---</u>	<u>\$97,914</u>
<b>NET POSITION:</b>		
Held in trust for scholarships	<u>194,792</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$194,792</u></b>	

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2018**

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	Private-Purpose Trust Funds
ADDITIONS:	
Contributions and donations	\$ 1,000
Earnings from investments and deposits	<u>1,290</u>
TOTAL ADDITIONS	<u>2,290</u>
DEDUCTIONS:	
Other deductions	<u>6,000</u>
TOTAL DEDUCTIONS	<u>6,000</u>
CHANGE IN NET POSITION	(3,710)
NET POSITION - BEGINNING	<u>198,502</u>
NET POSITION - ENDING	<u>\$194,792</u>

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

a. **Financial Reporting Entity:**

The reporting entity of Miller School District No. 29-4 (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.

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 minus liabilities equal net position). Net Position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 1 - (Continued)

set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds:**

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

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

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

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

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 1 - (Continued)

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Bond Redemption Fund - A fund established by the official statement of the Qualified School Construction Bonds to be used to accumulate sinking fund deposits. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is not a major fund.

Proprietary Funds:

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

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

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

Drivers Education Fund - A fund used to record financial transactions related to the drivers' education operations. This fund is financed by user charges. This is not a major fund and is the only fund included under the heading "Other Enterprise Fund".

Fiduciary Funds:

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

Private-Purpose Trust Funds - 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 fund:

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 1 - (Continued)

A scholarship fund to assist former students with college expenses.

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

To account for assets held as an agent for individuals, classes, and school organizations.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 1 - (Continued)

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2018, are for federal reimbursement and miscellaneous receivables.

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

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

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

d. Deposits and Investments:

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

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

e. Capital Assets:

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

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

Government-Wide Financial Statements:



**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 1 - (Continued)

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

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

The total June 30, 2018 balance of capital assets for governmental activities includes approximately 42 percent for which the costs were determined by estimates of the original costs. The total June 30, 2018 balance of capital assets for business-type activities includes approximately 36 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by appraisals.

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	N/A	N/A
Improvements	\$5,000	Straight-line	20 to 30 yrs.
Buildings	\$5,000	Straight-line	25 to 50 yrs.
Machinery and Equipment - Governmental	\$5,000	Straight-line	8 to 15 yrs.
Machinery and Equipment - Proprietary	\$ 500	Straight-line	12 to 15 yrs.

Land is an inexhaustible capital asset and is not depreciated.

**Fund Financial Statements:**

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

f. Long-Term Liabilities:

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 1 - (Continued)

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of early retirement benefits payable, accrued interest, limited tax general obligation certificates and qualified school construction bond.

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

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 1 - (Continued)

i. Cash and Cash Equivalents:

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

j. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

l. Fund Balances Classification Policies and Procedures:

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 1 - (Continued)

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

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

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

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board.

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

The Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as inventory and prepaid expenses.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property Taxes
Special Education Fund	Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

NOTE 1 - (Continued)

Miller School District No. 29-4  
Disclosure of Fund Balances Reported on Balance Sheet  
Governmental Funds  
June 30, 2018

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Inventory	\$ 7,000	\$ --	\$ --	\$ --	\$ 7,000
Prepaid Expenses	23,183	4,800	--	--	27,983
Restricted for:					
Capital Outlay Fund	--	1,824,482	--	--	1,824,482
Special Education Fund	--	--	1,026,676	--	1,026,676
Pension Fund	--	--	--	29,382	29,382
Debt Service Requirements	--	--	--	616,056	616,056
Assigned to:					
Unemployment	14,380	--	--	--	14,380
Unassigned	<u>1,336,583</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,336,583</u>
Total Fund Balances	<u>\$1,381,146</u>	<u>\$1,829,282</u>	<u>\$1,026,676</u>	<u>\$645,438</u>	<u>\$4,882,542</u>

m. Pensions:

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

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

The School District follows the practice of aggregating the cash assets of all the funds except for the Bond Redemption Fund and the Trust and Agency Funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 2 - (Continued)

standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

The School District has the following recurring fair value measurements as of June 30, 2018:

- U.S. Treasury Notes - Level 1 - Valued using the Market Approach

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

As of June 30, 2018, the School District had the following investment. This is all recorded in the Bond Redemption Fund.

