



**UNEMPLOYMENT INSURANCE FUND OF THE  
SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2018

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

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## Independent Auditor's Report

The Honorable Dennis Daugaard  
Governor of South Dakota  
and  
The South Dakota Department of Labor and Regulation  
Pierre, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation (the Fund), an enterprise fund of the State of South Dakota, which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in fund net position and cash flows as of and for the year ended June 30, 2018, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation as of June 30, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Note 1, the financial statements of the Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation are intended to present the financial position, the changes in financial position and cash flows of only that portion of the South Dakota Department of Labor and Regulation and the State of South Dakota that is attributable to the transactions of the Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation. They do not purport to, and do not present fairly, the financial position of the South Dakota Department of Labor and Regulation or the State of South Dakota as of June 30, 2018 and the changes in their financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2018 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



Aberdeen, South Dakota  
September 17, 2018

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**STATEMENT OF NET POSITION  
UNEMPLOYMENT INSURANCE FUND  
JUNE 30, 2018**

**Assets**

**Current Assets**

Cash (Note 2)	\$ 120,255,364
Receivables, Net of Allowance for Doubtful Accounts of \$2,280,448	1,373,840
Receivable From Other Governments	169,969
Receivable From Other State Funds (Note 3)	57,131
<b>Total Assets</b>	<b>\$ 121,856,304</b>

**Liabilities and Net Position**

**Current Liabilities (Note 3)**

Payable to Futures Fund	\$ 2,190
Payable to Administrative Fund	4,861
Payable to Employment Security Contingency Fund	68,960
<b>Total Current Liabilities</b>	<b>76,011</b>

**Commitments (Note 4)**

**Net Position**

Unrestricted	121,780,293
<b>Total Liabilities and Net Position</b>	<b>\$ 121,856,304</b>

The accompanying notes are an integral part of this statement.

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
UNEMPLOYMENT INSURANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Operating Revenues</b>	
Employer Contributions and Federal Assistance Payments	\$ 33,165,554
<hr/>	
<b>Operating Expenses</b>	
Unemployment Insurance Benefits	29,114,726
<hr/>	
<b>Operating Income</b>	<b>4,050,828</b>
<b>Non-Operating Revenue</b>	
Pooled Investment Income	2,668,017
Interest and Penalties on Contributions and Overpayments	829,595
<hr/>	
	3,497,612
<hr/>	
<b>Income Before Transfers</b>	<b>7,548,440</b>
<b>Transfers (Note 3)</b>	
Transfers To Other State Funds	(812,185)
<hr/>	
<b>Net Transfers</b>	<b>(812,185)</b>
<hr/>	
<b>Change in Net Position</b>	<b>6,736,255</b>
<b>Total Net Position -- June 30, 2017</b>	115,044,038
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<b>Total Net Position -- June 30, 2018</b>	<b>\$ 121,780,293</b>
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The accompanying notes are an integral part of this statement.

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**STATEMENT OF CASH FLOWS  
UNEMPLOYMENT INSURANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

**Cash Flows From Operating Activities**

Receipts from Employers and Federal Government	\$ 33,155,409
Payments for Benefits	(29,114,726)
Net Payments to Other State Funds	(27,095)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>4,013,588</b>

**Cash Flows From Non-Capital Financing Activities**

Transfers to Other State Funds	(818,079)
<b>Net Cash Flows Used in Non-Capital Financing Activities</b>	<b>(818,079)</b>

**Cash Flows From Investing Activities**

Cash Received for Pooled Investment Income	2,668,017
Cash Received from Interest and Penalties on Contributions and Overpayments	829,595
<b>Net Cash Flows Provided by Investing Activities</b>	<b>3,497,612</b>

**Net Increase in Cash During the Year** **6,693,121**

Cash – Beginning of Year 113,562,243

**Cash – End of Year** **\$ 120,255,364**

**Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:**

Operating Income	\$ 4,050,828
Change in Assets and Liabilities:	
Receivables	(48,380)
Receivable From Other Governments	38,235
Receivable From Other State Funds	(27,095)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>\$ 4,013,588</b>

The accompanying notes are an integral part of this statement.

## **SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

### **NOTES TO THE FINANCIAL STATEMENTS UNEMPLOYMENT INSURANCE FUND JUNE 30, 2018**

#### **(1) Summary of Significant Accounting Policies**

##### **a. Reporting Entity**

The South Dakota Department of Labor and Regulation (the Department) is the state agency responsible for providing job placement services, job training services, unemployment insurance services, and the enforcement of state labor laws. The Unemployment Insurance Fund (the Fund) is used to account for tax receipts from employers within the State of South Dakota and Federal Unemployment Programs and to account for benefits paid to unemployed persons. The accompanying financial statements present only the financial condition and results of operations of the Fund and do not represent a complete presentation of the State of South Dakota or the Department's net position and activities.

