

HOVEN SCHOOL DISTRICT NO. 53-2
HOVEN, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING JUNE 30, 2018
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
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HOVEN SCHOOL DISTRICT NO. 53-2
HOVEN, SOUTH DAKOTA

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FOR THE TWO YEARS ENDING JUNE 30, 2018

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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School Board
Hoven School District No. 53-2
Hoven, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hoven School District No. 53-2 (School District), Potter County, South Dakota as of June 30, 2018 and for each of the fiscal years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hoven School District No. 53-2, Potter County, South Dakota, as of June 30, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the fiscal years in the biennial period then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information (no opinion)

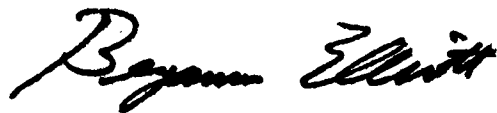
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 9) and the budgetary comparison schedule (page 42 to 49), schedule of net pension liability (asset) (page 50), and schedule of pension contributions (page 50) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 51) dated June 21, 2019 on my tests of Hoven School District's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

June 21, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Hoven School District No. 53-2's (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the two fiscal years ending June 30, 2018. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the Hoven School District are as follows:

<u>For the year ending:</u>	6-30-2018	6-30-2017
Revenue:		
Charges for goods and services	45,379	48,259
Operating grants	177,641	127,394
Capital grants	0	0
General receipts	2,092,517	2,346,641
Insurance settlement	124,828	191,551
	-----	-----
Total	2,440,365	2,713,845
	-----	-----
Expenses:		
Governmental	2,087,160	2,167,442
Business-type	74,997	60,059
Fire costs	16,309	29,516
	-----	-----
Total	2,178,466	2,257,017
	-----	-----
Increase in Net Position	261,899	456,828
Net Position:		
July 1, 2016		8,124,903

June 30, 2017	8,581,731	8,581,731
	-----	=====
June 30, 2018	8,843,630	
	=====	
Governmental Funds:		
General	1,659,524	1,493,591
Capital Outlay	469,512	387,644
Special Education	283,202	250,335
Capital Project	96,400	33,491
Long-term Debt	(6,802)	(9,180)
Capital Assets	6,275,719	6,351,855
Business-Type Funds:		
Food Service	58,752	73,995
After School	7,323	0
	-----	-----
Total	8,843,630	8,581,731
	=====	=====

During the year ending June 30, 2018 the School District:

- * Completed construction of a new high school building for \$42,914.
- * Recognized covered fire loss of \$16,309.
- * Received insurance proceeds of \$124,828.
- * Maintained normal operations.

During the year ending June 30, 2017 the School District:

- * Continued construction of a new high school building for \$1,525,914.
- * Recognized covered fire loss of \$29,516.
- * Received insurance proceeds of \$191,551.
- * Maintained normal operations.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 9), (2) the basic financial statements (page 10 to 41) and (3) required supplementary information (page 42 to 50). The basic financial statements include two types of statements that present the School District from two different financial points of view.

Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.

Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary activities of the School District.

The governmental fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the School District are the general fund, capital outlay fund, special education fund, pension fund, and capital project fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the School District that operate like a business. Enterprise funds operated by the School District are the food service fund and the public enterprise fund.

The fiduciary fund financial statements provide information about the financial status of activities (like the French Club or FFA) in which the School District acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. The School District only has agency fiduciary funds.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of required supplementary information that presents a budgetary analysis for the general fund and special revenue funds.

Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 9), the Budgetary Comparison Schedules (page 42 to 49), the Schedule of Net Pension Liability (Asset) (page 50), and the Schedule of Pension Contributions (page 50) is financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedules are presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the School District's financial statements.

Management's Discussion and Analysis		Government-wide
		Financial
Basic Financial Statements ----->		Statements
		Fund
		Financial
Required Supplementary Information (other than MD&A)		Statements
		Notes to the
		Financial
		Statements

Here is a summary of the major features of these financial statement.

	Government-wide Statements	Fund Statements		
		Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	School Activities except Enterprise (food service) and Fiduciary (student organizations)	Activities operated like a private business (food service & driver's education)	School's custody of money that belongs to others
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
Required Financial Statements (continued)	Statement of Activities	Statement of Revenues, Expen- ditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position Statement of Cash Flows	
Basis of Accounting	Accrual	Modified accrual	Accrual	Accrual
Measurement Focus	Economic resources	Current financial resources	Economic resources	Economic resources
Types of Assets & Liabilities	All - Financial and capital, short- and long-term	Only current financial assets and liabilities No capital assets	All - Financial and capital, short- and long-term	All - Financial and capital (if any), short- and long-term
Types of Revenue and Expenditures or Expense	All - Regardless of when cash is received	Revenues when cash is received during year or within 15 days of year-end Expenditures when goods or services are received and payment is due during year or soon after year-end	All - Regardless of when cash is received	All - Regardless of when cash is received

GOVERNMENT-WIDE STATEMENTS (Reporting on the School District as a whole)

The government-wide statements (page 10 to 12) report information about the School District as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets and liabilities. Net position is the difference between assets and liabilities. Changes in these accounts is one way to measure the school's financial health. Increases or decreases in net position measures improvements or declines in the school's financial health. To assess the school's overall financial health you also need to consider other factors such as changes in the student enrollment, property tax base and/or changes in federal and state grants and aid.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the school are listed, which include all taxes and interest earned.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include (1) basic instructional services such as elementary, high school, and special education programs, (2) support services such as guidance, library, administration, and transportation, (3) debt services such as payments on the School District's early retirement obligation, and (4) extracurricular activities such as sports and music. Property taxes, state and federal grants, and interest earnings finance most of these activities.

The business-type activities account for the School District's special milk and lunch food service programs and the driver's education program. These programs are funded in part by user fees and in part by state and federal grants.

FUND FINANCIAL STATEMENTS (Reporting on the most significant funds)

The fund financial statements (page 13 to 22) provide more detailed information about the School District's most significant funds, not the School District as a whole. Funds are accounting tools used to keep track of the receipt and disbursement of School District's resources. State law requires the use of some funds and the school board establishes other funds to manage money for a specific purpose, like a capital project fund for a new building.

The fund financial statements show information in three broad categories: governmental, enterprise (business-type), and fiduciary.

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

Enterprise fund: Services for which the School District charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. The food service fund and the after school program fund (after school program and wellness center) fund are the only enterprise funds maintained by the School District.

Fiduciary funds: The School District is the agent (or fiduciary) for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position (if required). Fiduciary funds are excluded from the School District's government-wide financial statements because the School District cannot use these assets to finance the School District's operations.

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The School District's general fund budget of \$1,836,800 for the FY18 year is an increase of \$162,200 or 9.69 from FY17. The increase was spread across several line items. There was one supplemental appropriation to the general fund budget in FY18. See page 42 for more information.

The School District's general fund budget of \$1,674,600 for the FY17 year is an increase of \$122,100 or 7.86% from FY16. The increase was spread across several items. There were no supplemental appropriations to the general fund budget in FY17. See page 43 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

At June 30, 2018, the School District had invested \$6,316,200 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease (including additions and deductions) of \$81,180 or 1.27% from June 30, 2017. Significant capital asset activity is reported above. See page 40 for more information.

At June 30, 2017, the School District had invested \$6,397,380 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net increase (including additions and deductions) of \$1,483,464 or 30.19% from June 30, 2016. Significant capital asset activity is reported above. See page 40 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

At June 30, 2018, the School District had total debt of \$6,802. This amount represents a net decrease of \$2,378 or 25.90% from June 30, 2017.

At June 30, 2017, the School District had total debt of \$9,180. This amount represents a net decrease of \$487 or 5.04% from June 30, 2016.

