

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1

GAYVILLE, SOUTH DAKOTA

FINANCIAL REPORT.

FOR THE ONE YEAR ENDING JUNE 30, 2020

WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1
GAYVILLE, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING JUNE 30, 2020

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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
Gayville-Volin School District No. 63-1
Gayville, 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 Gayville-Volin School District No. 63-1 (School District), Gayville, South Dakota as of June 30, 2020 and for the one year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 Gayville-Volin School District, Gayville, South Dakota, as of

June 30, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof for the one year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information (no opinion)

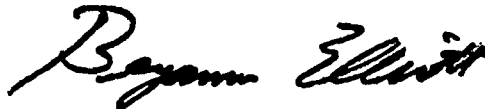
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 9), the budgetary comparison schedules (page 38 to 42) and pension schedules (page 43 and 44) be presented to supplement the basic financial statements. Such information, 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 formation 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 45) dated June 1, 2021 on my tests of Gayville-Volin 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 1, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Gayville-Volin School District No. 63-1's (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the Gayville-Volin School District are as follows:

For the year ending: 6-30-2020

Revenue:

Charges for goods and services	148,393
Operating grants	212,903
Capital grants	0
General receipts	3,124,635

Total	3,485,931

Expenses:

Governmental	3,341,583
Business-type	212,592

Total	3,554,175

(Decrease) in Net Position (68,244)

Net Position:

June 30, 2019	6,403,566

June 30, 2020	6,335,322
	=====

Governmental Funds:

General	1,001,636
Capital Outlay	1,440,186
Special Education	59,200
Pension	0 closed
Debt Service	288,378
Long-term Debt	(2,627,500)
Capital Assets	5,937,636

Business-Type Funds:

Food Service	142,035
Child Care	93,751

Total	6,335,322
	=====

During the year ending June 30, 2020 the School District:

- * Received property taxes of \$1,172,079 and gross receipts taxes of \$32,644.
- * Received state grants of \$1,852,055 and federal grants of \$121,172.
- * Installed hallway floor tile for \$17,899.
- * Installed track perimeter sidewalk for \$13,859.
- * Purchased a 2017 15 passenger van for \$22,321.
- * Purchased a Boss HP-3655 laser cutter for \$20,826.
- * Purchased 33 band uniforms for \$23,585 using a donation of \$13,585.
- * Purchased library books for \$4,285.
- * Began remodeling a special education room for \$6,699.
- * Made a \$29,166 principal payment on the 2013 Capital Outlay Certificates.
- * Made a \$105,000 principal payment on the 2016 General Obligation Bonds.

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 37) and (3) required supplementary information (page 38 to 44). 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 debt service fund. The pension fund closed in FY20.

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. The enterprise funds operated by the School District are the food service fund and the child care fund.

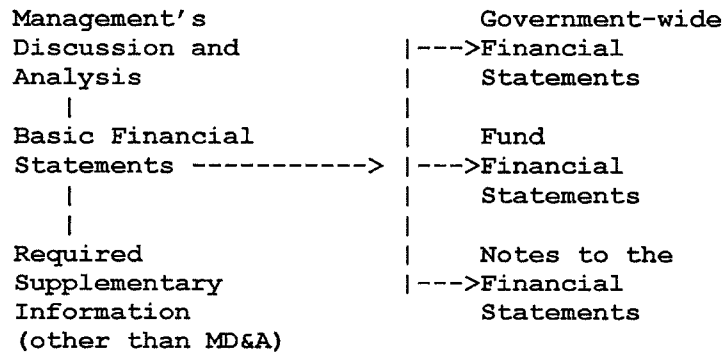
The fiduciary fund financial statements provide information about the financial status of activities (like cheerleaders or a science club) in which the School District acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. The School District only has agency fiduciary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

Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 9), the budgetary comparison schedules (page 38 to 42) and the pension schedules (page 43 and 44) are 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.



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

	Government-wide 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)	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 30 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 the School District as a whole)

The government-wide statements (page 10 to 11) 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 to 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 general obligation bonds and capital outlay certificates, 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 food service, child care and driver's education programs. These programs are funded in part by user fees and in part by state and federal grants.

FUND FINANCIAL STATEMENTS

(Reporting the School District's most significant funds)

The fund financial statements (page 12 to 17) 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 child care 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.

MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes for governmental activities = changes greater than \$175,000)

(Material changes for business-type activities = changes greater than \$ 20,000)

	Increase (Decrease)	Reason
<u>Year Ending June 30, 2020</u>		
Governmental Activities:		
Current assets	210,000	Excess receipts after depreciation and SDRS losses
Deferred outflows	(210,000)	SDRS losses
Business-type Activities:		
Charges for service	(48,000)	School closed due to Covid
Child care	(28,000)	School closed due to Covid

SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

In FY20 the School District's general fund budget of \$2,277,856 is an increase of \$72,574 or 3.29% from FY19. There were supplemental appropriations of \$20,417 to the general fund budget. See page 38 for more information.

SIGNIFICANT CAPITAL ASSET ACTIVITY

At June 30, 2020, the School District had invested \$6,098,689 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease (including additions and deductions) of \$157,591 or 2.52% from June 30, 2019.

Significant capital asset activity is reported above. See page 36 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

At June 30, 2020, the School District had total debt of \$2,627,500. This amount represents a net decrease of \$133,746 or 4.84% from June 30, 2019.

Significant long-term debt activity is reported above. School District is current on all long-term debt. See page 37 for more information.

CURRENTLY KNOWN FACTS

In February 2021 surplused 2 buses and authorized the purchase of 2 new propane buses with an expected SD DENR Clean Diesel grant of \$50,200.

In FY21 the School District expects to receive COVID-19 CRF funds of approximately \$139,000, ESSER II funds of approximately \$190,000 to be used to clean the school, control the spread of COVID-19, provide materials for e-learning and counseling services for those affected by COVID-19. The School District may receive ESSER III funds of approximately \$427,000 in FY22.