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasury Notes	N/A	\$616,056	\$616,056

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the School District's investments are in certificates of deposit - 63%, U.S. Treasury Notes - 37%.

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 Private-Purpose Trust Fund, Bond Redemption Fund, and Food Service Fund, which retain their investment income.

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 2 - (Continued)

USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables and payables are aggregated in the Statement of Net Position. However, the detail of all receivables and current payables is shown in the Governmental Funds Balance Sheet. Unavailable revenue, which is shown as a deferred inflows of resources on the Governmental Funds Balance Sheet is reduced on the Statement of Net Position for delinquent taxes receivable, and included as a reconciling item on the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position. The detail of the noncurrent liabilities on the Statement of Net Position is shown at Note 7. The School District expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectible have been established as follows:

They have been estimated as material, with an allowance balance of \$14,000 in the Food Service Fund.

NOTE 4 - INVENTORY

Inventory held for consumption is stated at cost.

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

NOTE 5 - PROPERTY TAXES

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

NOTE 5 - (Continued)

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

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

Primary Government

	<u>Balance</u> <u>07/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/18</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ <u>74,405</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>74,405</u>
Total, not being depreciated	<u>74,405</u>	<u>--</u>	<u>--</u>	<u>74,405</u>
Capital assets, being depreciated:				
Improvements	1,079,481	147,358	35,645	1,191,194
Buildings	13,379,923	49,440	--	13,429,363
Machinery and equipment	<u>836,202</u>	<u>65,465</u>	<u>13,360</u>	<u>888,307</u>
Total, being depreciated	<u>15,295,606</u>	<u>262,263</u>	<u>49,005</u>	<u>15,508,864</u>
Less accumulated depreciation for:				
Improvements	633,047	55,759	35,645	653,161
Buildings	3,778,699	278,179	--	4,056,878
Machinery and equipment	<u>487,229</u>	<u>52,038</u>	<u>13,360</u>	<u>525,907</u>
Total accumulated depreciation	<u>4,898,975</u>	<u>385,976</u>	<u>49,005</u>	<u>5,235,946</u>
Total capital assets, being depreciated, net	<u>10,396,631</u>	<u>(123,713)</u>	<u>--</u>	<u>10,272,918</u>
Governmental activity capital assets, net	<u>\$10,471,036</u>	<u>\$(123,713)</u>	<u>\$--</u>	<u>\$10,347,323</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$231,138
Support services	50,784
Cocurricular activities	<u>104,054</u>

Total depreciation expense - governmental activities \$385,976



**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

NOTE 6 - (Continued)

	<u>Balance</u> <u>07/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/18</u>
Business-type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$230,917	\$ --	\$11,266	\$219,651
Less accumulated depreciation for:				
Machinery and equipment	<u>135,211</u>	<u>8,919</u>	<u>11,265</u>	<u>132,865</u>
Business-type activity capital assets, net	<u>\$ 95,706</u>	<u>\$(8,919)</u>	<u>\$ 1</u>	<u>\$ 86,786</u>
Depreciation expense was charged to functions as follows:				
Business-type activities:				
Food services				<u>\$ 8,919</u>

NOTE 7 - LONG-TERM LIABILITIES

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

PRIMARY GOVERNMENT

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Limited Tax General Obligation					
Certificates - 2015	\$3,085,000	\$ --	\$200,000	\$2,885,000	\$200,000
Qualified School Construction Bond	<u>2,000,000</u>	<u>--</u>	<u>--</u>	<u>2,000,000</u>	<u>--</u>
Total debt	5,085,000	--	200,000	4,885,000	200,000
Early retirement payable	152,507	--	33,178	119,329	33,178
Accrued interest	<u>84,909</u>	<u>--</u>	<u>688</u>	<u>84,221</u>	<u>84,221</u>
Total governmental activities	<u>\$5,322,416</u>	<u>\$ --</u>	<u>\$233,866</u>	<u>\$5,088,550</u>	<u>\$317,399</u>

Early retirement benefits payable for governmental activities typically have been liquidated from the Pension Fund.