Significant long-term debt activity is reported above. Principal and interest payments, which are due on July 1st, are budgeted and paid as if they are due on June 30th. At June 30, 2018 the School District has no long-term debt except early retirement and compensated absences. See page 41 for more information.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes for governmental activities = changes greater than \$ 150,000)
(Material changes for business-type activities = changes greater than \$ 5,000)

	Increase (Decrease)	Reason
Year Ending June 30, 2018:		
Governmental Activities:		
Other assets	175,000	SDRS pension activity
Property taxes	(215,000)	Property tax decreases.
Business-type Activities:		
Other assets	6,000	SDRS pension activity
Deferred outflow	(21,000)	SDRS pension activity
Other revenue	7,000	SDRS pension activity
Year Ending June 30, 2017:		
Governmental Activities:		
Current assets	(1,951,000)	Use of funds to build new high school.
Capital assets	1,489,000	Construction of new high school.
Deferred outflows	251,000	SDRS pension activity
Current liabilities	(651,000)	Construction of new high school largely completed.
Deferred inflows	(387,000)	SDRS pension activity.
Insurance settlement	(1,007,000)	Remaining fire insurance settlement
Business-type Activities:		
Capital assets	(6,000)	Depreciation
Other assets	(12,000)	SDRS pension activity
Deferred outflows	12,000	SDRS pension activity

CURRENTLY KNOWN FACTS

In September 2018 the School District purchased a lawn mower for \$14,700.

Student enrollments are:	FY15 - 106	FY18 - 102
	FY16 - 111	FY19 - 104
	FY17 - 109	

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Hoven School District's business office at P.O. Box 128, Hoven, SD 57450.

HOVEN SCHOOL DISTRICT No. 53-2

TABLE 1 - NET POSITION
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 AS OF JUNE 30, 2018, JUNE 30, 2017, AND JUNE 30, 2016

	Governmental Activities			Business-Type Activities			Total Government		
	FY18	FY17	FY16	FY18	FY17	FY16	FY18	FY17	FY16
Current assets	2,904	2,792	4,743	23	19	16	2,927	2,811	4,759
Capital assets	6,276	6,352	4,863	40	45	51	6,316	6,397	4,914
Other assets	6	(169)	200		(6)	6	6	(175)	206
Deferred outflow of resources	612	629	378	3	24	12	615	653	390
Total assets and deferred	9,798	9,604	10,184	66	82	85	9,864	9,686	10,269
Current liabilities	183	164	815				183	164	815
Current maturities on debt	6	6	7				6	6	7
Long-term liabilities		3	3				0	3	3
Deferred inflow of resources	831	923	1,310	0	8	9	831	931	1,319
Total liabilities and deferred	1,020	1,096	2,135	0	8	9	1,020	1,104	2,144
Net position:									
Net invested in cap assets	6,276	6,352	4,863	40	45	51	6,316	6,397	4,914
Restricted	1,358	924	2,005	3	10	8	1,361	934	2,013
Unrestricted	1,144	1,232	1,181	23	19	17	1,167	1,251	1,198
Total net position	8,778	8,508	8,049	66	74	76	8,844	8,582	8,125

TABLE 2 - CHANGES IN NET POSITION
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE YEARS ENDING JUNE 30, 2018, JUNE 30, 2017, AND JUNE 30, 2016

	Governmental Activities			Business-Type Activities			Total Government		
	FY18	FY17	FY16	FY18	FY17	FY16	FY18	FY17	FY16
Revenues:									
Program revenues:									
Charges for services	12	15	22	33	33	31	45	48	53
Grants and contributions	151	102	113	27	25	26	178	127	139
General revenues:									
Property taxes	1,830	2,045	2,040				1,830	2,045	2,040
Gross receipts tax	67	70	71				67	70	71
State sources	144	178	171				144	178	171
County sources	14	13	13				14	13	13
Interest earnings	6	6	11				6	6	11
Other	24	34	4	7			31	34	4
Pension related			35			1	0	0	36
Total revenues	2,248	2,463	2,480	67	58	58	2,315	2,521	2,538
Expenses:									
Instruction	1,259	1,362	1,219				1,259	1,362	1,219
Support	733	723	607				733	723	607
Cocurricular activities	95	82	82				95	82	82
Food service				70	60	60	70	60	60
After school program				5			5	0	0
Total expenses	2,087	2,167	1,908	75	60	60	2,162	2,227	1,968
Increase (decrease) in net position	161	296	572	(8)	(2)	(2)	153	294	570
Other financing sources (uses):									
Transfers in (out)							0	0	0
Extraordinary item:									
Fire costs	(16)	(29)	(154)				(16)	(29)	(154)
Insurance settlement	125	192	1,199				125	192	1,199
Net change in net position	270	459	1,617	(8)	(2)	(2)	262	457	1,615
Net position:									
June 30, 2015			6,432			78			6,510
June 30, 2016		8,049	8,049		76	76		8,125	8,125
June 30, 2017	8,508	8,508		74	74		8,582	8,582	
June 30, 2018	8,778			66			8,844		

STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
	Activities	Activities	
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalent	2,126,870	16,011	2,142,881
Receivables:			
Property taxes - current	722,087		722,087
Property taxes -prior	7,687		7,687
Due from other governments	47,612		47,612
Inventory	0	7,179	7,179
	-----	-----	-----
Total current assets	2,904,256	23,190	2,927,446
Capital assets:			
Land	14,105		14,105
Buildings	6,761,680		6,761,680
Improvements	31,755		31,755
Equipment	414,686	60,520	475,206
Accumulated depreciation	(946,507)	(20,039)	(966,546)
Construction-in-progress	0		0
	-----	-----	-----
Total capital assets	6,275,719	40,481	6,316,200
Other assets:			
Net pension assets	5,654	26	5,680
	-----	-----	-----
Total assets	9,185,629	63,697	9,249,326
	=====	=====	=====
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	611,775	2,891	614,666
	-----	-----	-----
	611,775	2,891	614,666
	=====	=====	=====
LIABILITIES			
Current liabilities:			
Accounts payable	6,872		6,872
Contracts payable	153,012		153,012
Payroll deductions payable	22,119		22,119
Deposits payable	250		250
Noncurrent liabilities due in one year:			
Early retirement	2,832		2,832
Accrued leave	3,970		3,970
	-----	-----	-----
Total current liabilities	189,055	0	189,055
Noncurrent liabilities:			
None	0		0
	-----	-----	-----
Total noncurrent liabilities	0	0	0
	-----	-----	-----
Total liabilities	189,055	0	189,055
	=====	=====	=====
DEFERRED INFLOW OF RESOURCES			
Taxes levied for a future period	722,087		722,087
Pension related deferred inflows	108,707	513	109,220
	-----	-----	-----
Total deferred inflow of resources	830,794	513	831,307
	=====	=====	=====
NET POSITION			
Net invested in capital assets	6,275,719	40,481	6,316,200
Restricted for:			
Capital outlay	469,512		469,512
Special education	283,202		283,202
Pension - SDRS	508,722	2,404	511,126
Capital project	96,400		96,400
Unrestricted	1,144,000	23,190	1,167,190
	-----	-----	-----
Total net position	8,777,555	66,075	8,843,630
	=====	=====	=====

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2018

Functions/Programs:	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
Instruction	1,258,564		134,484		(1,124,080)		(1,124,080)
Support services	733,383	6,801	16,447		(710,135)		(710,135)
Cocurricular activities	95,213	5,764			(89,449)		(89,449)
Total governmental activities	2,087,160	12,565	150,931	0	(1,923,664)	0	(1,923,664)
Business-type activities:							
Food service	71,269	29,287	26,710			(15,272)	(15,272)
After school program	3,728	3,527				(201)	(201)
Total primary government	2,162,157	45,379	177,641	0	(1,923,664)	(15,473)	(1,939,137)
	=====	=====	=====	=====	-----	-----	-----
General revenue:							
Property taxes					1,830,151		1,830,151
Gross receipts tax					67,017		67,017
Revenue from state sources:							
State aid					110,000		110,000
Other					33,680		33,680
Revenue from county sources					14,054		14,054
Interest earnings					6,112	53	6,165
Donations					4,353	7,500	11,853
Other general revenues					19,597		19,597
Extraordinary item:							
Fire costs					(16,309)		(16,309)
Fire related insurance settlement					124,828		124,828
Total general revenue and transfers					2,193,483	7,553	2,201,036
					-----	-----	-----
Change in net position					269,819	(7,920)	261,899
Net position, July 1, 2017					8,507,736	73,995	8,581,731
					-----	-----	-----
Net position, June 30, 2018					8,777,555	66,075	8,843,630
					=====	=====	=====