Student enrollments are:	FY10 - 247	FY13 - 273	FY16 - 287	FY19 - 293
	FY11 - 258	FY14 - 276	FY17 - 304	FY20 - 290
	FY12 - 271	FY15 - 274	FY18 - 279	FY21 - 279

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 Gayville-Volin School District's business office at P.O. Box 158, Gayville, SD 57031.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

TABLE 1 - NET POSITION (condensed and in thousands)
 FULL ACCRUAL - BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 AS OF JUNE 30, 2020 AND JUNE 30, 2019

	Governmental Activities		Business-Type Activities		Total Government	
	FY20	FY19	FY20	FY19	FY20	FY19
Assets and deferred:						
Current assets	3,317	3,107	74	71	3,391	3,178
Capital assets	5,938	6,083	161	173	6,099	6,256
Net pension assets	8	2			8	2
Deferred outflows	415	625	14	20	429	645
Total	9,678	9,817	249	264	9,927	10,081
Liabilities and deferred:						
Current liabilities	285	269	8	6	293	275
Current maturities on debt	134	129			134	129
Long-term debt outstanding	2,486	2,625			2,486	2,625
Deferred inflows	674	644	5	4	679	648
Total	3,579	3,667	13	10	3,592	3,677
Net Position:						
Capital assets, net of debt	3,317	3,329	161	173	3,478	3,502
Restricted	2,047	2,134	9	16	2,056	2,150
Unrestricted	735	687	66	65	801	752
Total	6,099	6,150	236	254	6,335	6,404

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS
 FOR THE YEARS ENDING JUNE 30, 2020 AND JUNE 30, 2019

	Governmental Activities		Business-Type Activities		Total Government	
	FY20	FY19	FY20	FY19	FY20	FY19
Revenues:						
Program revenues:						
Charges for services	26	32	122	170	148	202
Operating grants	141	79	72	71	213	150
Capital grants		21			0	21
General revenues:						
All taxes	1,204	1,171			1,204	1,171
State sources	1,852	1,796			1,852	1,796
Interest earnings	37	29	1	1	38	30
Other	27	96		1	27	97
Total revenues	3,287	3,224	195	243	3,482	3,467
Expenses:						
Instruction	1,836	1,702			1,836	1,702
Support	1,248	1,111			1,248	1,111
Cocurricular activities	163	175			163	175
Interest and fees	94	96			94	96
Food service			141	148	141	148
Child care			72	100	72	100
Total expenses	3,341	3,084	213	248	3,554	3,332
Revenues over (under) expenses	(54)	140	(18)	(5)	(72)	135
Sale of surplus property	3				3	0
Compensation for damages		15			0	15
Transfers					0	0
Net position increase (decrease)	(51)	155	(18)	(5)	(69)	150
Net position:						
June 30, 2018, adjusted		5,995		259		6,254
June 30, 2019	6,150	6,150	254	254	6,404	6,404
June 30, 2020	6,099		236		6,335	

STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
	Activities	Activities	
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents	1,070,051	3,190	1,073,241
Certificates of deposit	1,626,580	56,881	1,683,461
Advanced to trust & agency imprest	6,000		6,000
Receivables:			
Property taxes - current	509,705		509,705
Property taxes - delinquent	35,731		35,731
Due from other governments	54,893		54,893
Accounts	7,969	609	8,578
Inventory	6,390	13,497	19,887
Total current assets	3,317,319	74,177	3,391,496
Capital assets:			
Land	58,118	9,000	67,118
Buildings	7,130,127	97,196	7,227,323
Improvements	699,863		699,863
Equipment	1,023,424	131,732	1,155,156
Library books	49,847		49,847
Construction-in-progress	6,699		6,699
Accumulated depreciation	(3,030,442)	(76,875)	(3,107,317)
Total capital assets	5,937,636	161,053	6,098,689
Other assets:			
Net pension assets	8,056	260	8,316
Total assets	9,263,011	235,490	9,498,501
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	415,252	13,414	428,666
Total deferred outflow of resources	415,252	13,414	428,666
LIABILITIES			
Current liabilities:			
Accounts payable	50,601	3,447	54,048
Contracts payable	176,971		176,971
Payroll deductions payable	49,839		49,839
Prepaid meals		4,368	4,368
Noncurrent liabilities due in one year:			
2013 Capital Outlay certificates	29,167		29,167
2016 General Obligation bonds	105,000		105,000
Accrued leave	7,500		7,500
Total current liabilities	419,078	7,815	426,893
Noncurrent liabilities:			
2013 Capital Outlay certificates	145,833		145,833
2016 General Obligation bonds	2,340,000		2,340,000
Total noncurrent liabilities	2,485,833	0	2,485,833
Total liabilities	2,904,911	7,815	2,912,726
DEFERRED INFLOW OF RESOURCES			
Taxes levied for a future period	509,705		509,705
Pension related deferred inflows	164,111	5,303	169,414
Total deferred inflow of resources	673,816	5,303	679,119
NET POSITION			
Net invested in capital assets	3,317,636	161,053	3,478,689
Restricted for:			
Capital outlay	1,440,186		1,440,186
Special education	59,200		59,200
Debt service	288,378		288,378
SDRS pension purposes	259,197	8,371	267,568
Unrestricted	734,939	66,362	801,301
Total net position	6,099,536	235,786	6,335,322