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

PRIMARY GOVERNMENT

Governmental Activities:

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

NOTE 7 - (Continued)

Limited Tax General Obligation Certificates - 2015:

Requires semi-annual payments of not more \$261,756 for the year,  
 from the Capital Outlay Fund with a varying interest rate from .6% to 2.8 %. \$2,885,000

Qualified School Construction Bond:

Requires semi-annual interest payment of \$62,500 from the Capital Outlay Fund with the final payment to be made July 15, 2028. The principal is paid back July 15, 2028, in a lump sum payment of \$2,000,000. However, money is to be deposited every year into a separate account and a debt service fund was set up to account for this beginning July 15, 2013. The bond has an interest rate of 6.25%, but 5.8% is refunded to the School District from the IRS for an effective interest rate of .45%. Due to the sequester, the subsidy received for July 2016, January 2017, July 2017, January 2018 and July 2018 was less than the amount requested. This reduction was scheduled to end September 30, 2017, subject to intervening congressional action, but the amounts continued to be reduced. \$2,000,000

Early Retirement Payable:

Requires annual payments of not more than \$33,178 from the Pension Fund,  
 final payment in fiscal year 2022. \$ 119,329

Accrued Interest:

Interest due in July on the Limited Tax Obligation Certificates and Qualified School Construction Bond. \$ 84,221

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

Annual Requirements to Maturity for Long-Term Debt  
 June 30, 2018

Year Ending June 30,	Early Retirement Payable	Limited Tax General Obligation Certificates - 2015		Qualified School Construction Bond		Total	
	Prin.	Prin.	Int.	Prin.	Int.	Prin.	Int.
2019	\$ 33,178	\$ 200,000	\$ 57,755	\$ --	\$ 67,000	\$ 233,178	\$124,755
2020	33,178	205,000	55,576	--	9,000	238,178	64,576
2021	33,178	205,000	53,014	--	9,000	238,178	62,014
2022	19,795	210,000	50,002	--	9,000	229,795	59,002
2023	--	210,000	46,538	--	9,000	210,000	55,538
2024 - 2028	--	1,120,000	166,271	--	45,000	1,120,000	211,271
2029 - 2031	--	735,000	30,726	2,000,000	4,500	2,735,000	35,226
	<u>\$119,329</u>	<u>\$2,885,000</u>	<u>\$459,882</u>	<u>\$2,000,000</u>	<u>\$152,500</u>	<u>\$5,004,329</u>	<u>\$612,382</u>

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 8 - OPERATING LEASES**

The School District has three operating leases for Canon copiers which are being paid out of the Capital Outlay Fund. The School District paid a total of \$19,800 in leases out of the Capital Outlay Fund for the year ended June 30, 2018.

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

<u>Year</u>	<u>Capital Outlay Fund</u>
2019	\$15,438
2020	\$15,438
2021	\$15,438
2022	\$15,438
2023	\$11,578

**NOTE 9 - RESTRICTED NET POSITION**

Restricted net position for the year ended June 30, 2018, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay purposes	Law	\$1,748,141
Special Education purposes	Law	1,027,909
Permanently Restricted Purposes:		
Scholarships - expendable		184,792
Scholarships - nonexpendable		10,000
Other Purposes:		
Pension purposes		29,727
SDRS pension purposes	Law	985,191
Debt service purposes	Debt Covenants	<u>616,056</u>
<b>Total Restricted Net Position</b>		<b><u>\$4,601,816</u></b>

These balances are restricted due to federal grant, debt covenants, and statutory requirements.

**NOTE 10 - INTERFUND TRANSFERS**

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

NOTE 10 - (Continued)

<u>Transfers From:</u>	<u>Transfers To:</u>		
	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Total</u>
Capital Outlay Fund	\$400,906	\$125,000	\$525,906
Special Education Fund	4,454	--	4,454
Pension Fund	<u>56</u>	<u>--</u>	<u>56</u>
Totals	<u>\$405,416</u>	<u>\$125,000</u>	<u>\$530,416</u>

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers. Certain other statutes and debt covenants require earnings from investments and deposits to be retained in the fund that services the long-term debt.