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2017

Functions/Programs:	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
Instruction	1,361,924		87,406		(1,274,518)		(1,274,518)
Support services	722,756	9,485	15,091		(698,180)		(698,180)
Cocurricular activities	82,762	5,616			(77,146)		(77,146)
Total governmental activities	2,167,442	15,101	102,497	0	(2,049,844)	0	(2,049,844)
Business-type activities:							
Food service	60,059	33,158	24,897			(2,004)	(2,004)
Total primary government	2,227,501	48,259	127,394	0	(2,049,844)	(2,004)	(2,051,848)
	=====	=====	=====	=====	-----	-----	-----
General revenue:							
Property taxes					2,045,265		2,045,265
Gross receipts tax					69,932		69,932
Revenue from state sources:							
State aid					110,000		110,000
Other					68,440		68,440
Revenue from county sources					13,039		13,039
Interest earnings					6,265	31	6,296
Donations					23,900		23,900
Other general revenues					9,769		9,769
Extraordinary item:							
Fire costs					(29,516)		(29,516)
Fire related insurance settlement					191,551		191,551
Transfers					0		0
Total general revenue and transfers					2,508,645	31	2,508,676
					-----	-----	-----
Change in net position					458,801	(1,973)	456,828
Net position, July 1, 2016					8,048,935	75,968	8,124,903
Net position, June 30, 2017					8,507,736	73,995	8,581,731
					=====	=====	=====

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

BALANCE SHEET -- GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	1,245,360	473,085	312,025	96,400	2,126,870
Receivables:					
Property taxes - current	504,146	78,658	139,283		722,087
Property taxes - delinquent	5,542	648	1,497		7,687
Due from other governments	47,612				47,612
Total assets	<u>1,802,660</u>	<u>552,391</u>	<u>452,805</u>	<u>96,400</u>	<u>2,904,256</u>
LIABILITIES					
Accounts payable	1,363	4,221	1,288		6,872
Contracts payable	127,653		25,359		153,012
Payroll deductions payable	18,446		3,673		22,119
Contractors payable					0
Deposits payable	250				250
Total liabilities	<u>147,712</u>	<u>4,221</u>	<u>30,320</u>	<u>0</u>	<u>182,253</u>
DEFERRED INFLOW OF RESOURCES					
Taxes levied for a future period	504,146	78,658	139,283		722,087
Unavailable revenue:					
Property taxes - delinquent	5,542	648	1,497		7,687
Gross receipts tax	41,726				41,726
Total deferred inflow of resources	<u>551,414</u>	<u>79,306</u>	<u>140,780</u>	<u>0</u>	<u>771,500</u>
FUND BALANCE					
Nonspendable					0
Restricted		468,864	281,705	96,400	846,969
Committed					0
Assigned					0
Unassigned	1,103,534				1,103,534
Total fund balance	<u>1,103,534</u>	<u>468,864</u>	<u>281,705</u>	<u>96,400</u>	<u>1,950,503</u>
Total liabilities, deferred inflow of resources and fund balance	<u>1,802,660</u>	<u>552,391</u>	<u>452,805</u>	<u>96,400</u>	<u>2,904,256</u>

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 1,950,503

Amounts reported in the government-wide statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Therefore:
Add the cost of capital assets 7,222,226
Subtract the associated accumulated depreciation (946,507)

Long-term liabilities are not due and payable in the current period. Therefore, subtract the following long-term liabilities
Early retirement (2,832)
Accrued leave (3,970)

Some assets are not available to pay for current period expenditures and therefore are deferred in the funds.
Therefore add: Taxes receivable (delinquent) 7,687
Gross receipts tax 41,726

These pension related amounts are not an available financial resource and therefore are not reported in the funds.
Net pension assets 5,654
Deferred outflow of resources 611,775
Deferred inflow of resources (108,707)

Total net position on government-wide statement of net position 8,777,555

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2018

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Total Governmental Funds
Revenue:					
Revenue from local sources:					
Taxes:					
Ad valorem taxes	1,277,015	171,371	349,978		1,798,364
Prior year ad valorem taxes	20,476	4,999	3,684		29,159
Gross receipts	95,222				95,222
Penalties and interest	2,774	384	786		3,944
Interest earned	3,761	1,369	845	137	6,112
Cocurricular activities:					
Admissions	4,676				4,676
Other pupil activity	1,088				1,088
Other revenue from local sources:					
Donations	1,804	1,659		890	4,353
Medicaid	2,699		4,102		6,801
Other	7,172	12,425			19,597
Total revenue from local source	1,416,687	192,207	359,395	1,027	1,969,316
Revenue from intermediate sources:					
County sources:					
County apportionment	14,054				14,054
Revenue in lieu of taxes					0
Revenue from state sources:					
Unrestricted grants-in-aid	143,680				143,680
Restricted grants-in-aid					0
Revenue from federal sources:					
Restricted grants-in-aid	88,793	29,245	32,893		150,931
Total revenues	1,663,214	221,452	392,288	1,027	2,277,981
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	481,165	10,970			492,135
Middle school	93,536	1,233			94,769
High school	434,705	6,329			441,034
Preschool - Title I	9,864				9,864
Special programs:					
Programs for special educ.			263,049		263,049
Educ. deprived (Title I)	83,788				83,788
Total instruction	1,103,058	18,532	263,049	0	1,384,639
Support services:					
Pupils:					
Guidance	19,070				19,070
Special education			63,544		63,544
Instruction:					
Improvement of instruction	3,251				3,251
Library services	21,921				21,921
Technology	62,715				62,715
General administration:					
Board of Education	16,625				16,625
Executive administration	152,984				152,984
School administration:					
Multi-service coop	2,083				2,083
Business:					
Fiscal services	67,758	3,000			70,758
Operations and maintenance	135,227	71,761			206,988
Pupil transportation	12,642				12,642
Food service	39,842				39,842
Special education			33,516		33,516
Total support services	534,118	74,761	97,060	0	705,939

(continued)

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2018 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Total Governmental Funds
Debt service:					
Early retirement	2,833				2,833
Total debt service	2,833	0	0	0	2,833
Cocurricular activities:					
Transportation	35,278				35,278
Combined activities	49,062	2,714			51,776
Total cocurricular services	84,340	2,714	0	0	87,054
Capital outlay:		42,866		46,637	89,503
Total expenditures	1,724,349	138,873	360,109	46,637	2,269,968
Excess of revenues over (under) expenditures	(61,135)	82,579	32,179	(45,610)	8,013
Other financing sources (uses):					
None					0
Total financing sources (uses):	0	0	0	0	0
Extraordinary item:					
Fire costs				(16,309)	(16,309)
Fire related insurance settlement				124,828	124,828
Net change in fund balance	(61,135)	82,579	32,179	62,909	116,532
Fund balance:					
July 1, 2017	1,164,669	386,285	249,526	33,491	1,833,971
June 30, 2018	1,103,534	468,864	281,705	96,400	1,950,503

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 116,532

Capital outlays are reported in governmental funds as expenditures. However in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of capital assets purchased 89,503
Subtract depreciation taken on all capital assets (165,639)
Subtract loss on disposed capital assets

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes (9,002)
Add current year delinquent taxes 7,687
Subtract prior year gross receipts tax (69,932)
Add current year gross receipts tax 41,726