##### **b. Fund Accounting**

The accounts of the Fund are organized for accounting and reporting purposes on the basis of fund accounting. The operations of the Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses.

Enterprise funds are used to report a governmental activity funded by a charge to external users of services. The Fund is an enterprise fund of the State of South Dakota established to account for funds that are expended for benefits paid to unemployed South Dakota workers. Fund revenues are collected from South Dakota employers based upon a percentage of qualifying wages paid and from direct federal funding. Cash balances of the Fund are required to be deposited with the U.S. Department of Treasury as required by SDCL 61-4-5.

##### **c. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Significant estimates not disclosed elsewhere in the accompanying financial statements include:

An allowance for uncollectible receivables is maintained at a level which management believes is adequate to absorb probable uncollectible accounts. Management determines the adequacy of the allowance based on historical data, current economic conditions, and other pertinent factors for the Fund.

It is reasonably possible that this estimate will change significantly in the near term.

##### **d. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues from unemployment taxes from employers are recognized in the period to which the taxes relate. Revenues from Federal Unemployment Programs are recognized when applicable benefit payments are made under such programs. Expenditures are generally recognized when the related fund liability is incurred.

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
UNEMPLOYMENT INSURANCE FUND  
JUNE 30, 2018**

**(1) Summary of Significant Accounting Policies (Continued)**

**e. Receivables and Payables**

Receivables and payables are not aggregated in these financial statements. Receivables represent payments due from employers and benefit overpayments. The Fund expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectibles have been established.

**f. Proprietary Funds Revenue and Expense Classifications**

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position, revenue 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.

**g. Application of Net Position**

It is the Fund's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At June 30, 2018, all fund net position is considered unrestricted.

**(2) Cash**

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Department's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts that exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of the 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.

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

As of June 30, 2018, the Fund's cash consisted only of checking and pooled US Treasury Unemployment Insurance Funds. US Treasury Unemployment Insurance Funds are not considered deposits with financial institutions nor are they considered investments. The checking accounts are insured or collateralized in the Fund's name. The Fund has no investment policies to restrict its investments beyond the state requirements noted above.

Custodial Credit Risk – The risk that, in the event of a depository failure, the Fund's deposits may not be returned to it. The Fund does not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the Fund's deposits were exposed to custodial credit risk.

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)  
UNEMPLOYMENT INSURANCE FUND  
JUNE 30, 2018**

**(3) Activity with Other State Funds (Related Party)**

The Receivable From Other State Funds relates to unemployment insurance benefits paid to employees of other state agencies. The Payable to Futures Fund, the Payable to the Administrative Fund, and the Payable to Employment Security Contingency Fund represent interest and fees collected from employers that are required to be remitted to other state funds.

The Transfers To Other State Funds account for the interest and fees collected from employers and remitted to other state funds.

**(4) Commitments**

Benefit payments to unemployed persons (claimants) are recorded when paid. Claimants may receive benefit payments for up to the lesser of twenty-six payments at their maximum weekly amounts (may be extended as part of federal programs) or as long as they continue to be eligible to receive payments. Eligibility to continue to receive benefit payments is determined on a weekly basis. Accordingly, no liability has been recorded for future benefit payments. The maximum remaining amount of benefits payable to claimants at June 30, 2018, is not determinable; however, the amount would be significant to the Fund's financial statements.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

To the Honorable Dennis Daugaard  
Governor of South Dakota  
and  
The South Dakota Department of Labor and Regulation  
Pierre, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation (the Fund) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements, and have issued our report thereon dated September 17, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota  
September 17, 2018



**Independent Auditor’s Report on Compliance for the Unemployment Insurance Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards of the Unemployment Insurance Fund’s Unemployment Insurance Program**

To the Honorable Dennis Daugaard  
Governor of South Dakota  
and  
The South Dakota Department of Labor and Regulation  
Pierre, South Dakota

**Report on Compliance for the Unemployment Insurance Program (CFDA Number 17.225)**

We have audited the Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation’s (the Fund) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the benefits payment portion of the Unemployment Insurance program for the year ended June 30, 2018.

**Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the benefits payment portion of the Unemployment Insurance program.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the compliance of the benefit payments portion of the Fund’s Unemployment Insurance program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *OMB Compliance Supplement* as applicable to the benefit payments portion of the Unemployment Insurance program as directed by the South Dakota Department of Legislative Audit. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance program occurred. An audit includes examining, on a test basis, evidence about the Fund’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the benefits payment portion of the Unemployment Insurance program. However, our audit does not provide a legal determination of the Fund’s compliance.

**Opinion on the Unemployment Insurance Program**

In our opinion, the Fund’s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the benefits payment portion of the Unemployment Insurance program for the year ended June 30, 2018.

## **Other Matters**

Our audit was performed to test compliance of the benefits payment portion of the Unemployment Insurance program in accordance with the compliance criteria prescribed in the *OMB Compliance Supplement* that we considered to be direct and material pertaining to the benefit payments portion of the program. Our audit does not purport to, and does not, meet the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform and Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

## **Report on Internal Control over Compliance**

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fund's internal control over compliance with the types of requirements that could have a direct and material effect on the benefits payment portion of the Unemployment Insurance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the benefits payment portion of the Unemployment Insurance program and to test and report on internal control over compliance in accordance with the *OMB Compliance Supplement*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *OMB Compliance Supplement*. Accordingly, this report is not suitable for any other purpose.

## **Report on the Schedule of Expenditures of Federal Awards of the Unemployment Insurance Fund's Unemployment Insurance Program**

We have audited the financial statements of the Fund as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards of the Fund's Unemployment Insurance program is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards of the Fund's Unemployment Insurance program is fairly stated, in all material respects, in relation to the financial statements of the Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation as a whole.

### **Emphasis of Matters**

As discussed in Note A, the schedule of expenditures of federal awards of the Fund's Unemployment Insurance program is intended to present the only the expenditures of federal awards of the benefit payments portion of the Fund's Unemployment Insurance program. The schedule does not purport to, and does not, present fairly the expenditures of federal awards of the State of South Dakota or the South Dakota Department of Labor and Regulation as of and for the year ended June 30, 2018 in conformity with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform and Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Our opinion is not modified with respect to this matter.



Aberdeen, South Dakota  
September 17, 2018

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS OF THE UNEMPLOYMENT INSURANCE  
 FUND'S UNEMPLOYMENT INSURANCE PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2018**

FUNDING SOURCE <u>PROGRAM NAME</u>	FEDERAL CFDA <u>NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. Department of Labor</b>		
Direct Programs:		
State Unemployment Insurance Benefits (Note A)	17.225	\$ 27,414,879
Federal Unemployment Insurance Benefits (Notes A and D)	17.225	1,699,847
<b>Total Federal Funds Expenditures</b>		<b>\$ 29,114,726</b>

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS OF THE UNEMPLOYMENT INSURANCE FUND'S UNEMPLOYMENT INSURANCE PROGRAM FOR THE YEAR ENDED JUNE 30, 2018**

**Note A - Basis of Presentation**

The Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation (the Fund) is an enterprise fund of the State of South Dakota. The accompanying schedule of expenditures of federal awards of the Fund's Unemployment Insurance program is intended to present only the expenditures of federal awards of the benefit payments portion of the Fund's Unemployment Insurance program as directed by the South Dakota Department of Legislative Audit. The schedule does not purport to, and does not, present fairly the expenditures of federal awards of the State of South Dakota or the South Dakota Department of Labor and Regulation as of and for the year ended June 30, 2018 in conformity with the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform and Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. In addition, the schedule presents only a selected portion of the operations of the Fund, it is not intended to and does not present the financial position, changes in net position or cash flows of the Fund.

**Note B - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C - Indirect Cost Rate**

The Fund has not elected to use the 10% de minimis cost rate.

**Note D - Federal Unemployment Insurance Benefits**

Total expenditures are net of \$7,184 of refunds from overpayments of ARRA Federal Additional Compensation and \$34,582 of refunds from overpayments of ARRA Emergency Unemployment Compensation Unemployment Insurance Benefits.

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNEMPLOYMENT INSURANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Section I – Summary of Auditor’s Results**

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**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over Unemployment Insurance Program:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for Unemployment Insurance Program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516:	No
Identification of programs audited:	
Name of Federal Program	<u>CFDA Number(s)</u>
Unemployment Insurance (UI) (benefits payment portions only)	17.225

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNEMPLOYMENT INSURANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Section II – Financial Statement Findings**

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No Findings noted for the year ended June 30, 2018.

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNEMPLOYMENT INSURANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Section III – Federal Award Findings and Questioned Costs**

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No findings noted for the year ended June 30, 2018.