The Capital Outlay Fund transferred money to the Bond Redemption Fund in accordance with the terms of the Qualified School Construction Bond, and the General Fund in accordance with SDCL 13-6-6.

NOTE 11 - PENSION PLAN

Plan Information:

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

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.

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 11 - (Continued)

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 1<sup>st</sup> 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 CPI
  - 90.0% to 99.9% funded - 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded - 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such 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% 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 \$157,836, \$150,709, and \$131,757, respectively, equal to the required contributions each year.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 11 - (Continued)

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

Proportionate share of pension liability	\$14,366,038
Less proportionate share of net pension restricted for pension benefits	<u>14,377,243</u>
Proportionate share of net pension asset	<u>\$ (11,205)</u>

At June 30, 2018, the School District reported an asset of \$11,205 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 used to calculate the net pension 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 .1234730%, which is an increase of .0082434% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized reduction of pension expense of \$413,864. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 179,540	\$ --
Changes in assumption.	870,022	--
Net difference between projected and actual earnings on pension plan investments.	--	215,433
Changes in proportion and difference between District contributions and proportionate share of contributions.	4,906	22,885
School District contributions subsequent to the measurement date.	<u>157,836</u>	<u>--</u>
<b>TOTAL</b>	<b><u>\$1,212,304</u></b>	<b><u>\$238,318</u></b>

\$157,836 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 11 - (Continued)

deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2019	\$222,976
2020	374,712
2021	272,669
2022	<u>(54,207)</u>
<b>TOTAL</b>	<b><u>\$816,150</u></b>

Actuarial Assumptions:

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

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

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

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 11 - (Continued)

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

Discount Rate:

The discount rate used to measure the total pension liability 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.

Sensitivity of Liability (Asset) to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$2,052,249	\$(11,205)	\$(1,691,528)

Pension Plan Fiduciary Net Position:

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

NOTE 12 - 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:



**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 12 - (Continued)

Employee Health Insurance:

The School District purchased health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years. In March 2018, the School District quit purchasing health insurance from a commercial insurance carrier.

In March 2018, the School District joined the South Dakota School 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. There is no lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims. Settled claims resulting from these risks have not exceeded the liability coverage since joining.

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

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The School District has Assigned Fund Balance in the General Fund in the amount of \$14,380 for the payment of future unemployment benefits.

During the year ended June 30, 2018, one claim was filed for unemployment benefits. This claim resulted in the payment of benefits in the amount of \$1,625. At June 30, 2018, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 13 - LITIGATION

At June 30, 2018, the School District was not involved in any litigation.

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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NOTE 14 - SUBSEQUENT EVENTS

There are no subsequent events through October 18, 2018, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MILLER SCHOOL DISTRICT NO. 29-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$2,652,000	\$2,652,000	\$2,645,444	\$ (6,556)
Prior years' ad valorem taxes	--	--	2,457	2,457
Utility taxes	130,000	130,000	130,588	588
Penalties and interest on taxes	5,000	5,000	5,406	406
Revenue from local governmental units other than school districts:				
Revenue in lieu of taxes	10,000	10,000	3,514	(6,486)
Earnings on investments and deposits	7,500	7,500	5,160	(2,340)
Cocurricular activities:				
Admissions	38,000	38,000	41,822	3,822
Other student activity income	8,000	8,000	15,011	7,011
Other revenue from local sources:				
Rentals	4,000	4,000	5,642	1,642
Contributions and donations	10,000	10,000	1,787	(8,213)
Refund of prior years' expenditures	--	--	12,179	12,179
Charges for services	1,500	1,500	3,012	1,512
Other	25,000	25,000	16,347	(8,653)
Revenue from Intermediate Sources:				
County sources:				
County apportionment	40,000	40,000	47,290	7,290
Revenue in lieu of taxes	1,500	1,500	--	(1,500)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	510,000	510,000	632,882	122,882
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	4,502	4,502
Restricted grants-in-aid received from federal government through the state	<u>130,097</u>	<u>130,097</u>	<u>117,429</u>	<u>(12,668)</u>
<b>TOTAL REVENUE</b>	<u><b>3,572,597</b></u>	<u><b>3,572,597</b></u>	<u><b>3,690,472</b></u>	<u><b>117,875</b></u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	1,113,972	1,113,972	999,148	114,824
Middle/junior high	--	--	190,142	(190,142)
High school	920,773	920,773	603,445	317,328