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. Therefore:

Add prior year accrued leave payable 3,515
Subtract current year accrued leave payable (3,970)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Therefore:

Add prior year early retirement payable 5,665
Subtract current year early retirement payable (2,832)

Revenues and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds

256,566

Change in net position on government-wide statement of activities

269,819

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2017

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Capital Project Fund	Total Governmental Funds
Revenue:						
Revenue from local sources:						
Taxes:						
Ad valorem taxes	1,202,497	421,479	380,553	29,434		2,033,963
Prior year ad valorem taxes	2,080	161	186	45		2,472
Gross receipts	71,203					71,203
Penalties and interest	2,515	1,596	834	143		5,088
Interest earned	3,320	822	739	208	1,176	6,265
Cocurricular activities:						
Admissions	4,202					4,202
Other pupil activity	1,414					1,414
Other revenue from local sources:						
Donations					23,900	23,900
Medicaid	3,351		6,134			9,485
Other	9,769					9,769
Total revenue from local source	1,300,351	424,058	388,446	29,830	25,076	2,167,761
Revenue from intermediate sources:						
County sources:						
County apportionment	10,277					10,277
Revenue in lieu of taxes	2,762					2,762
Revenue from state sources:						
Unrestricted grants-in-aid	178,440					178,440
Restricted grants-in-aid						0
Revenue from federal sources:						
Restricted grants-in-aid	72,316		30,181			102,497
Total revenues	1,564,146	424,058	418,627	29,830	25,076	2,461,737
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	439,128	8,001		19,759		466,888
Middle school	93,451			5,052		98,503
High school	396,085	15,683		16,519		428,287
Preschool - Title I	10,015					10,015
Special programs:						
Programs for special educ.			290,571			290,571
Educ. deprived (Title I)	48,383					48,383
Total instruction	987,062	23,684	290,571	41,330	0	1,342,647
Support services:						
Pupils:						
Guidance	13,690			200		13,890
Special education			73,162			73,162
Instruction:						
Improvement of instruction	2,368					2,368
Library services	7,311					7,311
Technology	56,638			1,690		58,328
General administration:						
Board of Education	16,553					16,553
Executive administration	141,481	441		7,637		149,559
School administration:						
Multi-service coop	252					252
Business:						
Fiscal services	67,525	2,900		3,074		73,499
Operations and maintenance	127,056	18,181		3,299		148,536
Pupil transportation	12,355					12,355
Food service	34,059			2,827		36,886
Special education			66,339			66,339
Total support services	479,288	21,522	139,501	18,727	0	659,038

(continued)

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2017 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Capital Project Fund	Total Governmental Funds
Debt service:						
Early retirement				2,832		2,832
Total debt service	0	0	0	2,832	0	2,832
Cocurricular activities:						
Transportation	24,316					24,316
Combined activities	48,304	9,142				57,446
Total cocurricular services	72,620	9,142	0	0	0	81,762
Capital outlay:		12,999			1,525,914	1,538,913
Total expenditures	1,538,970	67,347	430,072	62,889	1,525,914	3,625,192
Excess of revenues over (under) expenditures	25,176	356,711	(11,445)	(33,059)	(1,500,838)	(1,163,455)
Other financing sources (uses):						
Transfer in	24,749				43,000	67,749
Transfer (out)		(43,000)		(24,749)		(67,749)
Total financing sources (uses):	24,749	(43,000)	0	(24,749)	43,000	0
Extraordinary item:						
Fire costs					(29,517)	(29,517)
Fire related insurance settlement					191,551	191,551
Net change in fund balance	49,925	313,711	(11,445)	(57,808)	(1,295,804)	(1,001,421)
Fund balance:						
July 1, 2016	1,114,744	72,574	260,971	57,808	1,329,295	2,835,392
June 30, 2017	1,164,669	386,285	249,526	0	33,491	1,833,971

CLOSED

Reconciliation of the above statement of revenues, expenditures, and
changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) (1,001,421)

Capital outlays are reported in governmental funds as expenditures. However
in the government-wide statement of activities, the cost of those assets is
allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of capital assets purchased 1,538,913
Subtract depreciation taken on all capital assets (50,407)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes (5,262)
Add current year delinquent taxes 9,002
Subtract prior year gross receipts tax (71,203)
Add current year gross receipts tax 69,932

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. Therefore:

Add prior year accrued leave payable 4,002
Subtract current year accrued leave payable (3,515)

Repayment of debt is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net position. Therefore:

Add prior year early retirement payable 5,665
Subtract current year early retirement payable (5,665)

Revenues and reductions of expenses related to pensions do not
provide current financial resources and, therefore, are not
reported in the funds

(31,240)

Change in net position on government-wide statement of activities

458,801

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF JUNE 30, 2018

	Food Service Fund	After School Program Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash	9,711	6,300	16,011
Inventory	7,179		7,179
Capital assets:			
Equipment	60,520		60,520
Accumulated depreciation	(20,039)		(20,039)
Other assets:			
Net pension assets	15	11	26
Total assets	<u>57,386</u>	<u>6,311</u>	<u>63,697</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	1,661	1,230	2,891
Total deferred outflow of resources	<u>1,661</u>	<u>1,230</u>	<u>2,891</u>
LIABILITIES: None			
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>
DEFERRED INFLOW OF RESOURCES:			
Pension related deferred inflows	295	218	513
Total deferred inflow of resources	<u>295</u>	<u>218</u>	<u>513</u>
NET POSITION			
Net invested in capital assets	40,481		40,481
Restricted - pension related	1,381	1,023	2,404
Unrestricted	16,890	6,300	23,190
Total net position	<u>58,752</u>	<u>7,323</u>	<u>66,075</u>
See accompanying notes.			
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - ENTERPRISE FUNDS FOR THE YEAR ENDING JUNE 30, 2018			
Operating revenue:			
Sales to pupils	23,029		23,029
Sales to adults	4,379		4,379
Other sales	1,879	3,527	5,406
Total operating revenue	<u>29,287</u>	<u>3,527</u>	<u>32,814</u>
Operating expense:			
Salaries	16,649		16,649
Employee benefits	3,803		3,803
Purchased services	1,447		1,447
Supplies	2,504		2,504
Cost of sales:			
Purchased food	28,756		28,756
Donated food	4,757		4,757
Depreciation	5,043		5,043
Program services		4,751	4,751
Pension related (revenue) expense	8,310	(1,023)	7,287
Total operating expenses	<u>71,269</u>	<u>3,728</u>	<u>74,997</u>
Operating income (loss)	<u>(41,982)</u>	<u>(201)</u>	<u>(42,183)</u>
Nonoperating revenue (expense):			
Transfer (out) - general fund			0
Interest earnings	29	24	53
Donations		7,500	7,500
State source: Cash reimbursement	228		228
Federal source: Cash reimbursement	20,150		20,150
Donated food	6,332		6,332
Total nonoperating revenue (expense)	<u>26,739</u>	<u>7,524</u>	<u>34,263</u>
Capital contribution			0
Change in net position	<u>(15,243)</u>	<u>7,323</u>	<u>(7,920)</u>
Net position:			
July 1, 2017	73,995	0	73,995
June 30, 2018	<u>58,752</u>	<u>7,323</u>	<u>66,075</u>
See accompanying notes.			