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDING JUNE 30, 2020

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	1,836,196		104,002		(1,732,194)		(1,732,194)
Support services	1,248,328	8,902	37,170		(1,202,256)		(1,202,256)
Cocurricular activities	163,134	16,802			(146,332)		(146,332)
Interest and fees on debt (all)	93,925				(93,925)		(93,925)
Total governmental activities	3,341,583	25,704	141,172	0	(3,174,707)	0	(3,174,707)
Business-type activities:							
Food service	140,882	50,142	68,996			(21,744)	(21,744)
Child care	71,710	72,547	2,735			3,572	3,572
Total primary government	3,554,175	148,393	212,903	0	(3,174,707)	(18,172)	(3,192,879)
General revenue:							
Property taxes					1,172,079		1,172,079
Gross receipts tax					32,644		32,644
Revenue from state sources:							
State aid					1,793,348		1,793,348
Other					58,707		58,707
Interest earnings					37,292	880	38,172
Fines					0		0
Donations					15,585		15,585
Other general revenues					11,500		11,500
Sale of surplus property					2,600		2,600
Transfers					0		0
Total general revenue and transfers					3,123,755	880	3,124,635
Change in net position					(50,952)	(17,292)	(68,244)
Net position, July 1, 2019					6,150,488	253,078	6,403,566
Net position, June 30, 2020					6,099,536	235,786	6,335,322

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

BALANCE SHEET -- GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Pension Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	282,442	487,645	103,894	196,070	0	1,070,051
Certificates of deposit	580,657	960,696		85,227		1,626,580
Advanced to T&A imprest	6,000					6,000
Receivables:						
Property taxes - current	138,093	180,136	105,318	86,158		509,705
Property taxes - delinquent	11,473	11,265	5,912	7,081		35,731
Due from other governments	53,302	1,591				54,893
Accounts	7,969					7,969
Inventory of supplies	6,390					6,390
Total assets	1,086,326	1,641,333	215,124	374,536	0	3,317,319
LIABILITIES						
Accounts payable	20,706	20,556	9,339			50,601
Contracts payable	143,932	400	32,639			176,971
Payroll deductions payable	41,156	55	8,628			49,839
Total liabilities	205,794	21,011	50,606	0	0	277,411
DEFERRED INFLOW OF RESOURCES						
Taxes levied - future period	138,093	180,136	105,318	86,158		509,705
Unavailable revenue:						
Property taxes - delinquent	11,473	11,265	5,912	7,081		35,731
Total deferred inflow of resources	149,566	191,401	111,230	93,239	0	545,436
FUND BALANCE						
Nonspendable	12,390					12,390
Restricted		1,428,921	53,288	281,297	0	1,763,506
Committed						0
Assigned						0
Unassigned	718,576					718,576
Total fund balance	730,966	1,428,921	53,288	281,297	0	2,494,472
Total liabilities, deferred inflow of resources and fund balance	1,086,326	1,641,333	215,124	374,536	0	3,317,319

CLOSED

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

Total fund balance - governmental funds (above) 2,494,472

Amounts reported in the government-wide statement of net position are 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

8,968,078

Subtract the associated accumulated depreciation

(3,030,442)

These pension related amounts are not an available financial
resource and therefore are not reported in the funds:

Net pension assets

8,056

Deferred outflow of resources

415,252

Deferred inflow of resources

(164,111)

Long-term liabilities are not due and payable in the current period.
Therefore, subtract the following long-term liabilities

2013 Capital Outlay Certif (QZAB bonds)

(175,000)

2016 General Obligation Bonds

(2,445,000)

Accrued leave

(7,500)

Assets such as taxes receivable (delinquent) are not available to
pay of current period expenditures and therefore are deferred in
the funds.

35,731

Total net position on government-wide statement of net position

6,099,536

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Pension Fund	Total Governmental Funds
Revenue:						
Revenue from local sources:	-----	-----	-----	-----	-----	-----
Taxes:						
Ad valorem taxes	313,426	404,767	236,087	193,793		1,148,073
Mobile home taxes	3,977	2,927	1,707	1,401		10,012
Prior year ad valorem taxes	6,239	3,837	2,108	1,979	35	14,198
Gross receipts	32,644					32,644
Penalties and interest	949	589	319	312		2,169
Interest earned	10,166	23,253	772	2,695	406	37,292
Cocurricular activities:						
Admissions	16,802					16,802
Other revenue from local sources:						
Donations		15,585				15,585
Medicaid	6,021		2,881			8,902
Bush grant	20,000					20,000
Other	11,500					11,500
Total revenue from local sources	421,724	450,958	243,874	200,180	441	1,317,177
Revenue from intermediate sources:						
County sources:						
State fines apportionment	15,890					15,890
Revenue from state sources:						
Unrestricted grants-in-aid	1,690,714					1,690,714
Restricted grants-in-aid	500		144,951			145,451
Revenue from federal sources:						
Restricted grants-in-aid	99,036	22,136				121,172
Total revenues	2,227,864	473,094	388,825	200,180	441	3,290,404
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	430,487	28,893				459,380
Middle school	153,219	9,067				162,286
High school	433,559	26,939				460,498
Preschool services	26,647					26,647
Special programs:						
Programs for special educ.			368,610			368,610
Educ. deprived (Title I)	67,242					67,242
Total instruction	1,111,154	64,899	368,610	0	0	1,544,663
Support services:						
Pupils:						
Guidance	86,137	220				86,357
Health	606					606
Special education			46,174			46,174
Instruction:						
Improvement of instruction	7,596					7,596
Educational media	3,412					3,412
Technology in school	17,370	346				17,716
General administration:						
Board of Education	28,662					28,662
Executive administration	192,676	390				193,066
School administration:						
Office of principal	181,067	268				181,335
Special education			25,266			25,266
Business:						
Fiscal services	88,972					88,972
Operations and maintenance	270,743	12,606				283,349
Pupil transportation	103,541					103,541
Purchased food	6,845					6,845
Criminal background check	117					117
Total support services	987,744	13,830	71,440	0	0	1,073,014

(continued)

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2020 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Pension Fund	Total Governmental Funds
Community services:						
Retirement					2,442	2,442
Debt service:						
Principal		29,167		105,000		134,167
Interest and fees				93,925		93,925
Total debt service	0	29,167	0	198,925	0	228,092
Cocurricular activities:						
Male activities	33,184	5,903				39,087
Female activities	30,284	900				31,184
Transportation	3,169					3,169
Combined activities	58,103					58,103
Total cocurricular services	124,740	6,803	0	0	0	131,543
Capital outlay:		118,685				118,685
Total expenditures	2,223,638	233,384	440,050	198,925	2,442	3,098,439
Excess of revenues over (under) expenditures	4,226	239,710	(51,225)	1,255	(2,001)	191,965
Other financing sources (uses):						
Transfer in	45,631					45,631
Transfer (out)		(20,826)			(24,805)	(45,631)
Sale of surplus property		2,600				2,600
Net change in fund balance	49,857	221,484	(51,225)	1,255	(26,806)	194,565
Fund balance:						
July 1, 2019	681,109	1,207,437	104,513	280,042	26,806	2,299,907
June 30, 2020	730,966	1,428,921	53,288	281,297	0	2,494,472

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) 194,565

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 asset additions 118,685
Subtract depreciation taken on all capital assets (257,502)
Subtract loss on disposition of capital assets (7,000)

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 (38,101)
Add current year delinquent taxes 35,731

Revenues and reductions of expenses related to pensions do not provide
current financial resources and, therefore, are not reported in the funds (231,074)

Governmental funds do not reflect the change in "accrued leave", but the
statement of activities reflects the change in "accrued leave" through
expenditures. Therefore subtract increase in accrued leave (423)

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 current year principal payments on:
2013 Capital Outlay Certificates 29,167
2016 General Obligation Bonds 105,000

Change in net position on government-wide statement of activities (50,952)

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF JUNE 30, 2020

	Food Service Fund	Day Care Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash	2,626	564	3,190
Certificates of deposit	41,381	15,500	56,881
Accounts receivable	400	209	609
Inventory - supplies	1,168		1,168
Inventory - purchased goods	3,853		3,853
Inventory - commodities (donated)	8,476		8,476
Capital assets:			
Land		9,000	9,000
Building		97,196	97,196
Equipment	131,732		131,732
Accumulated depreciation	(51,604)	(25,271)	(76,875)
Other assets: Net pension assets	260		260
Total assets	138,292	97,198	235,490
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	13,414		13,414
Total deferred outflow of resources	13,414	0	13,414
LIABILITIES			
Accounts payable		3,447	3,447
Contracts payable			0
Payroll deductions payable			0
Prepaid meals	4,368		4,368
Total liabilities	4,368	3,447	7,815
DEFERRED INFLOW OF RESOURCES:			
Pension related deferred inflows	5,303		5,303
Total deferred inflow of resources	5,303	0	5,303
NET POSITION			
Net invested in capital assets	80,128	80,925	161,053
Restricted - SDRS pension purposes	8,371		8,371
Unrestricted	53,536	12,826	66,362
Total net position	142,035	93,751	235,786

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2020

	Food Service Fund	Day Care Fund	Total Enterprise Funds
Operating revenue:			
Sales to pupils	36,344	72,546	108,890
Sales to adults	5,726		5,726
Other sales	8,072		8,072
Total operating revenue	50,142	72,546	122,688
Operating expense:			
Salaries	59,748	53,960	113,708
Employee benefits	9,178	7,296	16,474
Purchased services	89	3,011	3,100
Supplies	3,629	5,499	9,128
Cost of sales:			
Purchased food	39,996		39,996
Donated food (commodities)	10,975		10,975
Depreciation	9,830	1,944	11,774
Bad debts	74		74
Pension related expense reduction	7,363		7,363
Total operating expenses	140,882	71,710	212,592
Operating income (loss)	(90,740)	836	(89,904)
Nonoperating revenue (expense):			
Interest earned	833	47	880
State source: Cash reimbursement	541		541
Federal source:			
Cash reimbursement	54,306	2,736	57,042
Donated food	14,149		14,149
Total nonoperating revenue (expense)	69,829	2,783	72,612
Change in net position	(20,911)	3,619	(17,292)
Net position, June 30, 2019	162,946	90,132	253,078
Net position, June 30, 2020	142,035	93,751	235,786

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2020

	Food Service Fund	Child Care Fund	Total Enterprise Funds
Cash flows from:	-----	-----	-----
Operating activities:			
Receipts from customers	52,737	74,110	126,847
Cash paid for employees	(68,926)	(64,314)	(133,240)
Payments to suppliers	(47,152)	(5,945)	(53,097)
Net cash provided (used) by operating activities	----- (63,341)	----- 3,851	----- (59,490)
Noncapital financing activities:			
Grant cash reimbursements, state	541	912	1,453
Grant cash reimbursements, federal	54,306	2,736	57,042
Capital financing activities:			
Cash from sale of equipment			0
Investing activities:			
Interest received	833	47	880
Purchase certificate of deposit	(791)	(15,500)	(16,291)
Net increase (decrease) in cash and cash equivalents	----- (8,452)	----- (7,954)	----- (16,406)
Cash and cash equivalents:			
June 30, 2019	11,078	8,518	19,596
June 30, 2020	----- 2,626	----- 564	----- 3,190
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(90,740)	836	(89,904)
Donated commodities used	10,975		10,975
Depreciation	9,830	1,944	11,774
Pension related exp. reduction	7,363		7,363
Change in operating accounts:			
Accounts receivable	234	1,564	1,798
Inventory - supplies	(538)		(538)
Inventory - purchased	(2,494)		(2,494)
Accounts payable	(333)	2,565	2,232
Contracts payable		(2,846)	(2,846)
Benefits payable		(212)	(212)
Unearned revenue	2,362		2,362
Net cash provided (used) by operating activities	----- (63,341)	----- 3,851	----- (59,490)
Noncash investing, capital and financing activities:			
Donated commodities received	14,149		

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
AS OF JUNE 30, 2020

Assets:

Cash	37,443
Certificate of deposit	8,031
Due from others	0

Total assets	45,474
	=====

Liabilities:

Advance from general fund	6,000
Amounts held for others	39,474

Total liabilities	45,474
	=====

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Gayville-Volin 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 Gayville-Volin School District's (School District) Board of Education.

The School District's officials at June 30, 2020 are:

Board Members:

John Freeburg, President
Kent Buckman
Tyler Hoxeng
Kathy Jorgensen
Timothy Reck

Superintendent:

Jason Selchert

Business Manager:

Alice Hight

Attorney:

Churchill, Manolis, Freeman, Kludt & Burns

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 Gayville-Volin School District does not have any component units.

The School District does participate with other school districts in a cooperative service unit. 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 for 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, is a major fund, and was closed in FY20.

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

Debt Service fund - A fund established by SDCL 13-16-13 to account for the payment of principal, interest and related costs of a 2016 general obligation bond. This fund is financed by property taxes and is a major fund. See also page 37.

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 fund:

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.

Child care fund - a fund used to record financial transactions related to the School's child care activity and driver's education. This fund is financed by user charges, fund raising activities, and grants. This fund 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 various classes, clubs, etc.

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 accruing and recording revenues is 60 days. The revenues which are accrued at June 30, 2020 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 Gayville-Volin School District budgets for, and makes payment of, debt obligations 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 (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

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:

In the enterprise funds' statement of cash flows, the School District considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

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, 2020 balance of capital assets for governmental activities include approximately 2% for which the costs were determined by estimates of the original costs. The total June 30, 2020 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.

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 36.

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/structures	20,000	Straight-line	33-50
Improvements	10,000	Straight-line	10-50
Equipment	5,000	Straight-line	2-20
Equipment - food service	500	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. Enterprise funds account for capital asset purchases on the accrual basis of accounting, 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 a general obligation bond, capital outlay certificates, and compensated absences.

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 Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial 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 financial 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 Statements:

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

1. Net invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any 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 - Consists 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 - Other net position that does not meet the criteria of 1 or 2 above.

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "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 City 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 the Council or Finance Officer.
- * 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.

The School District fund balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	Inventory of supplies		6,390
	General - Impress activity	Resolution	6,000
Restricted	Capital Outlay	Statute	1,428,921
	Special Education	Statute	53,288
	Pension (closed)	Statute	0
	Debt Service	Statute	281,297
Committed	None		0
Assigned	None		0
Unassigned	General		718,576

			2,494,472

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:

Special Revenue Fund:	Revenue Source: (see page 13)
* Capital Outlay	Property taxes and grants
* Special Education	Property taxes and grants
* Pension	Delinquent property taxes

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 service lives
- * SDRS 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, 2020 were as follows: Insured \$458,358, Collateralized ** \$2,398,254, for a total of \$2,856,612.

** 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, 2020 was \$2,802,176 which equals \$2,756,702 on the government-wide statement of net position plus \$45,474 on the fiduciary funds statement.

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.

Cash Equivalents - Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits. Also, because certificates of deposit are included in the equivalent of an internal cash management pool, which is available on demand to all School District funds, certificates of deposit (if any) are considered to be cash equivalent.

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, 2020 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 CorTrust 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 general fund, except for interest from certificates of deposit in the capital outlay fund and for interest earned by the bond redemption fund. U.S.GAAP, however, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund (ie: general fund) is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These transfers are not violations of the statutory restrictions on interfund transfers.

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, 2020 amounts due from other governments were:

	Governmental Activities	Business-Type Activities
Federal government:		
Title I grant	13,458	
FFVP	982	
ESSER Cares	6,218	
State government:		
Miscellaneous	1,591	
County government:		
Gross receipts tax	32,644	
	-----	-----
	54,893	0

6. INVENTORY OF SUPPLIES AND SMALL TOOLS

Government-wide Statements: (consumption method)

In the government-wide financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventory of supplies and small tools are 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. Inventory at June 30, 2020 is \$6,390 for supplies in the general fund and \$13,497 for food and supplies in the food service fund.

Fund Financial Statements: (consumption method)

In the fund financial statements inventory of supplies and small tools (if any) are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. The cost valuation method is first-in first-out.

7. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of changes in capital assets for the fiscal year ending June 30, 2020 is found on schedule one at the end of these footnotes.

There was construction-in-progress at June 30, 2020. See page 36.

8. CHANGES IN LONG-TERM DEBT (see schedule two)

A summary of changes in long-term debt for the fiscal year ending June 30, 2020 is found on schedule two at the end of these footnotes.

The School District has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgements, or (h) other than

the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

9. OPERATING LEASE

In May 2018 the School District entered into a 63 month agreement with A&B Business Equipment, Inc. to use their copy machines and printers for \$2,351.43 a month. Payments are made from the capital outlay fund. Capital outlay fund payments are charged 35% to elementary instruction, 15% to middle school instruction and 50% to high school instruction. The equipment is expected to have zero value at the end of 63 months. Total minimum future operating lease payments are \$28,217 in FY19 through FY23 and \$3,527 in FY24.

10. 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	Business
Capital outlay	Statute	1,440,186	
Special education	Statute	59,200	
Debt service	Covenants	288,378	
SDRS pension purposes	GASB 68	259,197	8,371
		-----	-----
Total restricted net position		2,046,961	8,371

11. INTERFUND TRANSFERS

During the year ending June 30, 2020 a transfer of \$20,826 was made from the capital outlay fund to the general fund for operations, which included \$826 of interest. Also, the pension fund was closed and its remaining balance of \$24,805 was transferred to the general fund, which included \$406 of interest.

12. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, 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. School District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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://sdrs.sd.gov/publications.aspx> 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 general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

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

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

Contributions:

Per SDCL 3-12, 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 state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ending June 30, 2020, 2019 and 2018 were \$102,523, \$100,110, and \$99,889 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2019 SDRS is 100.09% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the School District as of June 30, 2020 are as follows:

Proportionate share of total pension liability	\$ 9,779,452
Less: Proportionate share of net position restricted for pension benefits	(9,787,768)

Proportionate share of net pension (asset)/liability	\$ (8,316)
	=====

At June 30, 2020 the School District reported a (asset)/liability of \$(8,316) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2019 and the total pension liability used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District's proportion was .000784729 which is a decrease of .000016085 over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized net pension expense of \$238,437.

At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 32,621	\$ 3,764
Change in assumptions	287,212	117,743
Net difference between projected and actual earnings on pension plan investments	0	47,907
Changes in proportion and difference between client contribution and proportionate share of contributions	6,310	
School District contributions subsequent to the measurement date	102,523	
	-----	-----
Totals	\$ 428,666	\$ 169,414
	(102,523)	=====
	(169,414)	

To be amortized over 4 years	\$ 156,729	
	=====	

The \$102,523 reported as deferred outflow of resources related to the Pension, results from the School District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending June 30, 2021	\$ 189,438
June 30, 2022	(29,355)
June 30, 2023	(19,983)
June 30, 2024	16,629

	\$ 156,729
	=====

Actuarial Assumptions:

The total pension asset in the June 30, 2019 actuarial valuation was determined 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% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Futurs COLAs	1.88%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and 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, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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 Rule (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 weighting 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, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%

	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee 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 of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
School District's proportionate share of the net pension (asset)/liability	\$1,380,290	\$(8,316)	\$(1,139,779)

Pension Plan Fiduciary Net Position:

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

13. EMPLOYEE BENEFIT PLAN

The School District offers eligible employees a "Flexible Benefits Plan" (also known as a "cafeteria plan") under Internal Revenue Code Sec.125. The Plan allows eligible employees to use money provided by the School District through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan.

14. 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 12 and 14.

15. JOINT VENTURE -- SOUTHEAST AREA EDUCATIONAL COOPERATIVE

The School District participates in Southeast Area Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing pupil support services to member school districts. At June 30, 2020 the School District's percentage of participation in the co-op is 8.10% based on pupil counts.

The co-op's governing board is composed of one representative from each member school district, who is a school board member. 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 District retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements of the co-op are available at its business office in Beresford, South Dakota.

At June 30, 2020, this joint venture had a total AUDITED fund equity of \$768,123 and long-term liabilities of \$21,670.

16. 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 year ending June 30, 2020 the Gayville-Volin School District managed its risks as follows:

Health:

The District purchases health insurance for its employees from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability and Property:

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

Worker's Compensation:

The 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 provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. The School District made unemployment payments of \$3,264 in FY20. The School District expects to make small unemployment payments in FY21.

17. TAX ABATEMENTS

As of June 30, 2020 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

18. LITIGATION

The School District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

19. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The School District does not have any "Other Post Employment Benefits".

In February 2021 surplused 2 buses and authorized the purchase of 2 new propane buses with an expected SD DENR Clean Diesel grant of \$50,200.

In FY21 the School District expects to receive COVID-19 CRF funds of approximately \$139,000, ESSER II funds of approximately \$190,000 to be used to clean the school, control the spread of COVID-19, provide materials for e-learning and counseling services for those affected by COVID-19. The School District may receive ESSER III funds of approximately \$427,000 in FY22.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
CHANGES IN CAPITAL ASSETS
FOR THE ONE YEAR ENDING JUNE 30, 2020

	Beginning 6-30-19	Book Adjustments	Additions	Deletions	Ending 6-30-20	Accumulated Depreciation 6-30-19	Book Adjustments	Depreciation Additions	Depreciation Deletions	Accumulated Depreciation 6-30-20	Remaining Cost 6-30-20
Governmental capital assets:											
Land	58,118				58,118	0				0	58,118
Buildings	7,103,016		27,111		7,130,127	(2,055,982)	(1)	(146,193)		(2,202,176)	4,927,951
Improvements	686,004		13,859		699,863	(185,841)		(37,327)		(223,168)	476,695
Equipment	989,000		66,732	(32,308)	1,023,424	(514,278)		(72,448)	25,308	(561,418)	462,006
Library books	45,562		4,285		49,847	(42,146)		(1,534)		(43,680)	6,167
Construction-in-progress	0		6,699		6,699					0	6,699
Totals	8,881,700	0	118,686	(32,308)	8,968,078	(2,798,247)	(1)	(257,502)	25,308	(3,030,442)	5,937,636
						Governmental depreciation is allocated as follows:					
Construction-in-progress:						Instruction					
Special education room remodel						Support					
						Co-curricular					
						257,502					
Enterprise funds:											
Land - child care	9,000				9,000					0	9,000
Buildings - child care	97,196				97,196	(23,327)		(1,944)		(25,271)	71,925
Equipment - food service	131,732				131,732	(41,774)		(9,830)		(51,604)	80,128
Totals	237,928	0	0	0	237,928	(65,101)	0	(11,774)	0	(76,875)	161,053

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
CHANGES IN LONG-TERM DEBT
FOR THE ONE YEAR ENDING JUNE 30, 2020

	Beginning 6-30-19	Additions	(Deletions)	Governmental Ending 6-30-20	Principal Due in FY21
GOVERNMENTAL - DIRECT BORROWING					
2013 Capital Outlay Certificates:					
Qualified Zone Academy Bonds					
Original amount: \$350,000					
Maturing July 15, 2025					
Interest at zero					
Annual payments of \$29,166.67					
Collateral - Capital outlay tax					
levy in an amount not to exceed					
\$3.00 per \$1,000 of assessed					
valuation for the payment of					
principal portion of the Bonds					
Paid from Capital Outlay Fund	204,167		(29,167)	175,000	29,167
2016 General Obligation Bonds:					
Original amount: \$2,650,000					
Maturing June 30, 2037					
Interest at 2.0% to 4.0%					
Total annual payments of					
approximately \$198,000					
Collateral - General ad valorem taxes					
levied upon the taxable property in					
the school district without limit as					
to rate or amount. Further secured					
as to the payment of both principal					
interest by the pledge of future					
payments of appropriated State Aid.					
Paid from Debt Service Fund	2,550,000		(105,000)	2,445,000	105,000
GOVERNMENTAL - OTHER DEBT					
Accrued leave liability:					
Paid from General Fund	7,079	421		7,500	7,500
	<u>2,761,246</u>	<u>421</u>	<u>(134,167)</u>	<u>2,627,500</u>	<u>141,667</u>

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
AT JUNE 30, 2019

	Total Payment	Principal	Interest	Balance
2013 Capital Outlay Certificates:				
Qualified Zone Academy Bonds				
FY21	29,167	29,167	0	145,833
FY22	29,166	29,166	0	116,667
FY23	29,167	29,167	0	87,500
FY24	29,166	29,166	0	58,334
FY25	29,167	29,167	0	29,167
FY26	29,167	29,167	0	0
Totals	<u>175,000</u>	<u>175,000</u>	<u>0</u>	
2016 General Obligation Bonds:				
FY21	196,075	105,000	91,075	2,445,000
FY22	198,100	110,000	88,100	2,335,000
FY23	199,162	115,000	84,162	2,220,000
FY24	195,138	115,000	80,138	2,105,000
FY25	196,025	120,000	76,025	1,985,000
FY26-FY30	984,212	675,000	309,212	1,310,000
FY31-FY35	986,300	825,000	161,300	485,000
FY36-FY37	395,400	380,000	15,400	105,000
Totals	<u>3,350,412</u>	<u>2,445,000</u>	<u>905,412</u>	

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2020

GENERAL FUND	Budgeted Amounts				Variance Positive (Negative)	
	Original	Contingency Transfers	Supplementals	Final		
Revenues:					Actual	
Local Sources:						
Taxes:						
Ad valorem taxes	304,273			304,273	313,426	9,153
Mobile home taxes	4,000			4,000	3,977	(23)
Prior year ad valorem taxes	7,500			7,500	6,239	(1,261)
Gross receipts	33,000			33,000	32,644	(356)
Penalties and interest	3,000			3,000	949	(2,051)
Interest earned	11,000			11,000	10,166	(834)
Cocurricular activities:						
Admissions	12,500			12,500	16,802	4,302
Other revenue from local sources:						
Donations				0		0
Medicaid	6,000			6,000	6,021	21
Bush grant				0	20,000	20,000
Other	36,250			36,250	11,500	(24,750)
Intermediate sources:						
County apportionment	25,000			25,000	15,890	(9,110)
State sources:						
Unrestricted grants-in-aid	1,696,178			1,696,178	1,690,714	(5,464)
Restricted grants-in-aid	1,750			1,750	500	(1,250)
Federal sources:						
Restricted grants-in-aid	87,855		4,324	92,179	99,036	6,857
Total revenues	2,228,306	0	4,324	2,232,630	2,227,864	(4,766)
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	437,217			437,217	430,487	6,730
Middle school	159,730			159,730	153,219	6,511
High school	427,244		4,750	431,994	433,559	(1,565)
Preschool services	28,145			28,145	26,647	1,498
Special programs:						
Educ. deprived (Title I)	68,293			68,293	67,242	1,051
Support services:						
Pupils:						
Guidance	78,503		8,567	87,070	86,137	933
Health	1,175			1,175	606	569
Instruction:						
Improvement of instruction	6,023		2,650	8,673	7,596	1,077
Educational media	3,148			3,148	3,412	(264)
Technology in school	19,241			19,241	17,370	1,871
General administration:						
Board of Education	30,526			30,526	28,662	1,864
Executive administration	193,342			193,342	192,676	666
School administration:						
Office of principals	178,800			178,800	181,067	(2,267)
Other	3,357			3,357		3,357
Business:						
Fiscal services	87,456		1,200	88,656	88,972	(316)
Operations and maintenance	283,728		1,150	284,878	270,743	14,135
Pupil transportation	108,440			108,440	103,541	4,899
Purchased food	6,222			6,222	6,845	(623)
Central: recruiting	250			250	117	133
Cocurricular activities:						
Male activities	33,901			33,901	33,184	717
Female activities	30,083		900	30,983	30,284	699
Transportation				0	3,169	(3,169)
Combined activities	72,615		1,200	73,815	58,103	15,712
Total expenditures	2,257,439	0	20,417	2,277,856	2,223,638	54,218
Excess of rev over (under) exp	(29,133)	0	(16,093)	(45,226)	4,226	49,452
Other financial sources:						
Transfer in	29,133			29,133	45,631	16,498
Fund balance:						
July 1, 2019	681,109			681,109	681,109	0
June 30, 2020	681,109	0	(16,093)	665,016	730,966	65,950

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2020

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	391,156		391,156	404,767	13,611
Mobile home taxes	3,000		3,000	2,927	(73)
Prior year ad valorem taxes	5,000		5,000	3,837	(1,163)
Penalties and interest	1,200		1,200	589	(611)
Interest earned	7,000		7,000	23,253	16,253
Other revenue from local sources:					
Donations	2,000		2,000	15,585	13,585
Other			0		0
Other revenue from state sources:					
Restricted grants-in-aid			0		0
Other revenue from federal sources:					
Restricted grants-in-aid	20,545		20,545	22,136	1,591
Total revenue	429,901	0	429,901	473,094	43,193
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	22,300		22,300	28,893	(6,593)
Middle school	11,087		11,087	11,067	20
High school	52,858		52,858	69,350	(16,492)
Support services:					
Pupils:					
Guidance			0	220	(220)
Instruction:					
Educational media	1,000		1,000	4,284	(3,284)
Technology in school	5,750		5,750	346	5,404
General education:					
Executive administration	400		400	390	10
School administration:					
Office of Principals			0	268	(268)
Business:					
Facilities acquisition			0		0
Building acquisition	36,320		36,320	13,859	22,461
Other facility acquisition			0		0
Operations and maintenance	60,980		60,980	46,416	14,564
Pupil transportation	20,000	12,500	32,500	22,321	10,179
Food services			0		0
Community service			0		0
Debt service:	60,950		60,950	29,167	31,783
Cocurricular activities:					
Male activities	6,500		6,500	5,903	597
Female activities			0	900	(900)
Combined activities	5,500		5,500		5,500
Total expenditures	283,645	12,500	296,145	233,384	62,761
Excess of rev over (under) exp	146,256	(12,500)	133,756	239,710	105,954
Other financial sources:					
Transfer in			0		0
Transfer (out)	(6,133)	(14,000)	(20,133)	(20,826)	(693)
Sale of surplus property			0	2,600	2,600
Fund balance:					
July 1, 2019	1,207,437		1,207,437	1,207,437	0
June 30, 2020	1,347,560	(26,500)	1,321,060	1,428,921	107,861

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2020

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	228,845		228,845	236,087	7,242
Mobile home taxes	2,750		2,750	1,707	(1,043)
Prior year ad valorem taxes	1,500		1,500	2,108	608
Penalties and interest	750		750	319	(431)
Interest earned	400		400	772	372
Medicaid	3,400		3,400	2,881	(519)
State sources:					
Restricted grants-in-aid	144,634		144,634	144,951	317
Total revenues	382,279	0	382,279	388,825	6,546
Expenditures:					
Instruction:					
Special programs:					
Special education	391,721	650	392,371	368,610	23,761
Support services:					
Pupils:					
Special education	44,292	1,200	45,492	46,174	(682)
School administration:					
Special education	29,076		29,076	25,266	3,810
Total expenditures	465,089	1,850	466,939	440,050	26,889
Excess of rev over (under) exp	(82,810)	(1,850)	(84,660)	(51,225)	33,435
Other financing sources:					
None			0		0
Fund balance:					
July 1, 2019	104,513		104,513	104,513	0
June 30, 2020	21,703	(1,850)	19,853	53,288	33,435

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2020

PENSION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes			0		0
Mobile home taxes			0		0
Prior year ad valorem taxes	350		350	35	(315)
Penalties and interest	75		75		(75)
Interest earned	75		75	406	331
Total revenues	500	0	500	441	(59)
Expenditures:					
Instruction:					
Regular programs:					
Elementary school			0		0
Middle school			0		0
High school			0		0
Community services:					
Food services			0		0
Day care	3,453		3,453	1,920	1,533
Drivers education	915		915	522	393
Total expenditures	4,368	0	4,368	2,442	1,926
Excess of rev over (under) exp	(3,868)	0	(3,868)	(2,001)	1,867
Other financial sources:					
Transfer out	(23,000)		(23,000)	(24,805)	(1,805)
Fund balance:					
July 1, 2019	26,806		26,806	26,806	0
June 30, 2020	(62)	0	(62)	0	62
				CLOSED	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

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 38 to 41.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2020.
- 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.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1
FOR THE SIX YEARS ENDING JUNE 30, 2019

SUPPLEMENTARY INFORMATION

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

SDRS Measurement Date Year Ended (1)	School's Pension Allocation Percentage	School's Proportionate Share of Net Pension (Asset) Liability	School's Covered Employee Payroll for its 6-30 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, 2019	0.0784729%	(8,316)	1,668,500	(00.50%)	100.09%
June 30, 2018	0.0800814%	(1,868)	1,664,817	(00.11%)	100.02%
June 30, 2017	0.0773134%	(7,016)	1,570,850	(00.45%)	100.10%
June 30, 2016	0.0716053%	241,876	1,361,567	17.76%	96.89%
June 30, 2015	0.0696503%	(295,407)	1,271,617	(23.23%)	104.10%
June 30, 2014	0.0711384%	(512,923)	1,244,017	(41.23%)	107.30%

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

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

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1
FOR THE SEVEN YEARS ENDING JUNE 30, 2020

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, 2020	102,523	102,523	0	1,708,717	6.00%
June 30, 2019	100,110	100,110	0	1,668,500	6.00%
June 30, 2018	99,889	99,889	0	1,664,817	6.00%
June 30, 2017	94,251	94,251	0	1,570,850	6.00%
June 30, 2016	81,694	81,694	0	1,361,567	6.00%
June 30, 2015	76,297	76,297	0	1,271,617	6.00%
June 30, 2014	74,641	74,641	0	1,244,017	6.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent 3rd quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVER assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVER equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

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
Gayville-Volin School District No. 63-1
Gayville, 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 Gayville-Volin School District (School District), Gayville, South Dakota, as of June 30, 2020 and for the fiscal year 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 1, 2021 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gayville-Volin School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of the Gayville-Volin School District in a separate Letter of Comments dated June 1, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Gayville-Volin 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 Gayville-Volin 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 Gayville-Volin 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.

Report on Compliance and Other Matters and on Internal Control
Page Two

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.

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be a significant deficiency. I consider the deficiency described in the accompanying schedule of current audit findings and responses as item 2020-01 to be a significant deficiency.

The Gayville-Volin School District's responses 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 Gayville-Volin School District in a separate Letter of Comments dated June 1, 2021.

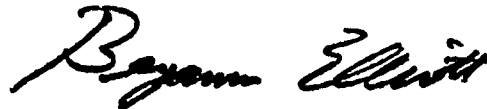
Purpose of this Report

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 Gayville-Volin School District's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Govern-ment Auditing Standards* in considering Gayville-Volin School District's compliance and internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a mater of public record and its distribution is not limited.

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

June 1, 2021



SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Audit Findings:

2019 Segregation of Duties - Repeated below as 2020-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2020-01: Lack of Proper Segregation of Duties
(internal control)

Criteria:

The management of a 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.

A key element of an effective internal control structure is the separation 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 Gayville-Volin School District.

Effect:

Inadequate segregation of duties can lead to misappropriation of funds.

Recommendation:

I recommend the Gayville-Volin 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 Gayville-Volin School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Gayville-Volin 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.