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Special programs:				
Educationally deprived	142,835	142,835	120,230	22,605
Support Services:				
Students:				
Guidance	75,910	75,910	75,223	687
Health	5,000	5,000	3,409	1,591
Instructional staff:				
Improvement of instruction	21,162	21,162	18,477	2,685
Educational media	101,760	101,760	100,171	1,589
General administration:				
Board of education	29,160	29,160	36,051	(6,891)
Executive administration	78,145	78,145	119,295	(41,150)
School administration:				
Office of the principal	241,640	241,640	226,451	15,189
Other	200	200	318	(118)
Business:				
Fiscal services	98,345	98,345	96,152	2,193
Operation and maintenance of plant	446,720	446,720	484,586	(37,866)
Student transportation	375,500	375,500	409,343	(33,843)
Food services	9,000	9,000	7,916	1,084
Central:				
Staff	1,200	1,200	649	551
Nonprogrammed Charges				
Payments to state - unemployment	5,000	5,000	1,625	3,375
Cocurricular Activities:				
Male activities	51,493	51,493	49,695	1,798
Female activities	43,515	43,515	40,391	3,124
Transportation	59,500	59,500	50,199	9,301
Combined activities	121,767	121,767	104,826	16,941
Contingencies	30,000	30,000		
Amount transferred		--		30,000
<b>TOTAL EXPENDITURES</b>	<u>3,972,597</u>	<u>3,972,597</u>	<u>3,737,742</u>	<u>234,855</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(47,270)</u>	<u>352,730</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>405,416</u>	<u>5,416</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>400,000</u>	<u>400,000</u>	<u>405,416</u>	<u>5,416</u>

**MILLER SCHOOL DISTRICT NO. 29-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2018**  
**(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	--	--	358,146	358,146
FUND BALANCE - BEGINNING	<u>1,023,000</u>	<u>1,023,000</u>	<u>1,023,000</u>	--
FUND BALANCE - ENDING	<u>\$1,023,000</u>	<u>\$1,023,000</u>	<u>\$1,381,146</u>	<u>\$ 358,146</u>

**MILLER SCHOOL DISTRICT NO. 29-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND -**  
**BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget- Positive (Negative)
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,743,500	\$1,743,500	\$1,742,383	\$ (1,117)
Prior years' ad valorem taxes	--	--	521	521
Penalties and interest on taxes	1,500	1,500	3,229	1,729
Revenue from local governmental units other than school districts:				
Revenue in lieu of taxes	--	--	598	598
Earnings on investments and deposits	--	--	906	906
Other revenue from local sources:				
Contributions and donations	10,000	10,000	8,436	(1,564)
Other	--	--	29	29
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	--	--	13,948	13,948
Other federal revenue	<u>108,000</u>	<u>108,000</u>	<u>162,516</u>	<u>54,516</u>
<b>TOTAL REVENUE</b>	<u><b>1,863,000</b></u>	<u><b>1,863,000</b></u>	<u><b>1,932,566</b></u>	<u><b>69,566</b></u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	102,150	102,150	88,194	13,956
High school	107,150	107,150	100,174	6,976
Support Services:				
Instructional staff:				
Educational media	7,000	7,000	6,131	869
General administration:				
Executive administration	3,000	3,000	1,330	1,670
School administration:				
Office of the principal	1,500	1,500	1,238	262
Business:				
Fiscal services	6,700	6,700	5,481	1,219
Facilities acquisition and construction	600,000	600,000	229,867	370,133
Operation and maintenance of plant	70,000	70,000	75,865	(5,865)
Debt Services	404,500	404,500	387,055	17,445