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2017

	Food Service Fund
Operating revenue:	
Sales to pupils	25,579
Sales to adults	4,529
Other sales	3,050

Total operating revenue	33,158

Operating expense:	
Salaries	15,633
Employee benefits	3,544
Purchased services	1,569
Supplies	2,400
Cost of sales:	
Purchased food	29,304
Donated food	3,522
Depreciation	5,043
Pension related (revenue) expense	(956)

Total operating expenses	60,059

Operating income (loss)	(26,901)
Nonoperating revenue (expense):	
Interest earnings	31
State source: Cash reimbursement	302
Federal source: Cash reimbursement	20,276
Donated food	4,319

Total nonoperating revenue (expense)	24,928

Capital contribution	0

Change in net position	(1,973)
Net position:	
July 1, 2016	75,968

June 30, 2017	73,995
	=====

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF CASH FLOWS - ENTERPRISE FUND
FOR THE YEAR ENDING JUNE 30, 2018

	Food Service Fund	After School Program Fund	Total Enterprise Funds
Cash flows from:			
Operating activities:			
Receipts from customers	29,287	3,527	32,814
Cash paid to employees	(20,452)		(20,452)
Payments to suppliers	(32,636)	(4,751)	(37,387)
Net cash provided (used) by operating activities	----- (23,801)	----- (1,224)	----- (25,025)
Noncapital financing activities:			
Donation		7,500	7,500
Grant reimbursements - state	228		228
Grant reimbursements - federal	20,150		20,150
Capital financing activities:			
None			0
Investing activities:			
Interest earnings	29	24	53
Net increase (decrease) in cash and cash equivalents	----- (3,394)	----- 6,300	----- 2,906
Cash and cash equivalents:			
July 1, 2017	13,105	0	13,105
June 30, 2018	----- 9,711	----- 6,300	----- 16,011
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(41,982)	(201)	(42,183)
Value of donated commodities used	4,757		4,757
Depreciation	5,043		5,043
Pension related (revenue) expense	8,310	(1,023)	7,287
Change in operating accounts:			
Inventory - supplies	365		365
Inventory - purchased	(294)		(294)
Net cash provided (used) by operating activities	----- (23,801)	----- (1,224)	----- (25,025)
Noncash investing, capital and financing activities:			
Value of donated commodities received in FY18:	6,332		

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF CASH FLOWS - ENTERPRISE FUND
FOR THE YEAR ENDING JUNE 30, 2017

	Food Service Fund
Cash flows from:	
Operating activities:	
Receipts from customers	33,158
Cash paid to employees	(19,177)
Payments to suppliers	(33,868)
Net cash provided (used)	-----
by operating activities	(19,887)
Noncapital financing activities:	
Grant reimbursements - state	302
Grant reimbursements - federal	20,276
Capital financing activities:	
None	0
Investing activities:	
Interest earnings	31
Net increase (decrease) in	-----
cash and cash equivalents	722
Cash and cash equivalents:	
July 1, 2016	12,383
June 30, 2017	----- 13,105 =====
Reconciliation of operating income	
(loss) to net cash provided (used) by	
operating activities:	
Operating income (loss)	(26,901)
Value of donated commodities used	3,522
Depreciation	5,043
Pension related (revenue) expense	(956)
Change in operating accounts:	
Inventory - supplies	(255)
Inventory - purchased	(340)
Net cash provided (used)	-----
by operating activities	(19,887) =====
Noncash investing, capital and	
financing activities:	
Value of donated commodities	
received in FY17:	4,319

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
AS OF JUNE 30, 2018

ASSETS	
Cash	43,436
Savings	0

Total assets	43,436
	=====
LIABILITIES	
Amounts held for others	43,436

Total liabilities	43,436
	=====

See accompanying notes.

HOVEN SCHOOL DISTRICT No. 53-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Hoven School District's (School District) Board of Education.

The School District's officials at June 30, 2018 are:

Board Members:

Mark Weber, President
Mike Duenwald
Amber Huber
Cliff Keller
Rob Spindler

Superintendent:

Bob Graham

Business Manager:

Amy Arbach

Attorney:

David VonWald

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Hoven School District does not have any component units.

The School District does participate with other school districts in cooperative service units. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship to the School District.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements 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 and 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 invested 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 function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds.

School District funds are described below within their respective fund type:

Governmental Funds

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

Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:

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 and is a major fund.

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

Pension fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of a school district, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits (if any) to qualifying employees. This fund is financed by property taxes and is a major fund. This fund closed in FY17.

Enterprise Funds

Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise funds:

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

After school program fund - a fund used to record financial transactions related to the School District's after school programs: after school program and the wellness center. This fund is financed by donations and user charges. This fund opened in FY18 and is a major fund.

Fiduciary Funds

Fiduciary are never considered to be major funds.

Agency fund type - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets in a trustee capacity for building homecoming floats, class projects or class trips and for money raised to support payments for contests, conventions and travel.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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:

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. 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:

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The School District's availability period for accruing and recording revenues is 15 days. The revenues which are accrued at June 30, 2018 are grants and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

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. However, the Hoven School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

Fund Financial Statements:

In the fund financial statements, noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The School District pools its cash for depositing and investing purposes. Accordingly, enterprise funds have access to their cash resources on demand and consequently all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total June 30, 2018 balance of capital assets for governmental activities include approximately 5% 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 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 40.

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

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/improvements	25,000	Straight-line	20-85
Equipment	5,000	Straight-line	10-20
Equipment - food service	1,000	Straight-line	12

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

h. Long-term Liabilities:

Government-wide Financial Statements:

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of early retirement and compensated absences obligations.

Fund Financial Statements:

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

j. Deferred Outflows and Deferred Inflows of Resources:

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

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

k. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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.

1. Equity Classifications:

Government-wide Financial Statements:

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

1. Net Invested in Capital Assets - Consist of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consist of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of "Net Invested in Capital Assets" or "Restricted Net Position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Enterprise fund equity is classified as "Net Position", 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 a purpose.

m. Fund Balance Classification Policies and Procedures:

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

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at 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 School Board, Superintendent, or Business Manager.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Hoven School District fund balance classifications are made up of:

<u>Fund Balance Classification</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Capital Outlay	Statute	468,864
	Special Education	Statute	281,705
	Capital Project	Contract	96,400
Committed	None		0
Assigned	None		0
Unassigned	General		1,103,534

			1,950,503

The School District uses "restricted" and "committed" amounts first when 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 School District would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each special revenue fund and revenue source is:

Major Special Revenue Fund	Revenue Source: (see page 15 and 17)
* Capital Outlay	Property taxes, federal grant
* Special Education	Property taxes, Medicaid services
	reimbursements, and federal grants
* Pension	Property taxes
* Capital Project	Insurance proceeds

n. 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 which can be charged to either restricted or unrestricted net position.

o. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

p. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Inventory - estimated fair market value
- * Depreciation - estimated cost of certain assets and service lives
- * Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. DEPOSITS, INVESTMENTS AND RISK

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

Deposits - The School District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 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 FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at June 30, 2018 were as follows: Insured \$295,132, Collateralized ** \$1,892,782 for a total of \$2,187,914.

** Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2018 was \$2,186,317, which equals \$2,142,881 on the government-wide statement of net position plus \$43,436 on the fiduciary funds statement of net position.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load mutual fund administered by an investment company whose investments

are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

For the two years ending June 30, 2018 the School District had no investments.

Cash Equivalents - Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

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

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2018, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in Plains Commerce Bank.

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 fund with the deposit.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

5. DUE FROM OTHER GOVERNMENTS

At June 30, 2018 had these receivables:

Gross receipts taxes	\$ 41,726
Title I	5,325
Speciality crops	561

	\$ 47,612

6. INVENTORY

Government-wide Statements: (consumption method)

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 used. Inventory of supplies and small tools is recorded at cost.

Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. There is \$7,179 of food inventory and supplies at June 30, 2018.

Fund Financial Statements: (consumption method)

In the fund financial statements, inventories of the general fund and special revenue funds (if any) consist of expendable supplies held for consumption. The cost is recorded as an asset and charged to expense as they are consumed. Any reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

In the fund financial statements, inventory of the enterprise fund is stated at the lower of cost or market. The cost valuation method is first-in first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. Inventories of the food service fund are initially recorded as an asset and charged to expense as they are consumed.

7. CHANGES IN CAPITAL ASSETS (see schedule one, page 40)

A summary of changes in capital assets for the two years ending June 30, 2018 is found on schedule one at the end of these footnotes.

There is no construction-in-progress at June 30, 2018.

8. CHANGES IN LONG-DEBT (see schedule two, page 41)

A summary of changes in long-term debt for the two years ending June 30, 2018 is found on schedule two at the end of these footnotes.

The School District has no short-term debt or conduit debt.

9. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund	Restricted by	Governmental Activities Amount	Business-type Activities Amount
Capital outlay	Statute	\$ 469,512	
Special education	Statute	283,202	
SDRS pension: General	Contract	508,722	
Enterprise funds	Contract		\$ 2,404
Capital project	Contract	96,400	
		-----	-----
Total restricted net position		\$ 1,357,836	\$ 2,404

10. INTERFUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

For the year ending June 30, 2018:

There were no transfers.

For the year ending June 30, 2017:

	Governmental	Enterprise	Purpose
General fund	24,749		To close pension fund
Pension fund	(24,749)		To close pension fund
Capital outlay	(43,000)		Operations
Capital project	43,000		Operations
	-----	-----	
	0	0	

11. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension liability (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description:

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. 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 South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or 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 the employee's final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 thereafter of the employee's 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 regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefit are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

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

- If the SDRS market value funded ratio is 100% or more - 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - > 90.0% to 99.9% funded - 2.1% minimum and 2.8% maximum COLA
 - > 80.0% to 89.9% funded - 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

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

Contributions:

Per SDRS 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by 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 years ending June 30, 2018, 2017, and 2016 were \$82,560, \$76,312, and \$59,151 (employer's share) respectively, equal to the required contribution each year.

Pension Assets, Pension Revenue, Deferred Outflow of Pension Resources, and Deferred Inflow of Pension Resources:

At June 30, 2017, SDRS is 100.1% funded and accordingly has net pension asset. For the School District, its proportionate share of the components of the SDRS's net pension asset as of June 30, 2017 are as follows:

Net position restricted for pension benefits	\$ 7,288,958
Less: total pension liability	(7,283,278)

Proportionate share of net pension assets	\$ 5,680

The net pension asset was measured as of June 30, 2017 and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date. At June 30, 2017 the School District reported an asset of \$5,680 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contribution to the pension plan relative to the contributions of all participating entities. At June 30, 2017 the School District's proportion was .000625982.

For the year ended June 30, 2018 the School District recognized pension revenue of \$263,853.

At June 30, 2017 the School District reported deferred outflow of resources and deferred inflow of resources related to the pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 73,611	
Change in assumptions	126,649	
Net difference between projected and actual earnings on pension plan investments	496,368	\$ 261,164
Changes in proportion and difference between client contributions and proportionate share of contributions	(29,812)	
School District contributions subsequent to the measurement date	82,560	
	-----	-----
	\$ 749,376	\$ 261,164
	(82,560)	
	(261,164)	

Net	\$ 405,652	
	=====	

There is \$82,560 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension revenue as follows:

Year Ending June 30, 2018	\$ 110,013
June 30, 2019	184,693
June 30, 2020	135,812
June 30, 2021	(24,866)

	\$ 405,652
	=====

Actuarial Assumptions:

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

Inflation	2.25%
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.

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flow 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 those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of Asset to Changes in the Discount Rate:

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

	1% Decrease	Current Discount Rate	1% Increase
School District's share of SDRS net pension liability (asset)	\$ 1,040,447 liability	\$ (5,680) asset	\$ (857,569) asset

Investments:

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 Standard (ie: 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 discussion of the pension plan's investment policy above) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%

	100.0%	

Pension Plan Fiduciary Net Position:

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

12. SPECIAL TERMINATION BENEFITS

The School District also has an early retirement policy in which an employee must meet the following criteria: Employee is 55 before September 1 of the next school year, but no more than 62, has eleven or more years of employment with the Hoven School District and has not been dismissed by the school board according to SDCL 13-43-15. Early retirement is based on 80% of the applicant's salary at retirement or 80% of the applicant's last full-time contract after July 1993 - whichever is higher. Fifty percent will be made in one lump sum and the remainder will be paid as a social security bridge per year each September until age 62 or in no less than three annual payments.

13. PROPERTY TAXES

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

School District property tax revenue 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 not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund 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". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 13, 15, and 17.

14. JOINT VENTURE -- OAHE SPECIAL EDUCATIONAL COOPERATIVE

Oahe Special Education Cooperative
P.O. Box 97, Java, South Dakota 57452
605.649.6296

The School participates in Oahe Special Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member school districts. At June 30, 2018, the School's percentage of participation in the co-op is 1/6th, the same as the other school districts in the coop.

The co-op's governing board has one representatives from the school board of each member school. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements of the co-op are available at its business office at P.O. Box 97, Java, South Dakota 57452. At June 30, 2018 this co-op had total AUDITED unrestricted net position of \$344,672 and no long-term debt.

15. RISK MANAGEMENT

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

Health:

The School District does not purchase health insurance for its employees.

Liability and Property:

The School District purchases liability and property insurance for risks related to torts, theft of or damage to property, vehicle insurance, 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 retains all risk for liabilities resulting from claims for unemployment benefits. The School District paid no unemployment claims in FY17 or FY18. However, \$13,866 of unemployment claims are expected to be paid in FY19.

16. EXTRAORDINARY ITEM - FIRE

In May 2014 the high school building was lost in a fire. The School used the Holy Infant Hospital building for classes in FY15 and FY16. St. Anthony's Church basement was used for food services.

In September 2014 the School Board let a contract for \$102,250 to demolish the high school building. In September 2015 a contract was approved with Kyburz-Carlson Construction Company to build a new high school for \$5,060,222 after change orders. At June 30, 2018 the new building was complete at a cost of \$5,679,955.

The School District contracted with Co-op Architectural firm to oversee this project for \$319,662.

The School District received fire insurance settlement proceeds of \$4,064,579 in FY15; \$2,131,547 in FY16; \$191,551 in FY17 and \$124,828 in FY18.

17. OTHER DISCLOSURES

At June 30, 2018 the School District was not a party to litigation.

In July 2018 Jeremy Hurd became the School District's superintendent.

In September 2018 the School District purchased a lawn mower for \$14,700.

The School District pays a montly stipend to teachers and certain non-certified staff as part of the teacher's negotiated negotiated agreement or employee contract. All stipends are listed individually in the minutes as part of the annual salary and wage resolution.

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE TWO YEARS ENDING JUNE 30, 2018

	Beginning 6-30-17	Book Adjustments	Additions	Deletions	Ending 6-30-18	Accumulated Depreciation 6-30-17	Book Adjustments	Depreciation Additions	Depreciation Deletions	Accumulated Depreciation 6-30-18	Remaining Cost 6-30-18
Governmental capital assets:											
Land	14,105				14,105	0				0	14,105
Buildings	1,081,725		5,679,955		6,761,680	(464,080)	(2)	(135,233)		(599,315)	6,162,365
Improvements	31,755				31,755	(31,755)				(31,755)	0
Equipment	375,662		46,589	(7,565)	414,686	(292,599)	2	(30,405)	7,565	(315,437)	99,249
Construction-in-progress	5,637,041		42,914	(5,679,955)	0					0	0
Totals	7,140,288	0	5,769,458	(5,687,520)	7,222,226	(788,434)	0	(165,638)	7,565	(946,507)	6,275,719

Governmental depreciation
 is allocated as follows:

Instruction	1,980
Support	155,500
Co-curricular	8,158
	<u>165,638</u>

Enterprise fund:

Food service fund:

Equipment	60,520				60,520	(14,995)		(5,044)		(20,039)	40,481
Totals	60,520	0	0	0	60,520	(14,995)	0	(5,044)	0	(20,039)	40,481