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cocurricular Activities:				
Male activities	20,000	20,000	16,485	3,515
Female activities	8,000	8,000	7,699	301
Combined activities	<u>8,000</u>	<u>8,000</u>	<u>26,797</u>	<u>(18,797)</u>
TOTAL EXPENDITURES	<u>1,338,000</u>	<u>1,338,000</u>	<u>946,316</u>	<u>391,684</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>525,000</u>	<u>525,000</u>	<u>986,250</u>	<u>461,250</u>
OTHER FINANCING USES:				
Transfers out	<u>(525,000)</u>	<u>(525,000)</u>	<u>(525,906)</u>	<u>(906)</u>
TOTAL OTHER FINANCING USES	<u>(525,000)</u>	<u>(525,000)</u>	<u>(525,906)</u>	<u>(906)</u>
NET CHANGE IN FUND BALANCES	--	--	460,344	460,344
FUND BALANCE - BEGINNING	<u>1,368,938</u>	<u>1,368,938</u>	<u>1,368,938</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,368,938</u>	<u>\$1,368,938</u>	<u>\$1,829,282</u>	<u>\$460,344</u>



**MILLER SCHOOL DISTRICT NO. 29-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND -**  
**BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget- Positive (Negative)
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 700,000	\$ 700,000	\$ 631,224	\$(68,776)
Prior years' ad valorem taxes	--	--	214	214
Penalties and interest on taxes	--	--	1,286	1,286
Revenue from local governmental units other than school districts:				
Revenue in lieu of taxes	--	--	189	189
Earnings on investments and deposits	--	--	4,454	4,454
Other revenue from local sources:				
Charges for services	--	--	262	262
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	--	--	28,653	28,653
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>108,837</u>	<u>108,837</u>	<u>102,099</u>	<u>(6,738)</u>
<b>TOTAL REVENUE</b>	<u><b>808,837</b></u>	<u><b>808,837</b></u>	<u><b>768,381</b></u>	<u><b>(40,456)</b></u>
<b>EXPENDITURES:</b>				
Instruction:				
Special programs:				
Programs for special education	590,185	590,185	433,613	156,572
Coordinated early intervening services instruction	--	--	72,918	(72,918)
Support Services:				
Students:				
Psychological	58,860	58,860	85,203	(26,343)
Speech pathology	56,841	56,841	57,959	(1,118)
Audiology	1,000	1,000	--	1,000
Student therapy services	64,190	64,190	12,567	51,623
Instructional staff:				
Improvement of instruction	500	500	--	500
Special education:				
Administrative costs	63,800	63,800	73,555	(9,755)
Transportation costs	<u>5,500</u>	<u>5,500</u>	<u>6,860</u>	<u>(1,360)</u>
<b>TOTAL EXPENDITURES</b>	<u><b>840,876</b></u>	<u><b>840,876</b></u>	<u><b>742,675</b></u>	<u><b>98,201</b></u>

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	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(32,039)</u>	<u>(32,039)</u>	<u>25,706</u>	<u>57,745</u>
OTHER FINANCING USES:				
Transfers out	<u>--</u>	<u>--</u>	<u>(4,454)</u>	<u>(4,454)</u>
TOTAL OTHER FINANCING USES	<u>--</u>	<u>--</u>	<u>(4,454)</u>	<u>(4,454)</u>
NET CHANGE IN FUND BALANCES	<u>(32,039)</u>	<u>(32,039)</u>	<u>21,252</u>	<u>53,291</u>
FUND BALANCE - BEGINNING	<u>1,005,424</u>	<u>1,005,424</u>	<u>1,005,424</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 973,385</u>	<u>\$ 973,385</u>	<u>\$1,026,676</u>	<u>\$ 53,291</u>

**MILLER SCHOOL DISTRICT NO. 29-4**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**JUNE 30, 2018**

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NOTE 1 - Budgets and Budgetary Accounting

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

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 fiduciary 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 school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary 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.

**MILLER SCHOOL DISTRICT NO. 29-4**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY (ASSET)**  
**SOUTH DAKOTA RETIREMENT SYSTEM**

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	Last 4 Fiscal Years*			
	(Dollar amounts in thousands)			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1234730%	0.1152296%	0.1153072%	0.1187829%
District's proportionate share of net pension liability (asset)	\$ (11)	\$ 389	\$ (489)	\$ (856)
District's covered-employee payroll	\$2,500	\$2,196	\$2,109	\$2,083
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.44%)	17.71%	(23.19%)	(41.09%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	97%	104%	107%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**MILLER SCHOOL DISTRICT NO. 29-4**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**  
**SOUTH DAKOTA RETIREMENT SYSTEM**

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	Last 4 Fiscal Years*			
	(Dollar amounts in thousands)			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 158	\$ 151	\$ 132	\$ 127
Contributions in relation to the contractually required contribution	\$ 158	\$ 151	\$ 132	\$ 127
District's covered-employee payroll	\$2,634	\$2,500	\$2,196	\$2,109
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%

\*Until a full 10-year trend is compiled, the School District will present information for those years for which information is available

**SUPPLEMENTARY INFORMATION**

**MILLER SCHOOL DISTRICT NO. 29-4**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	Pension Fund	Bond Redemption (Debt Service) Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$29,382	\$ --	\$ 29,382
Investments	--	616,056	616,056
Taxes receivable - delinquent	<u>345</u>	<u>--</u>	<u>345</u>
<b>TOTAL ASSETS</b>	<b><u>\$29,727</u></b>	<b><u>\$616,056</u></b>	<b><u>\$645,783</u></b>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	\$ <u>345</u>	\$ <u>--</u>	\$ <u>345</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>345</u></b>	<b><u>--</u></b>	<b><u>345</u></b>
<b>FUND BALANCES:</b>			
Restricted	<u>29,382</u>	<u>616,056</u>	<u>645,438</u>
<b>TOTAL FUND BALANCES</b>	<b><u>29,382</u></b>	<b><u>616,056</u></b>	<b><u>645,438</u></b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$29,727</u></b>	<b><u>\$616,056</u></b>	<b><u>\$645,783</u></b>

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

**MILLER SCHOOL DISTRICT NO. 29-4**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	Pension Fund	Bond Redemption (Debt Service) Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Revenue from Local Sources:			
Taxes:			
Prior years' ad valorem taxes	\$ 43	\$ --	\$ 43
Penalties and interest on taxes	5	--	5
Earnings on investments and deposits	56	(11,913)	(11,857)
<b>TOTAL REVENUE</b>	<b>104</b>	<b>(11,913)</b>	<b>(11,809)</b>
<b>EXPENDITURES:</b>			
Instruction:			
Regular programs:			
Elementary	47,831	--	47,831
Middle/junior high	9,564	--	9,564
High school	27,331	--	27,331
Special programs:			
Educationally deprived	141	--	141
Support Services			
Students:			
Guidance	3,790	--	3,790
Instructional staff:			
Improvement of instruction	409	--	409
Educational media	2,677	--	2,677
General administration:			
Executive administration	5,127	--	5,127
School administration:			
Office of the principal	9,984	--	9,984
Business:			
Fiscal services	3,465	--	3,465
Operation and maintenance of plant	6,425	--	6,425
Nonprogrammed Charges:			
Early retirement payments	33,172	--	33,172
Cocurricular Activities:			
Male activities	1,167	--	1,167
Female activities	1,254	--	1,254
Combined activities	4,477	--	4,477
<b>TOTAL EXPENDITURES</b>	<b>156,814</b>	<b>--</b>	<b>156,814</b>



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	<u>Pension Fund</u>	<u>Bond Redemption (Debt Service) Fund</u>	<u>Total Nonmajor Governmental Funds</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	--	125,000	125,000
Transfers out	<u>(56)</u>	<u>--</u>	<u>(56)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(56)</u>	<u>125,000</u>	<u>124,944</u>
NET CHANGE IN FUND BALANCES	(156,766)	113,087	(43,679)
FUND BALANCE - BEGINNING	<u>186,148</u>	<u>502,969</u>	<u>689,117</u>
FUND BALANCE - ENDING	<u>\$ 29,382</u>	<u>\$616,056</u>	<u>\$645,438</u>

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