	Beginning 6-30-16	Book Adjustments	Additions	Deletions	Ending 6-30-17	Accumulated Depreciation 6-30-16	Book Adjustments	Depreciation Additions	Depreciation Deletions	Accumulated Depreciation 6-30-17	Remaining Cost 6-30-17
Governmental capital assets:											
Land	14,105				14,105					0	14,105
Buildings	1,081,725				1,081,725	(442,445)		(21,635)		(464,080)	617,645
Improvements	31,755				31,755	(31,755)				(31,755)	0
Equipment	371,458		12,999	(8,795)	375,662	(272,622)		(28,772)	8,795	(292,599)	83,063
Construction-in-progress	4,111,127		1,525,914		5,637,041	0				0	5,637,041
Totals	5,610,170	0	1,538,913	(8,795)	7,140,288	(746,822)	0	(50,407)	8,795	(788,434)	6,351,854

Governmental depreciation
 is allocated as follows:

Instruction	5,899
Support	43,508
Co-curricular	1,000
	<u>50,407</u>

Food service fund:

Equipment	60,520				60,520	(9,952)		(5,043)		(14,995)	45,525
Totals	60,520	0	0	0	60,520	(9,952)	0	(5,043)	0	(14,995)	45,525

HOVEN SCHOOL DISTRICT No. 53-2

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING JUNE 30, 2018

	Beginning 6-30-16	FY17 Additions (Deletions)	FY18 Additions (Deletions)	Governmental Ending 6-30-18	Principal Due in FY19
	-----	-----	-----	-----	-----
GOVERNMENTAL					
Early Retirement:					
Paid from general fund:					
Affected employees - 1	5,665		(2,833)	2,832	2,832
Accrued leave liability:					
Sick leave paid from the fund that payroll expenditures are charged to	4,002	(487)	455	3,970	3,970
	-----	-----	-----	-----	-----
	9,667	(487)	(2,378)	6,802	6,802
	=====	=====	=====	=====	=====

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2018

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	1,266,000			1,277,015	11,015
Prior year ad valorem taxes				20,476	20,476
Gross receipts	70,000			95,222	25,222
Penalties and interest	2,000			2,774	774
Interest earned	2,500			3,761	1,261
Cocurricular activities:					
Admissions	6,100			4,676	(1,424)
Other activity income	13,600			1,088	(12,512)
Other revenue from local sources:					
Donations				1,804	1,804
Medicaid				2,699	2,699
Other				7,172	7,172
Intermediate sources:					
County apportionment	12,000			14,054	2,054
State sources:					
Unrestricted grants-in-aid	155,000			143,680	(11,320)
Federal sources:					
Restricted grants-in-aid	75,000			88,793	13,793
Total revenues	1,602,200	0	0	1,663,214	61,014
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	488,400			481,165	7,235
Middle school	102,200			93,536	8,664
High school	435,400			434,705	695
Preschool - Title I	10,200			9,864	336
Special programs:					
Educ. deprived (Title I)	88,300			83,788	4,512
Support services:					
Pupils:					
Guidance	14,400		4,700	19,070	30
Instruction:					
Improvement of instruction	6,900			3,251	3,649
Library services	35,100			21,921	13,179
Technology	78,700			62,715	15,985
General administration:					
Board of Education	18,300			16,625	1,675
Executive administration	159,300			152,984	6,316
School administration:					
Multi-service coop	800		1,400	2,083	117
Business:					
Fiscal services	71,400			67,758	3,642
Operations and maintenance	137,600			135,227	2,373
Pupil transportation	13,800			12,642	1,158
Food service	40,700			39,842	858
Debt service: early retirement	2,900			2,833	67
Cocurricular activities:					
Transportation	26,400		9,000	35,278	122
Combined activities	50,900			49,062	1,838
Contingencies:	40,000			40,000	0
Amount transferred				0	0
Total expenditures	1,821,700	0	15,100	1,724,349	112,451
Excess of rev over (under) exp	(219,500)	0	(15,100)	(61,135)	173,465
Other financial sources:					
None				0	0
Fund balance:					
July 1, 2017	1,164,669			1,164,669	0
June 30, 2018	945,169	0	(15,100)	1,103,534	173,465

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2017

GENERAL FUND	Budgeted Amounts				Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final	
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	1,242,000			1,242,000	1,202,497 (39,503)
Prior year ad valorem taxes				0	2,080 2,080
Gross receipts	84,000			84,000	71,203 (12,797)
Penalties and interest	2,200			2,200	2,515 315
Interest earned	2,200			2,200	3,320 1,120
Cocurricular activities:					
Admissions	6,700			6,700	4,202 (2,498)
Other activity income	8,600			8,600	1,414 (7,186)
Other revenue from local sources:					
Rentals				0	0
Donations				0	0
Medicaid				0	3,351 3,351
Other				0	9,769 9,769
Intermediate sources:					
County apportionment	12,000			12,000	10,277 (1,723)
Revenue in lieu of taxes				0	2,762 2,762
State sources:					
Unrestricted grants-in-aid	155,000			155,000	178,440 23,440
Federal sources:					
Restricted grants-in-aid	79,600			79,600	72,316 (7,284)
Total revenues	1,592,300	0	0	1,592,300	1,564,146 (28,154)
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	459,600			459,600	439,128 20,472
Middle school	96,800			96,800	93,451 3,349
High school	414,200			414,200	396,085 18,115
Preschool - Title I	10,300			10,300	10,015 285
Special programs:					
Educ. deprived (Title I)	51,500			51,500	48,383 3,117
Support services:					
Pupils:					
Guidance	13,700			13,700	13,690 10
Instruction:					
Improvement of instruction	9,700			9,700	2,368 7,332
Library services	31,200			31,200	7,311 23,889
Technology	58,900			58,900	56,638 2,262
General administration:					
Board of Education	18,000			18,000	16,553 1,447
Executive administration	145,600			145,600	141,481 4,119
School administration:					
Multi-service coop	800			800	252 548
Business:					
Fiscal services	72,000			72,000	67,525 4,475
Operations and maintenance	129,400			129,400	127,056 2,344
Pupil transportation	13,800			13,800	12,355 1,445
Food service	34,400			34,400	34,059 341
Cocurricular activities:					
Transportation	24,400			24,400	24,316 84
Combined activities	50,300			50,300	48,304 1,996
Contingencies:	40,000			40,000	40,000
Amount transferred				0	0
Total expenditures	1,674,600	0	0	1,674,600	1,538,970 135,630
Excess of rev over (under) exp	(82,300)	0	0	(82,300)	25,176 107,476
Other financial sources:					
Transfer in				0	24,749 24,749
Fund balance:					
July 1, 2016	1,114,744			1,114,744	1,114,744 0
June 30, 2017	1,032,444	0	0	1,032,444	1,164,669 132,225

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2018

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	192,000		192,000	171,371	(20,629)
Prior year ad valorem taxes			0	4,999	4,999
Penalties and interest	500		500	384	(116)
Interest earned	600		600	1,369	769
Donations			0	1,659	1,659
Other	13,000		13,000	12,425	(575)
Federal Sources:					
Restricted grants-in-aid	29,700		29,700	29,245	(455)
Total revenue	235,800	0	235,800	221,452	(14,348)
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	18,300		18,300	10,970	7,330
Middle school	1,000	300	1,300	1,233	67
High school	61,000		61,000	35,589	25,411
Support services:					
Business:					
Fiscal services	3,000		3,000	3,000	0
Operations and maintenance	140,000		140,000	71,761	68,239
Cocurricular activities:					
Combined activities	23,000		23,000	16,320	6,680
Total expenditures	246,300	300	246,600	138,873	107,727
Excess of rev over (under) exp	(10,500)	(300)	(10,800)	82,579	93,379
Other financial sources:					
None			0		0
Fund balance:					
July 1, 2017	386,285		386,285	386,285	0
June 30, 2018	375,785	(300)	375,485	468,864	93,379

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2017

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	141,400		141,400	421,479	280,079
Prior year ad valorem taxes			0	161	161
Penalties and interest	300		300	1,596	1,296
Interest earned	600		600	822	222
Total revenue	142,300	0	142,300	424,058	281,758
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	12,400		12,400	8,001	4,399
Middle school	1,000		1,000		1,000
High school	44,500		44,500	15,683	28,817
Support services:					
Instruction:					
Library services	2,000		2,000	1,999	1
General administration:					
Executive administration	500		500	441	59
Business:					
Fiscal services	2,900		2,900	2,900	0
Operations and maintenance	50,000		50,000	18,181	31,819
Food service			0		0
Cocurricular activities:					
Combined activities	8,000	12,200	20,200	20,142	58
Total expenditures	121,300	12,200	133,500	67,347	66,153
Excess of rev over (under) exp	21,000	(12,200)	8,800	356,711	347,911
Other financial sources:					
Transfer (out)	(100,000)		(100,000)	(43,000)	57,000
Fund balance:					
July 1, 2016	72,574		72,574	72,574	0
June 30, 2017	(6,426)	(12,200)	(18,626)	386,285	404,911

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2018

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	350,300		350,300	349,978	(322)
Prior year ad valorem taxes			0	3,684	3,684
Penalties and interest	600		600	786	186
Interest earned	600		600	845	245
Medicaid			0	4,102	4,102
Other	3,500		3,500		(3,500)
County Sources:					
Revenue in lieu of taxes			0		0
Federal Sources:					
Restricted grants-in-aid	34,600		34,600	32,893	(1,707)
Total revenue	389,600	0	389,600	392,288	2,688
Expenditures:					
Instruction:					
Special programs:					
Programs for special educ.	280,000	600	280,600	263,049	17,551
Support services:					
Pupils:					
Special education	74,100		74,100	63,544	10,556
Special education administra	36,400		36,400	33,516	2,884
Total expenditures	390,500	600	391,100	360,109	30,991
Excess of rev over (under) exp	(900)	(600)	(1,500)	32,179	33,679
Other financial sources:					
None			0		0
Fund balance:					
July 1, 2017	249,526		249,526	249,526	0
June 30, 2018	248,626	(600)	248,026	281,705	33,679

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2017

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	378,200		378,200	380,553	2,353
Prior year ad valorem taxes			0	186	186
Penalties and interest	500		500	834	334
Interest earned	600		600	739	139
Medicaid			0	6,134	6,134
Other	6,500		6,500		(6,500)
County Sources:					
Revenue in lieu of taxes			0		0
Federal Sources:					
Restricted grants-in-aid	33,000		33,000	30,181	(2,819)
Total revenue	418,800	0	418,800	418,627	(173)
Expenditures:					
Instruction:					
Special programs:					
Programs for special educ.	289,600	2,200	291,800	290,571	1,229
Support services:					
Pupils:					
Special education	79,700	2,800	82,500	73,162	9,338
Special education administra	70,600		70,600	66,339	4,261
Total expenditures	439,900	5,000	444,900	430,072	14,828
Excess of rev over (under) exp	(21,100)	(5,000)	(26,100)	(11,445)	14,655
Other financial sources:					
None			0		0
Fund balance:					
July 1, 2016	260,971		260,971	260,971	0
June 30, 2017	239,871	(5,000)	234,871	249,526	14,655

HOVEN SCHOOL DISTRICT No. 53-2

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2017

PENSION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	30,300		30,300	29,434	(866)
Prior year ad valorem taxes			0	45	45
Penalties and interest			0	143	143
Interest earned			0	208	208
County Sources:					
Revenue in lieu of taxes			0		0
Total revenue	30,300	0	30,300	29,830	(470)
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	20,400		20,400	19,759	641
Middle school	5,200		5,200	5,052	148
High school	17,000		17,000	16,519	481
Title I:			0		0
Support services:					
Pupils:					
Guidance	300		300	200	100
Instruction:					
Technology	3,000		3,000	1,690	1,310
General administration:					
Executive administration	7,800		7,800	7,637	163
Business:					
Fiscal services	3,100		3,100	3,074	26
Operations and maintenance	3,700		3,700	3,299	401
Food service	2,900		2,900	2,827	73
Debt service:					
Early retirement	2,900		2,900	2,832	68
Cocurricular activities:					
Combined activities			0		0
Total expenditures	66,300	0	66,300	62,889	3,411
Excess of rev over (under) exp	(36,000)	0	(36,000)	(33,059)	2,941
Other financial sources:					
Transfer (out)			0	(24,749)	(24,749)
Fund balance:					
July 1, 2016	57,808		57,808	57,808	0
June 30, 2017	21,808	0	21,808	0	(21,808)
CLOSED					

NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2018

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
- c. The proposed budget is published for public review no later than July 15 of each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 1h below.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. See pages 42-48.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2018.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP 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 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 service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

HOVEN SCHOOL DISTRICT No. 53-2
FOR THE FOUR YEARS ENDING JUNE 30, 2017

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION LIABILITY (ASSET)

SDRS Measurement Date Year Ended (1)	School's Percentage of the Net Pension Asset	School's Proportionate Share of Net Pension Liability (Asset)	School's Covered Employee Payroll for its Fiscal Year End	School's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.0625982%	(5,681)	1,271,867	(00.45%)	101.1%
June 30, 2016	0.0518460%	175,131	985,850	17.76%	96.9%
June 30, 2015	0.0484814%	(205,623)	885,133	(23.23%)	104.1%
June 30, 2014	0.0486065%	(350,190)	850,000	(41.20%)	107.3%

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

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOVEN SCHOOL DISTRICT No. 53-2
FOR THE FIVE YEARS ENDING JUNE 30, 2018

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

School's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Employee Payroll for its Fiscal Year End	Contributions as a Percentage of Covered Employee Payroll
June 30, 2018	82,560	82,560	0	1,376,000	6.00%
June 30, 2017	76,312	76,312	0	1,271,867	6.00%
June 30, 2016	59,151	59,151	0	985,850	6.00%
June 30, 2015	53,108	53,108	0	885,133	6.00%
June 30, 2014	51,000	51,000	0	850,000	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Governing Board
Hoven School District No. 53-2
Hoven, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Hoven School District (School District), Potter County, South Dakota, as of June 30, 2018 and for each of the fiscal years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated June 21, 2019 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hoven School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I did note a minor matter involving compliance that I reported to the governing body and management of the Hoven School District in a separate Letter of Comments dated June 21, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 Hoven School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

However, I identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of current audit findings and responses as item 2018-01 that I consider to be significant deficiency in internal control over financial reporting.

The Hoven School District's response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. The School District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

I did note minor matters involving internal control that I reported to the governing body and management of the Hoven School District in a separate Letter of Comments dated June 21, 2019.

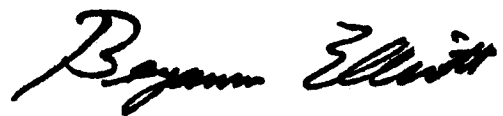
Purpose of this Report

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

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

June 21, 2019



SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Audit Findings:

2010-01 (Lack of Proper Segregation of Duties): Repeated below as 2018-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2018-01: Segregation of Duties
(internal control)

Criteria:

The management of the School District is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

A key element of an effective internal control structure is the segregation of duties so one person isn't responsible of all aspects of a transaction.

Condition:

The business manager processes most transactions from beginning to end. The business manager receives money, posts receipts to the accounting records, prepares bank deposits, generates and signs checks, makes journal entries, and posts transactions to the general ledger. As a result, an inadequate segregation of duties exists for the Hoven School District.

Questioned Cost:

None could be identified regarding this finding.

Effect:

Inadequate segregation of duties can lead to misappropriation of funds.

Recommendation:

I recommend the Hoven School District's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical.

Management Response:

This comment is a result of the size of our school district, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Hoven School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Hoven School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue.