

**DAKOTA VALLEY SCHOOL  
DISTRICT NO. 61-8**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2020**

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2020

School Board

Steve Kistner

Jeff Dooley

Sara Weber

James Heeren

Kevin Hoffman

Business Manager

Jill Sponder

Superintendent

Jerry Rasmussen

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# QUAM, BERGLIN & POST P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
110 WEST MAIN – P.O. BOX 426  
ELK POINT, SOUTH DAKOTA 57025

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(605) 356-3374

## INDEPENDENT AUDITOR'S REPORT

School Board  
Dakota Valley School District No. 61-8  
Union County, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of Dakota Valley School District No. 61-8, Union County, South Dakota, as of and for the year ended June 30, 2020, 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 of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

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

### ***Basis for Qualified Opinions***

Management has elected not to record their long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net assets in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable.

### ***Qualified Opinions***

In our opinion, except for the effects of not recording their long-term financial obligations and commitments related to OPEB as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Dakota Valley School District No. 61-8 as of June 30, 2020, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dakota Valley School District No. 61-8 as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the Proportionate Share of the Net Pension Asset, the Schedule of the School District Contributions, and Schedule of Changes in Total OPEB Liability, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dakota Valley School District's internal control over financial reporting and compliance.



Quam, Berglin & Post P.C.  
Elk Point, SD  
June 21, 2021

**DAKOTA VALLEY SCHOOL DISTRICT 61-8  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

This discussion and analysis of the Dakota Valley School District's financial performance provides an overview of the District's financial activities for the fiscal year ended on June 30, 2020. Please read it in conjunction with the District's financial statements and accompanying notes, which follow this section.

## **FINANCIAL HIGHLIGHTS**

During the year, the district generated revenue of \$9,817,738 from taxes and \$4,049,514 from other revenue sources of the governmental fund activities. The district had a total expense of \$15,499,673 of the governmental funds activities resulting in a net decrease of \$85,132. There was a total of \$729,983 revenue generated from business-type funds and \$670,037 in expenses of the business-type funds. There was a net increase of \$60,809 in the food service fund and a net decrease of \$867 in the driver's education fund.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school government, reporting the school's operations in more detail than the government-wide statements.
  - The governmental fund statements tell how general government services were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities that the District operates like businesses. The only proprietary fund operated by the District is the Food Service Operation.
  - Fiduciary fund statements provide information about financial relationships, in which the school acts solely as a trustee or agent for the benefit of others. These funds are not available to finance operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1**

**Required Components of the Dakota Valley School District's Annual Financial Report:**

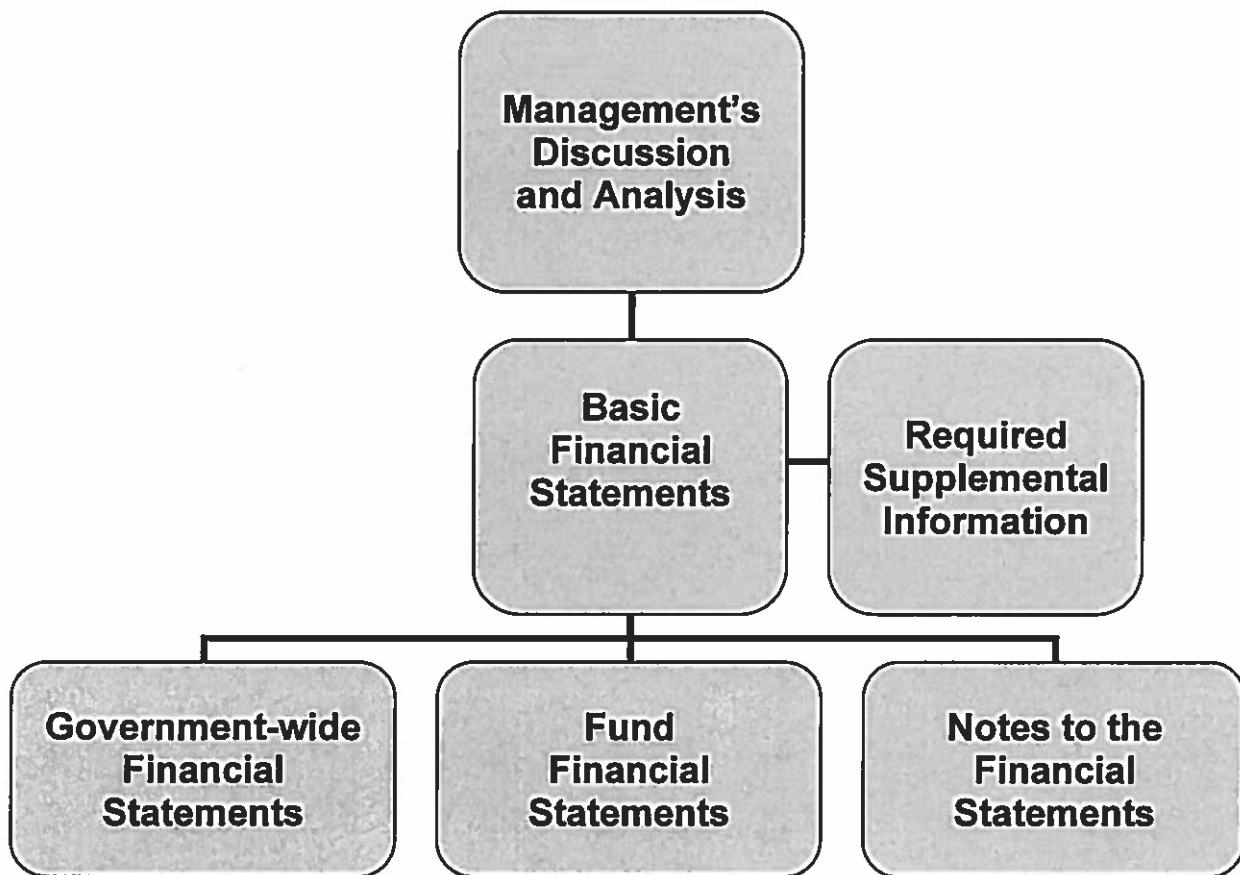


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the school government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.



**Figure A-2**  
**Major Features of Government-wide and Fund Financial Statements**

|  | Government-wide Statements   | Fund Statements  |   |   |
|--|--|--|---|---|
|  |  | Governmental Funds   | Proprietary Funds   | Fiduciary Funds   |
| Scope                                  | Entire district (except fiduciary funds)   | The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.   | Activities the School operates similar to private businesses, the food service operation.                             | Instances in which the School is the trustee or agent for someone else's resources.   |
| Required Financial Statements          | *Statement of Net Position<br>*Statement of Activities                               | *Balance Sheet<br>*Statement of Revenues, Expenditures and Changes in Fund Balances  | *Statement of Net Position<br>*Statement of Revenues, Expenses and Changes in Net Position<br>*Statement of Cash Flow | *Statement of Net Position<br>*Statement of Changes in Net Position   |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus                                      | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus   | Accrual accounting and economic resources focus   |
| Type of Asset/Liability Information    | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included  | All assets and liabilities, both financial and capital, and short-term and long-term                                  | All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can |
| Type of Inflow/Outflow Information     | All revenues and expenses during year, regardless of when cash is received or paid   | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid                                    | All revenues and expense during year, regardless of when cash is received or paid   |

### **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the school's assets and liabilities – is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the District are reported in two categories:

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary, middle and high school educational programs, support services (guidance counselors, executive administration, board of education, fiscal services, facilities management, etc.), debt service payments, extra-curricular activities (athletics, fine arts, etc.), and capital equipment purchases. Property taxes, state grants, federal grants and investment earnings finance most of these activities.
- **Business-Type Activities** - Students may purchase breakfast and/or lunch from the school based on a pricing schedule set by the board. The Food Service Fund is the only business-type activity of the District.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds. Funds are accounting devices that the school uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash for cash flow purposes and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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 fund statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the school charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the District.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance operations.

# FINANCIAL ANALYSIS OF THE DAKOTA VALLEY SCHOOL DISTRICT AS A WHOLE

## Statement of Net Position

The District's combined net position changed as follows:

**Table A-1**  
**DAKOTA VALLEY SCHOOL DISTRICT**  
**Statement of Net Position**

|                                     | Primary Government      |                  |                          |               |                  |                  | % Change |
|-------------------------------------|-------------------------|------------------|--------------------------|---------------|------------------|------------------|----------|
|                                     | Governmental Activities |                  | Business-Type Activities |               | Total            |                  |          |
|                                     | FY2019                  | FY2020           | FY2019                   | FY2020        | FY2019           | FY2020           |          |
| Current and Other Assets            | \$ 34,578,439.39        | \$ 11,858,735.18 | \$ 329,280.12            | \$ 442,620.38 | \$ 34,907,719.51 | \$ 12,299,355.56 | -64.77%  |
| Capital Assets                      | 42,114,463.94           | 40,820,724.25    | 89,071.00                | 100,168.83    | 42,203,534.94    | 40,920,893.08    | -3.04%   |
| Total Assets                        | 76,692,903.33           | 52,677,459.43    | 418,351.12               | 542,789.21    | 77,111,254.45    | 53,220,248.64    | -30.98%  |
| OPEB Related Deferred Outflow s     | 90,133.00               |                  |                          |               | 90,133.00        |                  | 100.00%  |
| Pension Related Deferred Outflow s  | 2,647,666.88            | 1,769,260.88     |                          |               | 2,647,666.88     | 1,769,260.88     | -33.18%  |
| Total Deferred Outflows of Resource | 2,737,799.88            | 1,769,260.88     |                          |               | 2,737,799.88     | 1,769,260.88     |          |
| Long-Term Debt Outstanding          | 57,633,239.98           | 29,343,792.05    |                          |               | 57,633,239.98    | 29,343,792.05    | -49.09%  |
| Other Liabilities                   | 1,191,853.36            | 1,304,738.04     | 26,760.73                | 91,253.79     | 1,218,614.09     | 1,395,991.83     | 14.56%   |
| Total Liabilities                   | 58,825,093.34           | 30,648,530.09    | 26,760.73                | 91,253.79     | 58,851,854.07    | 30,739,783.88    | -47.77%  |
| Pension Related Deferred Inflow s   | 600,566.73              | 724,518.12       |                          |               | 600,566.73       | 724,518.12       | 20.64%   |
| OPEB Related Deferred Inflow s      | 154,923.00              |                  |                          |               | 154,923.00       |                  | 100.00%  |
| Taxes Levied for a Future Period    | 4,791,305.60            | 5,159,934.25     |                          |               | 4,791,305.60     | 5,159,934.25     | 7.69%    |
| Total Deferred Inflows of Resource: | 5,546,795.33            | 5,884,452.37     |                          |               | 5,546,795.33     | 5,884,452.37     | 6.09%    |
| Net Position:                       |                         |                  |                          |               |                  |                  |          |
| Net Investment in Capital Assets    | 12,802,257.04           | 11,863,517.35    | 89,071.00                | 100,168.83    | 12,891,328.04    | 11,963,686.18    | -7.20%   |
| Restricted                          | 4,896,439.25            | 4,130,800.56     |                          |               | 4,896,439.25     | 4,130,800.56     | -15.64%  |
| Unrestricted                        | 360,118.25              | 1,919,419.94     | 302,519.39               | 351,366.59    | 662,637.64       | 2,270,786.53     | 242.69%  |
| Beginning Net Position              | 19,069,175.33           | 18,058,814.54    | 318,550.37               | 391,590.39    | 19,387,725.70    | 18,450,404.93    |          |
| Ending Net Position                 | \$ 18,058,814.54        | \$ 17,913,737.85 | \$ 391,590.39            | \$ 451,535.42 | \$ 18,450,404.93 | \$ 18,365,273.27 |          |

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District may consist of general obligation bonds, compensated absences payable, early retirement benefits payable, other postemployment benefits payable and/or financing leases. The difference between the District's assets and liabilities are its net position.

## Changes in Net Position

This section will show the financial comparison of revenues and expenses from last year to this year for both governmental activities and business-type activities.

### GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the government-wide activities.

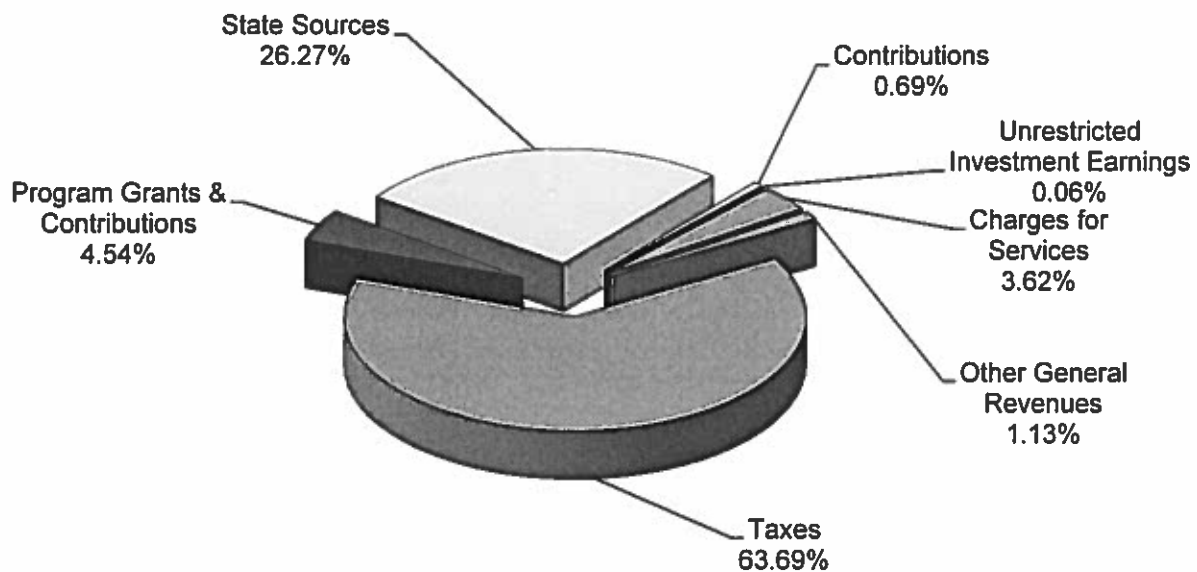
TABLE A-2  
DAKOTA VALLEY SCHOOL DISTRICT 61-8  
Changes in Net Position

|  | Total Governmental Activities |                         | Total Business-Type Activities |                      | Total                   |                         |
|--|-------------------------------|-------------------------|--------------------------------|----------------------|-------------------------|-------------------------|
|  | <u>FY2019</u>                 | <u>FY2020</u>           | <u>FY2019</u>                  | <u>FY2020</u>        | <u>FY2019</u>           | <u>FY2020</u>           |
| <b>Revenues</b>                            |                               |                         |                                |                      |                         |                         |
| Program Revenues                           |                               |                         |                                |                      |                         |                         |
| Charges for Services                       | \$ 74,899.36                  | \$ 83,255.58            | \$ 616,440.81                  | \$ 474,372.62        | \$ 691,340.17           | \$ 557,628.20           |
| Operating Grants and Contributions         | 417,093.62                    | 443,859.08              | 192,775.27                     | 255,213.87           | 609,868.89              | 699,072.95              |
| General Revenues                           |                               |                         |                                |                      |                         |                         |
| Taxes                                      | 10,559,139.68                 | 9,817,737.94            |                                |                      | 10,559,139.68           | 9,817,737.94            |
| Revenue State Sources                      | 3,906,811.33                  | 4,049,514.15            |                                |                      | 3,906,811.33            | 4,049,514.15            |
| Contributions                              | 144,109.18                    | 105,964.96              |                                |                      | 144,109.18              | 105,964.96              |
| Other General Revenue                      | 191,062.03                    | 174,791.24              |                                |                      | 191,062.03              | 174,791.24              |
| Unrestricted Investment Earnings           | 240,442.91                    | 9,436.30                | 427.70                         | 396.01               | 240,870.61              | 9,832.31                |
| <b>Total Revenues</b>                      | <b>15,533,558.11</b>          | <b>14,684,559.25</b>    | <b>809,643.78</b>              | <b>729,982.50</b>    | <b>16,343,201.89</b>    | <b>15,414,541.75</b>    |
| <b>Expenses</b>                            |                               |                         |                                |                      |                         |                         |
| Instruction                                | 8,724,363.23                  | 8,732,738.09            |                                |                      | 8,724,363.23            | 8,732,738.09            |
| Support Services                           | 4,884,990.18                  | 3,896,721.31            |                                |                      | 4,884,990.18            | 3,896,721.31            |
| Debt Services                              | 2,108,516.33                  | 1,404,094.32            |                                |                      | 2,108,516.33            | 1,404,094.32            |
| Cocurricular Activities                    | 826,049.16                    | 796,082.22              |                                |                      | 826,049.16              | 796,082.22              |
| Driver's Education                         |                               |                         | 15,578.95                      | 22,988.52            | 15,578.95               | 22,988.52               |
| Food Service                               |                               |                         | 721,024.81                     | 647,048.95           | 721,024.81              | 647,048.95              |
| <b>Total Expenses</b>                      | <b>16,543,918.90</b>          | <b>14,829,635.94</b>    | <b>736,603.76</b>              | <b>670,037.47</b>    | <b>17,280,522.66</b>    | <b>15,499,673.41</b>    |
| <b>Increase (Decrease) in Net Position</b> | <b>\$ (1,010,360.79)</b>      | <b>\$ (145,076.69)</b>  | <b>\$ 73,040.02</b>            | <b>\$ 59,945.03</b>  | <b>\$ (937,320.77)</b>  | <b>\$ (85,131.66)</b>   |
| <b>NET POSITION - ENDING</b>               | <b>\$ 18,058,814.54</b>       | <b>\$ 17,913,737.85</b> | <b>\$ 391,590.39</b>           | <b>\$ 451,535.42</b> | <b>\$ 18,450,404.93</b> | <b>\$ 18,365,273.27</b> |

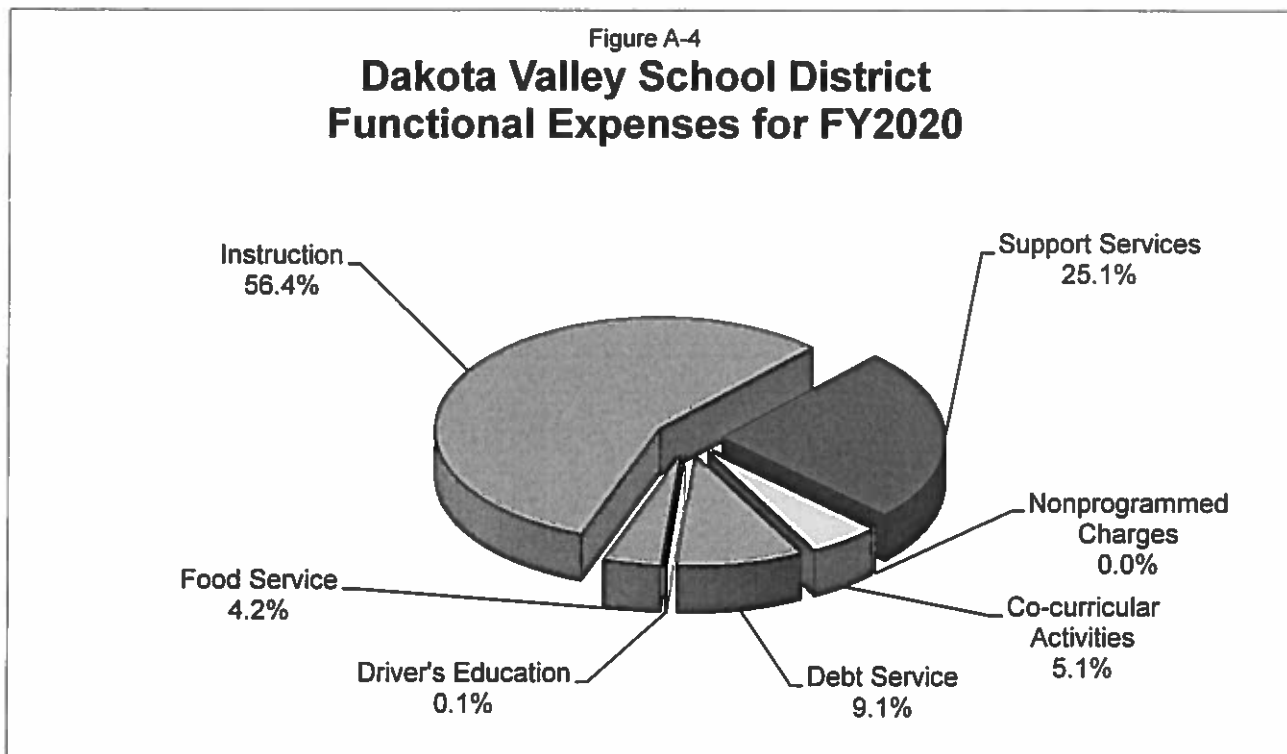
The District's FY2020 revenues totaled \$15,414,542, a decrease of \$928,660. (See Table A-2) A significant portion of the revenue from governmental activities was derived from property and other taxes (See Figure A-3). The District received donations and contributions totaling \$105,965. The remaining revenue is comprised of state sources (i.e. state aid and school and public lands allocation), intermediate sources (i.e. county apportionment and revenue for joint facilities), local sources (i.e. admissions for pupil activities and facility usage fees), charges for services (i.e. food service operations, tuition and internal sales), operating grants and contributions (i.e. Federal Grant programs) and earnings from investments.

Figure A-3

### Dakota Valley School District Sources of Revenues for FY2020



The District's expenses for FY2020 totaled \$15,499,673 as compared to \$17,280,523 in FY2019, a decrease of \$1,780,850 (See Table A-2) and covered a range of services including: instruction, support services, debt service, co-curricular activities and food service (See Figure A-4).



## **BUSINESS-TYPE ACTIVITIES**

- The district contracts food service with Lunchtime Solutions. The school district also has a driver's education fund.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The general fund had an increase of \$719,176 in its fund balance for fiscal year 2020. The ending fund balance for the General Fund was \$1,995,664. The district requested 100% of the available \$600,000 Opt Out that was adopted in 2001 for taxes payable in 2002 and beyond. The district is under no obligation to request all or any of the additional tax request, however, because these funds have been budgeted for recurring expenses (i.e. salaries and programs), the district will continue utilizing this additional tax levy into the foreseeable future. The Capital Outlay Fund increased by \$303,638 and had an ending fund balance of \$1,438,376. The Special Education fund had an increase of \$123,750, ending with a fund balance of \$322,614.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the School Board revised the District's budget several times. These amendments fall into two categories

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary expenses to provide for items necessary for the educational programs of the District.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

## CAPITAL ASSET ADMINISTRATION

By the end of 2020, the District had invested \$57,444,014 (before depreciation) in a broad range of capital assets, including land, buildings, improvements, and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$253,029 from the previous year.

Table A-3  
DAKOTA VALLEY SCHOOL DISTRICT 61-8 - Capital Assets

|                                  | Governmental Activities |                      | Business-Type     |                   | Totals               |                      |
|----------------------------------|-------------------------|----------------------|-------------------|-------------------|----------------------|----------------------|
|                                  | FY2019                  | FY2020               | FY2019            | FY2020            | FY2019               | FY2020               |
| Land                             | \$ 625,964              | \$ 625,964           | \$                | \$                | \$ 625,964           | \$ 625,964           |
| Buildings                        | 50,877,906              | 50,877,906           |                   |                   | 50,877,906           | 50,877,906           |
| Improvements other than Building | 3,386,186               | 3,557,664            |                   |                   | 3,386,186            | 3,557,664            |
| Machinery and Equipment          | 1,746,686               | 1,831,565            | 354,243           | 377,889           | 2,100,929            | 2,209,454            |
| Library Books                    | 300,001                 | 273,026              |                   |                   | 300,001              | 273,026              |
| <b>Total Capital Assets</b>      | <b>\$ 56,936,743</b>    | <b>\$ 57,166,125</b> | <b>\$ 354,243</b> | <b>\$ 377,889</b> | <b>\$ 57,290,986</b> | <b>\$ 57,544,014</b> |
| <b>Accumulated Depreciation</b>  | <b>(14,822,278)</b>     | <b>(16,345,400)</b>  | <b>(265,172)</b>  | <b>(277,721)</b>  | <b>(15,087,450)</b>  | <b>(16,623,121)</b>  |
| <b>Ending Book Value</b>         | <b>\$ 42,114,465</b>    | <b>\$ 40,820,725</b> | <b>\$ 89,071</b>  | <b>\$ 100,168</b> | <b>\$ 42,203,536</b> | <b>\$ 40,920,893</b> |



## LONG-TERM DEBT

As of fiscal year-end, the district has \$28,602,207 in general obligation bonds outstanding as well as \$355,000 in capital outlay certificates. Accrued absence salaries increased by \$14,350.90 during the year. This policy is described in more detail below. Overall, the District's outstanding debt decreased by \$28,289,448 from FY2019 as compared to FY2020 per Table A-4 below

**Table A-4**  
**DAKOTA VALLEY SCHOOL DISTRICT 61-8**  
**Outstanding Debt and Obligations**

|                                    | <b>Governmental Activities</b> |                         | <b>Total</b>    |
|------------------------------------|--------------------------------|-------------------------|-----------------|
|                                    | <b>FY2019</b>                  | <b>FY2020</b>           | <b>% Change</b> |
| General Obligation Bonds           | \$ 55,602,206.90               | \$ 28,602,206.90        | -48.56%         |
| Capital Outlay Certificates        | 700,000.00                     | 355,000.00              | -49.29%         |
| Capital Acquisition Leases         | 424,220.17                     | 281,182.34              | -33.72%         |
| Compensated Absences               | 91,051.91                      | 105,402.81              | 15.76%          |
| Other Postemployment Benefits      | 815,761.00                     |                         | -100.00%        |
| <b>Total Long-Term Liabilities</b> | <b>\$ 57,633,239.98</b>        | <b>\$ 29,343,792.05</b> | <b>-49.09%</b>  |
| Net Increase (Decrease)            |                                |                         | -49.09%         |

The District has a certain amount of compensated absence liability at the end of each fiscal year. Teachers and administrators may sell unused sick leave to the District according to established policies. In addition, the superintendent may be compensated for unused vacation leave according to his negotiated contract.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The State of South Dakota establishes funding for schools by apportioning funds from their General Fund Budget in the form of aid to education. This funding is now calculated based on the number of teachers needed and a target teacher salary.

Given the amount of construction of new homes and apartments in the District and economic expansion in the area, enrollment increased in FY2020 to 1,382 students, which will result in a significantly higher funding basis for subsequent fiscal planning.

The District's enrollment increased by from 1,354 in FY19 to 1,382 in FY20.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Dakota Valley Business Office, 1150 Northshore Drive, North Sioux City, SD 57049 or call (605) 422-3800 between 8:00 am and 4:00 pm, Monday – Friday.

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

|  | <b>Primary Government</b>          |                                     |                         |
|--|------------------------------------|-------------------------------------|-------------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>            |
| <b>ASSETS:</b>                             |                                    |                                     |                         |
| Cash and Cash Equivalents                  | \$ 5,892,965.39                    | \$ 397,010.68                       | \$ 6,289,976.07         |
| Investments-Certificate of Deposit         | 428,465.84                         |                                     | 428,465.84              |
| Taxes Receivable                           | 5,228,690.73                       |                                     | 5,228,690.73            |
| Accounts Receivable                        |                                    | 5,115.62                            | 5,115.62                |
| Due from Other Governments                 | 271,788.62                         | 25,972.24                           | 297,760.86              |
| Inventory                                  |                                    | 14,521.84                           | 14,521.84               |
| Net Pension Asset                          | 34,824.60                          |                                     | 34,824.60               |
| Capital Assets:                            |                                    |                                     |                         |
| Land                                       | 625,964.10                         |                                     | 625,964.10              |
| Other Capital Assets, Net of Depreciation  | 40,194,760.15                      | 100,168.83                          | 40,294,928.98           |
| <b>TOTAL ASSETS</b>                        | <b>52,677,459.43</b>               | <b>542,789.21</b>                   | <b>53,220,248.64</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>     |                                    |                                     |                         |
| Pension Related Deferred Outflows          | 1,769,260.88                       |                                     | 1,769,260.88            |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | <b>1,769,260.88</b>                |                                     | <b>1,769,260.88</b>     |
| <b>LIABILITIES:</b>                        |                                    |                                     |                         |
| Accounts Payable                           | 220,733.72                         | 47,348.35                           | 268,082.07              |
| Contracts and Benefits Payable             | 1,084,004.32                       | 2,500.30                            | 1,086,504.62            |
| Deposits Payable                           |                                    | 41,405.14                           | 41,405.14               |
| Noncurrent Liabilities:                    |                                    |                                     |                         |
| Due Within One Year                        | 1,441,593.10                       |                                     | 1,441,593.10            |
| Due in More than One Year                  | 27,902,198.95                      |                                     | 27,902,198.95           |
| <b>TOTAL LIABILITIES</b>                   | <b>30,648,530.09</b>               | <b>91,253.79</b>                    | <b>30,739,783.88</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>      |                                    |                                     |                         |
| Pension Related Deferred Inflows           | 724,518.12                         |                                     | 724,518.12              |
| Taxes Levied for a Future Period           | 5,159,934.25                       |                                     | 5,159,934.25            |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | <b>5,884,452.37</b>                |                                     | <b>5,884,452.37</b>     |
| <b>NET POSITION:</b>                       |                                    |                                     |                         |
| Net Investment in Capital Assets           | 11,863,517.35                      | 100,168.83                          | 11,963,686.18           |
| Restricted for:                            |                                    |                                     |                         |
| Capital Outlay                             | 1,046,177.99                       |                                     | 1,046,177.99            |
| Special Education                          | 330,002.00                         |                                     | 330,002.00              |
| Science Center                             | 428,465.84                         |                                     | 428,465.84              |
| SDRS Pension Purposes                      | 1,079,567.36                       |                                     | 1,079,567.36            |
| Debt Services                              | 1,246,587.37                       |                                     | 1,246,587.37            |
| Unrestricted                               | 1,919,419.94                       | 351,366.59                          | 2,270,786.53            |
| <b>TOTAL NET POSITION</b>                  | <b>\$ 17,913,737.85</b>            | <b>\$ 451,535.42</b>                | <b>\$ 18,365,273.27</b> |

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

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

| Functions/Programs  | Program Revenues |                         |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                   |
|---|------------------|-------------------------|--|--|-----------------------------|-------------------|
|   | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Primary Government                                   |                             |                   |
|   |                  |                         |  | Governmental<br>Activities                           | Business-Type<br>Activities | Total             |
| Primary Government:   |                  |                         |  |  |                             |                   |
| Governmental Activities:  |                  |                         |  |  |                             |                   |
| Instruction   | \$ 8,732,738.09  | \$ 28,499.04            | \$ 443,859.08                            | \$ (8,260,379.97)                                    | \$                          | \$ (8,260,379.97) |
| Support Services  | 3,896,721.31     |                         |  | (3,896,721.31)                                       |                             | (3,896,721.31)    |
| *Interest on Long-term Debt   | 1,404,094.32     |                         |  | (1,404,094.32)                                       |                             | (1,404,094.32)    |
| Cocurricular Activities   | 796,082.22       | 54,756.54               |  | (741,325.68)   |                             | (741,325.68)      |
| Total Governmental Activities   | 14,829,635.94    | 83,255.58               | 443,859.08                               | (14,302,521.28)                                      |                             | (14,302,521.28)   |
| Business-type Activities:   |                  |                         |  |  |                             |                   |
| Food Service  | 647,048.95       | 452,247.62              | 255,213.87                               |  | 60,412.54                   | 60,412.54         |
| Driver's Education  | 22,988.52        | 22,125.00               |  |  | (863.52)                    | (863.5200)        |
| Total Business-type Activities  | 670,037.47       | 474,372.62              | 255,213.87                               |  | 59,549.02                   | 59,549.02         |
| Total Primary Government  | \$ 15,499,673.41 | \$ 557,628.20           | \$ 699,072.95                            | (14,302,521.28)                                      | 59,549.02                   | (14,242,972.26)   |
| *The District does not have interest expense related to the functions pre-<br>sented above. This amount includes<br>indirect interest expense on general<br>long-term debt. |                  |                         |  |  |                             |                   |
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|   | </               |                         |  |  |                             |                   |

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

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

|   | General<br>Fund        | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Science<br>Center<br>Fund |
|---|------------------------|---------------------------|------------------------------|---------------------------|
| <b>ASSETS:</b>  |                        |                           |                              |                           |
| Cash and Cash Equivalents   | \$ 2,875,516.59        | \$ 1,447,235.52           | \$ 342,643.03                | \$                        |
| Investments-Certificates of Deposit                                       |                        |                           |                              | 428,465.84                |
| Taxes Receivable--Current   | 2,314,415.08           | 1,241,293.42              | 695,736.16                   |                           |
| Taxes Receivable--Delinquent  | 29,159.05              | 13,192.65                 | 7,387.66                     |                           |
| Due from Other Fund   |                        | 124,208.81                |                              |                           |
| Due from Other Governments  | 152,972.84             |                           | 118,815.78                   |                           |
| <b>TOTAL ASSETS</b>   | <u>\$ 5,372,063.56</u> | <u>\$ 2,825,930.40</u>    | <u>\$1,164,582.63</u>        | <u>\$ 428,465.84</u>      |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>      |                        |                           |                              |                           |
| <b>Liabilities:</b>   |                        |                           |                              |                           |
| Accounts Payable  | \$ 80,919.88           | \$ 133,067.84             | \$ 6,746.00                  | \$                        |
| Contracts Payable   | 780,626.22             |                           | 108,800.87                   |                           |
| Due to Other Fund   |                        |                           |                              |                           |
| Payroll Deductions and Withholdings and Employer Matching Payable         | 171,279.63             |                           | 23,297.60                    |                           |
| <b>Total Liabilities</b>  | <u>1,032,825.73</u>    | <u>133,067.84</u>         | <u>138,844.47</u>            |                           |
| <b>Deferred Inflows of Resources:</b>                                     |                        |                           |                              |                           |
| Taxes Levied for a Future Period  | 2,314,415.08           | 1,241,293.42              | 695,736.16                   |                           |
| Unavailable Revenue-Property Taxes  | 29,159.05              | 13,192.65                 | 7,387.66                     |                           |
| <b>Total Deferred Inflows of Resources</b>                                | <u>2,343,574.13</u>    | <u>1,254,486.07</u>       | <u>703,123.82</u>            |                           |
| <b>Fund Balances:</b>   |                        |                           |                              |                           |
| Restricted  |                        | 1,438,376.49              | 322,614.34                   | 428,465.84                |
| Unassigned  | 1,995,663.70           |                           |                              |                           |
| <b>Total Fund Balances</b>  | <u>1,995,663.70</u>    | <u>1,438,376.49</u>       | <u>322,614.34</u>            | <u>428,465.84</u>         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <u>\$ 5,372,063.56</u> | <u>\$ 2,825,930.40</u>    | <u>\$1,164,582.63</u>        | <u>\$ 428,465.84</u>      |

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

| Debt Service Funds          |                                      |                                    |  |                                |
|-----------------------------|--------------------------------------|------------------------------------|--|--------------------------------|
| High School<br>Debt Service | Elementary<br>School<br>Debt Service | New High<br>School<br>Debt Service | High School<br>Building<br>Capital Project | Total<br>Governmental<br>Funds |
| \$ 79,799.00                | \$ 107,178.11                        | \$ 1,040,593.14                    | \$   | \$ 5,892,965.39                |
|                             |                                      |                                    |  | 428,465.84                     |
|                             |                                      | 908,489.59                         |  | 5,159,934.25                   |
|                             | 8,347.06                             | 10,670.06                          |  | 68,756.48                      |
|                             |                                      |                                    |  | 124,208.81                     |
|                             |                                      |                                    |  | 271,788.62                     |
| <u>\$ 79,799.00</u>         | <u>\$ 115,525.17</u>                 | <u>\$ 1,959,752.79</u>             | <u>\$</u>                                  | <u>\$ 11,946,119.39</u>        |
|                             |                                      |                                    |  |                                |
| \$                          | \$                                   | \$                                 | \$   | \$ 220,733.72                  |
|                             |                                      |                                    |  | 889,427.09                     |
|                             |                                      |                                    | 124,208.81                                 | 124,208.81                     |
|                             |                                      |                                    |  | 194,577.23                     |
|                             |                                      |                                    | 124,208.81                                 | 1,428,946.85                   |
|                             |                                      |                                    |  |                                |
|                             |                                      | 908,489.59                         |  | 5,159,934.25                   |
|                             | 8,347.06                             | \$ 10,670.06                       |  | 68,756.48                      |
|                             | 8,347.06                             | 919,159.65                         |  | 5,228,690.73                   |
|                             |                                      |                                    |  |                                |
| 79,799.00                   | 107,178.11                           | 1,040,593.14                       |  | 3,417,026.92                   |
|                             |                                      |                                    | (124,208.81)                               | 1,871,454.89                   |
| <u>79,799.00</u>            | <u>107,178.11</u>                    | <u>1,040,593.14</u>                | <u>(124,208.81)</u>                        | <u>5,288,481.81</u>            |
|                             |                                      |                                    |  |                                |
| <u>\$ 79,799.00</u>         | <u>\$ 115,525.17</u>                 | <u>\$ 1,959,752.79</u>             | <u>\$</u>                                  | <u>\$ 11,946,119.39</u>        |

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

|  |                 |
|--|-----------------|
| Total Fund Balances - Governmental Funds | \$ 5,288,481.81 |
|--|-----------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

|                          |                        |               |
|--------------------------|------------------------|---------------|
| Cost of Capital Assets   | \$ 57,166,124.35       |               |
| Accumulated Depreciation | <u>(16,345,400.10)</u> | 40,820,724.25 |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

|                                     |                     |                 |
|-------------------------------------|---------------------|-----------------|
| General Obligation Bonds Payable    | (28,602,206.90)     |                 |
| Capital Outlay Certificates Payable | (355,000.00)        |                 |
| Accrued Compensated Absences        | (105,402.81)        |                 |
| Capital Acquisition Lease Payable   | <u>(281,182.34)</u> | (29,343,792.05) |

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.

34,824.60

Pension & OPEB related deferred outflows are components of pension asset and therefore are not reported in the funds.

1,769,260.88

Pension & OPEB related deferred inflows are components of pension liability and therefore are not reported in the funds

(724,518.12)

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

68,756.48

Net Position- Governmental Funds

\$ 17,913,737.85

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

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**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|   | General<br>Fund     | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Pension<br>Fund |
|---|---------------------|---------------------------|------------------------------|-----------------|
| <b>Revenues:</b>  |                     |                           |                              |                 |
| Revenue from Local Sources:   |                     |                           |                              |                 |
| Taxes:  |                     |                           |                              |                 |
| Ad Valorem Taxes  | \$ 4,874,455.35     | \$ 2,364,970.91           | \$ 1,393,409.49              | \$              |
| Prior Years' Ad Valorem Taxes   | 51,650.42           | 20,094.60                 | 11,837.95                    | 806.80          |
| Tax Deed Revenue  | 26,094.34           |                           |                              |                 |
| Utility Taxes   | 90,029.01           |                           |                              |                 |
| Penalties and Interest on Taxes   |                     |                           |                              |                 |
| Earnings on Investments and Deposits  | 4,373.93            |                           |                              |                 |
| Tuition and Fees  |                     |                           |                              |                 |
| Tuition from Pupils and Students  | 11,970.00           |                           |                              |                 |
| Cocurricular Activities:  |                     |                           |                              |                 |
| Admissions  | 49,966.90           |                           |                              |                 |
| Other Pupil Activity Income   | 4,789.64            |                           |                              |                 |
| Other Revenue from Local Sources:   |                     |                           |                              |                 |
| Contributions and Donations   | 1,781.00            |                           |                              |                 |
| Charges for Services  |                     |                           | 16,529.04                    |                 |
| Other   | 103,402.46          |                           | 781.50                       |                 |
| Revenue from Intermediate Sources:  |                     |                           |                              |                 |
| County Sources:   |                     |                           |                              |                 |
| County Apportionment  | 174,791.24          |                           |                              |                 |
| Revenue from State Sources:   |                     |                           |                              |                 |
| Grants-in-Aid:  |                     |                           |                              |                 |
| Unrestricted Grants-in-Aid  | 4,049,514.15        |                           |                              |                 |
| Restricted Grants-in-Aid  | 9,944.51            |                           |                              |                 |
| Revenue from Federal Sources:   |                     |                           |                              |                 |
| Grants-in-Aid:  |                     |                           |                              |                 |
| Restricted Grants-in-Aid Received<br>from Federal Government Through<br>the State | 165,641.69          |                           | 268,272.88                   |                 |
| <b>Total Revenue</b>  | <u>9,618,404.64</u> | <u>2,385,065.51</u>       | <u>1,690,830.86</u>          | <u>806.80</u>   |

| Science<br>Center<br>Fund | Debt Service Funds             |                                      |                                    |  | Total<br>Governmental<br>Funds |
|---------------------------|--------------------------------|--------------------------------------|------------------------------------|--|--------------------------------|
|                           | High<br>School<br>Debt Service | Elementary<br>School<br>Debt Service | New High<br>School<br>Debt Service | High School<br>Building<br>Capital Project |                                |
| \$                        | \$ 62,238.39                   | \$                                   | \$ 1,780,572.76                    | \$   | \$ 10,475,646.90               |
|                           | 376.26                         | 7,025.73                             | 11,782.78                          |  | 103,574.54                     |
|                           |                                |                                      |                                    |  | 26,094.34                      |
|                           |                                |                                      |                                    |  | 90,029.01                      |
| 5,062.37                  |                                |                                      |                                    |  | 9,436.30                       |
|                           |                                |                                      |                                    |  | 11,970.00                      |
|                           |                                |                                      |                                    |  | 49,966.90                      |
|                           |                                |                                      |                                    |  | 4,789.64                       |
|                           |                                |                                      |                                    |  | 1,781.00                       |
|                           |                                |                                      |                                    |  | 16,529.04                      |
|                           |                                |                                      |                                    |  | 104,183.96                     |
|                           |                                |                                      |                                    |  | 174,791.24                     |
|                           |                                |                                      |                                    |  | 4,049,514.15                   |
|                           |                                |                                      |                                    |  | 9,944.51                       |
|                           |                                |                                      |                                    |  | 433,914.57                     |
| <u>5,062.37</u>           | <u>62,614.65</u>               | <u>7,025.73</u>                      | <u>1,792,355.54</u>                |  | <u>15,562,166.10</u>           |

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | General<br>Fund | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Pension<br>Fund |
|--|-----------------|---------------------------|------------------------------|-----------------|
| <b>Expenditures:</b>                       |                 |                           |                              |                 |
| Instruction:                               |                 |                           |                              |                 |
| Regular Programs:                          |                 |                           |                              |                 |
| Elementary                                 | 1,695,710.66    | 19,810.84                 |                              |                 |
| Middle/Junior High                         | 1,851,590.82    | 24,551.51                 |                              |                 |
| High School                                | 1,617,022.35    | 35,417.20                 |                              |                 |
| Special Programs:                          |                 |                           |                              |                 |
| Programs for Special Education             |                 |                           | 1,130,868.64                 |                 |
| Programs for Educationally Deprived        | 263,307.66      |                           |                              |                 |
| Other Special Programs                     | 30,560.63       |                           |                              |                 |
| Support Services:                          |                 |                           |                              |                 |
| Pupils:                                    |                 |                           |                              |                 |
| Guidance                                   | 228,889.54      |                           |                              |                 |
| Health                                     | 98,296.63       |                           |                              |                 |
| Psychological                              |                 |                           | 84,458.39                    |                 |
| Speech Pathology                           |                 |                           | 140,727.90                   |                 |
| Student Therapy                            |                 |                           | 69,750.83                    |                 |
| Support Services - Instructional Staff:    |                 |                           |                              |                 |
| Improvement of Instruction                 | 69,287.28       | 96,641.84                 |                              |                 |
| Educational Media                          | 412,129.88      | 216,620.00                |                              |                 |
| Support Services - General Administration: |                 |                           |                              |                 |
| Board of Education                         | 192,432.46      |                           |                              |                 |
| Executive Administration                   | 180,506.33      |                           |                              |                 |
| Support Services - School Administration:  |                 |                           |                              |                 |
| Office of the Principal                    | 511,915.42      |                           |                              |                 |
| Other                                      | 470.27          |                           |                              |                 |
| Support Services - Business:               |                 |                           |                              |                 |
| Fiscal Services                            | 205,943.51      | 21,868.79                 |                              |                 |
| Operation and Maintenance of Plant         | 1,024,869.52    | 242,017.87                |                              |                 |
| Pupil Transportation                       | 431,869.68      | 86,375.51                 |                              |                 |
| Internal Services                          | 83,883.60       |                           |                              |                 |
| Support Services - Central:                |                 |                           |                              |                 |
| Staff                                      | 6,034.19        |                           |                              |                 |
| Support Services - Special Education:      |                 |                           |                              |                 |
| Administrative Costs                       |                 |                           | 141,274.88                   |                 |
| Debt Services                              |                 | 575,128.53                |                              |                 |

| Science<br>Center<br>Fund | Debt Service Funds             |                                      |                                    |  | Total<br>Governmental<br>Funds |
|---------------------------|--------------------------------|--------------------------------------|------------------------------------|--|--------------------------------|
|                           | High<br>School<br>Debt Service | Elementary<br>School<br>Debt Service | New High<br>School<br>Debt Service | High School<br>Building<br>Capital Project |                                |
|                           |                                |                                      |                                    |  | 1,715,521.50                   |
|                           |                                |                                      |                                    |  | 1,876,142.33                   |
|                           |                                |                                      |                                    |  | 1,652,439.55                   |
|                           |                                |                                      |                                    |  | 1,130,868.64                   |
|                           |                                |                                      |                                    |  | 263,307.66                     |
|                           |                                |                                      |                                    |  | 30,560.63                      |
|                           |                                |                                      |                                    |  | 228,889.54                     |
|                           |                                |                                      |                                    |  | 98,296.63                      |
|                           |                                |                                      |                                    |  | 84,458.39                      |
|                           |                                |                                      |                                    |  | 140,727.90                     |
|                           |                                |                                      |                                    |  | 69,750.83                      |
|                           |                                |                                      |                                    |  | 165,929.12                     |
|                           |                                |                                      |                                    |  | 628,749.88                     |
|                           |                                |                                      |                                    |  | 192,432.46                     |
|                           |                                |                                      |                                    |  | 180,506.33                     |
|                           |                                |                                      |                                    |  | 511,915.42                     |
|                           |                                |                                      |                                    |  | 470.27                         |
|                           |                                |                                      |                                    |  | 227,812.30                     |
|                           |                                |                                      |                                    |  | 1,266,887.39                   |
|                           |                                |                                      |                                    |  | 518,245.19                     |
|                           |                                |                                      |                                    |  | 83,883.60                      |
|                           |                                |                                      |                                    |  | 6,034.19                       |
|                           |                                |                                      |                                    |  | 141,274.88                     |
|                           |                                |                                      | 1,364,604.32                       |  | 1,939,732.85                   |

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | General<br>Fund        | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Pension<br>Fund   |
|--|------------------------|---------------------------|------------------------------|-------------------|
| Cocurricular Activities:                       |                        |                           |                              |                   |
| Male Activities                                | 96,391.62              |                           |                              |                   |
| Female Activities                              | 88,147.58              |                           |                              |                   |
| Transportation                                 | 58,092.14              |                           |                              |                   |
| Combined Activities                            | 254,490.71             | 32,951.50                 |                              |                   |
| Capital Outlay                                 |                        | 277,644.21                |                              |                   |
| Total Expenditures                             | <u>9,401,842.48</u>    | <u>1,629,027.80</u>       | <u>1,567,080.64</u>          |                   |
| Excess of Revenue Over (Under)<br>Expenditures | <u>216,562.16</u>      | <u>756,037.71</u>         | <u>123,750.22</u>            | <u>806.80</u>     |
| Other Financing Sources:                       |                        |                           |                              |                   |
| Transfer In                                    | 502,613.50             |                           |                              |                   |
| Transfer (Out)                                 |                        | (500,000.00)              |                              | (2,613.50)        |
| Proceeds from Long Term Debt                   |                        | 47,600.70                 |                              |                   |
| Payments to Escrow for Refunding Debt          |                        |                           |                              |                   |
| Total Other Financing Sources                  | <u>502,613.50</u>      | <u>(452,399.30)</u>       |                              | <u>(2,613.50)</u> |
| Net Change in Fund Balances                    | 719,175.66             | 303,638.41                | 123,750.22                   | (1,806.70)        |
| Beginning Fund Balance                         | <u>1,276,488.04</u>    | <u>1,134,738.08</u>       | <u>198,864.12</u>            | <u>1,806.70</u>   |
| ENDING FUND BALANCE                            | <u>\$ 1,995,663.70</u> | <u>\$ 1,438,376.49</u>    | <u>\$ 322,614.34</u>         | <u>\$</u>         |

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

| Science<br>Center<br>Fund | Debt Service Funds             |                                      |                                    | High School<br>Building<br>Capital Project | Total<br>Governmental<br>Funds |
|---------------------------|--------------------------------|--------------------------------------|------------------------------------|--|--------------------------------|
|                           | High<br>School<br>Debt Service | Elementary<br>School<br>Debt Service | New High<br>School<br>Debt Service |  |                                |
|                           |                                |                                      |                                    |  | 96,391.62                      |
|                           |                                |                                      |                                    |  | 88,147.58                      |
|                           |                                |                                      |                                    |  | 58,092.14                      |
|                           |                                |                                      |                                    |  | 287,442.21                     |
|                           |                                |                                      |                                    |  | 277,644.21                     |
|                           |                                |                                      | 1,364,604.32                       |  | 13,962,555.24                  |
| 5,062.37                  | 62,614.65                      | 7,025.73                             | 427,751.22                         |  | 1,599,610.86                   |
|                           |                                |                                      |                                    |  | 502,613.50                     |
|                           |                                |                                      |                                    |  | (502,613.50)                   |
|                           |                                |                                      |                                    |  | 47,600.70                      |
|                           |                                |                                      | (27,000,000.00)                    |  | (27,000,000.00)                |
|                           |                                |                                      | (27,000,000.00)                    |  | (26,952,399.30)                |
| 5,062.37                  | 62,614.65                      | 7,025.73                             | (26,572,248.78)                    |  | (25,352,788.44)                |
| 423,403.47                | 17,184.35                      | 100,152.38                           | 27,612,841.92                      | (124,208.81)                               | 30,641,270.25                  |
| \$ 428,465.84             | \$ 79,799.00                   | \$ 107,178.11                        | \$ 1,040,593.14                    | \$ (124,208.81)                            | \$ 5,288,481.81                |

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (25,352,788.44)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays expense in the period.

|                      |                       |                |
|----------------------|-----------------------|----------------|
| Capital Outlays      | \$ 277,644.21         |                |
| Depreciation Expense | <u>(1,571,383.90)</u> | (1,293,739.69) |

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

(877,606.85)

Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|  |                   |               |
|--|-------------------|---------------|
| General Obligation Certificates        | 345,000.00        |               |
| General Obligation Bonds               | 27,000,000.00     |               |
| Financing (Capital Acquisition) Leases | <u>190,638.53</u> | 27,535,638.53 |

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.

(975,179.64)

When long-term debt is issued, it is reported as an other financing source in the fund financial statements but increases the liability in the government-wide financial statements.

(47,600.70)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in:

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Compensated Absences Payable  | (14,350.90)       |                   |
| Other Postemployment Benefits | <u>880,551.00</u> | <u>866,200.10</u> |

Change in Net Position of Governmental Activities \$ (145,076.69)

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

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

|  | <u>Enterprise Funds</u>  |                              |                      |
|--|--------------------------|------------------------------|----------------------|
|  | <u>Food Service Fund</u> | <u>Other Enterprise Fund</u> | <u>Totals</u>        |
| <b>ASSETS:</b>   |                          |                              |                      |
| Current Assets:  |                          |                              |                      |
| Cash and Cash Equivalents  | \$ 369,107.65            | \$ 27,903.03                 | \$ 397,010.68        |
| Accounts Receivable  | 5,115.62                 |                              | 5,115.62             |
| Due from Government  | 25,972.24                |                              | 25,972.24            |
| Inventory of Donated Food  | 14,521.84                |                              | 14,521.84            |
| Total Current Assets   | <u>414,717.35</u>        | <u>27,903.03</u>             | <u>442,620.38</u>    |
| Capital Assets:  |                          |                              |                      |
| Machinery and Equipment  | 377,889.46               |                              | 377,889.46           |
| Less: Accumulated Depreciation                                       | <u>(277,720.63)</u>      |                              | <u>(277,720.63)</u>  |
| Total Noncurrent Assets  | <u>100,168.83</u>        |                              | <u>100,168.83</u>    |
| <b>TOTAL ASSETS</b>  | <u>514,886.18</u>        | <u>27,903.03</u>             | <u>542,789.21</u>    |
| <b>LIABILITIES:</b>  |                          |                              |                      |
| Current Liabilities:   |                          |                              |                      |
| Accounts Payable   | 47,048.35                | 300.00                       | 47,348.35            |
| Contracts Payable  |                          | 2,200.00                     | 2,200.00             |
| Payroll Deductions and Withholdings<br>and Employer Matching Payable |                          | 300.30                       | 300.30               |
| Deposits Payable   | 41,405.14                |                              | 41,405.14            |
| Total Current Liabilities  | <u>88,453.49</u>         | <u>2,800.30</u>              | <u>91,253.79</u>     |
| <b>NET POSITION:</b>   |                          |                              |                      |
| Net Investment in Capital Assets                                     | 100,168.83               |                              | 100,168.83           |
| Unrestricted Net Position  | <u>326,263.86</u>        | <u>25,102.73</u>             | <u>351,366.59</u>    |
| <b>TOTAL NET POSITION</b>  | <u>\$ 426,432.69</u>     | <u>\$ 25,102.73</u>          | <u>\$ 451,535.42</u> |

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



**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITON**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|   | <u>Enterprise Funds</u>  |                              |                      |
|---|--------------------------|------------------------------|----------------------|
|   | <u>Food Service Fund</u> | <u>Other Enterprise Fund</u> | <u>Totals</u>        |
| <b>Operating Revenue:</b>                   |                          |                              |                      |
| Tuition and Fees:                           |                          |                              |                      |
| Drivers Education                           | \$                       | \$ 22,125.00                 | \$ 22,125.00         |
| Sales:                                      |                          |                              |                      |
| To Pupils                                   | 239,061.00               |                              | 239,061.00           |
| To Adults                                   | 13,440.00                |                              | 13,440.00            |
| Other                                       | 199,746.62               |                              | 199,746.62           |
| <b>Total Operating Revenue</b>              | <u>452,247.62</u>        | <u>22,125.00</u>             | <u>474,372.62</u>    |
| <b>Operating Expenses:</b>                  |                          |                              |                      |
| Other Community Services:                   |                          |                              |                      |
| Salaries                                    | 1,590.00                 | 18,750.00                    | 20,340.00            |
| Employee Benefits                           | 217.04                   | 2,511.61                     | 2,728.65             |
| Supplies                                    |                          | 1,726.91                     | 1,726.91             |
| Food Service:                               |                          |                              |                      |
| Purchased Services                          | 589,646.78               |                              | 589,646.78           |
| Repairs                                     | 8,095.08                 |                              | 8,095.08             |
| Supplies                                    | 1,355.79                 |                              | 1,355.79             |
| Cost of Sales-Donated Food                  | 31,382.97                |                              | 31,382.97            |
| Miscellaneous                               | 2,213.12                 |                              | 2,213                |
| Depreciation-Local Funds                    | 12,548.17                |                              | 12,548.17            |
| <b>Total Operating Expenses</b>             | <u>647,048.95</u>        | <u>22,988.52</u>             | <u>670,037.47</u>    |
| <b>Operating Income (Loss)</b>              | <u>(194,801.33)</u>      | <u>(863.52)</u>              | <u>(195,664.85)</u>  |
| <b>Nonoperating Revenue (Expense):</b>      |                          |                              |                      |
| Local Sources:                              |                          |                              |                      |
| Investment Earnings                         | 396.01                   |                              | 396.01               |
| State Sources:                              |                          |                              |                      |
| Cash Reimbursements                         | 2,155.20                 |                              | 2,155.20             |
| Federal Sources:                            |                          |                              |                      |
| Cash Reimbursements                         | 222,007.17               |                              | 222,007.17           |
| Donated Food                                | 31,051.50                |                              | 31,051.50            |
| <b>Total Nonoperating Revenue (Expense)</b> | <u>255,609.88</u>        |                              | <u>255,609.88</u>    |
| <b>Change in Net Position</b>               | 60,808.55                | (863.52)                     | 59,945.03            |
| <b>Net Position - Beginning</b>             | <u>365,624.14</u>        | <u>25,966.25</u>             | <u>391,590.39</u>    |
| <b>NET POSITION - ENDING</b>                | <u>\$ 426,432.69</u>     | <u>\$ 25,102.73</u>          | <u>\$ 451,535.42</u> |

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

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|   | <b>Enterprise Funds</b>      |                             |                       |
|---|------------------------------|-----------------------------|-----------------------|
|   | <b>Food Service<br/>Fund</b> | <b>Other<br/>Enterprise</b> | <b>Total</b>          |
| <b>Cash Flows from Operating Activities:</b>  |                              |                             |                       |
| Receipts from Customers   | \$ 468,837.13                | \$ 22,125.00                | \$ 490,962.13         |
| Payments to Employees   | (1,807.04)                   | (18,761.31)                 | (20,568.35)           |
| Payments to Suppliers   | (545,649.32)                 | 50.00                       | (545,599.32)          |
| Other Operating Payments  | (10,308.20)                  | (1,726.91)                  | (12,035.11)           |
| Net Cash Provided (Used) by Operating Activities  | <u>(88,927.43)</u>           | <u>1,686.78</u>             | <u>(87,240.65)</u>    |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |                              |                             |                       |
| Operating Subsidies   | <u>198,190.13</u>            |                             | <u>198,190.13</u>     |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                                      |                              |                             |                       |
| Purchase of Capital Assets  | <u>(23,646.00)</u>           |                             | <u>(23,646.00)</u>    |
| <b>Cash Flows from Investing Activities:</b>  |                              |                             |                       |
| Interest Earnings   | <u>396.01</u>                |                             | <u>396.01</u>         |
| Net Increase (Decrease) in Cash and Cash Equivalents  | <u>\$ 86,012.71</u>          | <u>\$ 1,686.78</u>          | <u>\$ 87,699.49</u>   |
| Cash and Cash Equivalents at Beginning of Year  | \$ 283,094.94                | \$ 26,216.25                | \$ 309,311.19         |
| Cash and Cash Equivalents at End of Year  | <u>369,107.65</u>            | <u>27,903.03</u>            | <u>397,010.68</u>     |
| Net Increase (Decrease) in Cash and Cash Equivalents  | <u>\$ 86,012.71</u>          | <u>\$ 1,686.78</u>          | <u>\$ 87,699.49</u>   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                              |                             |                       |
| Operating Income (Loss)   | \$ (194,801.33)              | \$ (863.52)                 | \$ (195,664.85)       |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |                              |                             |                       |
| Depreciation Expense  | 12,548.17                    |                             | 12,548.17             |
| Value of Commodities Used   | 31,382.97                    |                             | 31,382.97             |
| Change in Assets and Liabilities:   |                              |                             |                       |
| Accounts Payable  | 45,353.25                    | 50.00                       | 45,403.25             |
| Contracts Payable   |                              | 2,500.30                    | 2,500.30              |
| Deposits Payable  | <u>16,589.51</u>             |                             | <u>16,589.51</u>      |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (88,927.43)</u>        | <u>\$ 1,686.78</u>          | <u>\$ (87,240.65)</u> |
| <b>Noncash Investing, Capital and Financing Activities:</b>   |                              |                             |                       |
| Value of Commodities Received   | \$ 31,051.50                 |                             |                       |

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

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

|                                    | <u>Private-Purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|------------------------------------|--|-------------------------|
| <b>ASSETS:</b>                     |  |                         |
| Cash & Cash Equivalents            | \$                                     | \$ 86,251.22            |
| Investments-Certificate of Deposit | 16,039.62                              | 60.38                   |
| Accounts Receivable                | <u>                    </u>            | <u>31,743.74</u>        |
| <br>TOTAL ASSETS                   | <br><u>16,039.62</u>                   | <br><u>118,055.34</u>   |
| <br><b>LIABILITIES:</b>            |  |                         |
| Accounts Payable                   |  | 40,463.00               |
| Amounts Held for Others            |  | <u>77,592.34</u>        |
| Total Liabilities                  |  | <u>\$ 118,055.34</u>    |
| <br><b>NET POSITION</b>            |  |                         |
| Held in Trust for Scholarships     | <u>\$ 16,039.62</u>                    |                         |

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

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|                              | <b>Private-Purpose<br/>Trust Funds</b> |
|------------------------------|--|
| <b>ADDITIONS:</b>            |  |
| No additions                 | <u>\$ 0.00</u>                         |
| <b>DEDUCTIONS:</b>           |  |
| No Deductions                | <u>0.00</u>                            |
| Change in Net Position       | 0.00                                   |
| Net Position - Beginning     | <u>16,039.62</u>                       |
| <b>NET POSITION - ENDING</b> | <u><u>\$ 16,039.62</u></u>             |

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

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8  
NOTES TO THE FINANCIAL STATEMENTS

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

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

**a. Financial Reporting Entity**

The reporting entity of Dakota Valley School District No. 61-8, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

**b. Basis of Presentation**

*Government-wide Financial Statements:*

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

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

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

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the

governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

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

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

#### **Governmental Funds:**

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

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

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

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

**Pension Fund**--A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund and was closed during the fiscal year per SDCL.

**Science Center Fund**—A fund established for the purpose of accounting for other special revenue intended for the building of a new science center. This is a major fund.

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

The High School Bond Debt Service Fund--A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

The Elementary School Bond Debt Service Fund--A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

The New High School Bond Debt Service Fund--A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

*Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).*

The High School Building Capital Projects Fund is the only capital projects fund maintained by the School District. This is a major fund.

#### **Proprietary Funds:**

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

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

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

Other Enterprise Fund-- An enterprise fund maintained by the School District to record financial transactions related to Driver's Education. The fund is financed by user charges and grants. This is a major fund.

#### **Fiduciary Funds:**

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

*Private-Purpose Trust Funds- private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, and*

*other governments. The School District maintains a private-purpose trust fund for fine arts camp scholarships.*

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

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

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

**Measurement Focus:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

**Basis of Accounting:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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 liabilities of the current period. The accrual period does not exceed one bill-paying cycle, and for the Dakota Valley School District No. 61-8, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2020 are amounts due from other governments for grants and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectable within the current period or soon enough thereafter to be



used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

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

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

d. 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:

1. 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.

e. Deposits and Investments:

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

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

f. Capital Assets

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

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

*Government-Wide Statements*

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

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

The total June 30, 2020 balance of capital assets for governmental activities includes approximately .62% for which costs were determined by estimates of original costs. The total June 30, 2020 balance of capital assets for business-type activities includes approximately 6.58% for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

|                                      | Capitalization<br>Threshold | Depreciation<br>Method | Estimated Useful<br>Life |
|--------------------------------------|-----------------------------|------------------------|--------------------------|
| Land                                 | All                         | NA                     | NA                       |
| Improvements                         | \$ 25,000.00                | Straight Line          | 10-50 yrs                |
| Buildings                            | 25,000.00                   | Straight Line          | 50-75 yrs                |
| Machinery and Equipment              | 5,000.00                    | Straight Line          | 5-20 yrs                 |
| Food Service Machinery and Equipment | 2,500.00                    | Straight Line          | 10 yrs                   |

Land is an inexhaustible capital asset and is not depreciated.

#### *Fund Financial Statements*

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

#### **g. Long-Term Liabilities:**

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds payable, general obligation certificates payment, financing (capital acquisition) leases, and compensated absences.

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

#### h. Program Revenues

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

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

#### i. Proprietary Funds Revenue and Expense Classifications:

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

#### j. Cash and Cash Equivalents:

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

#### k. Equity Classifications

##### *Government-wide Statements:*

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

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

### *Fund Financial Statements:*

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

#### l. Application of Net Position:

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

#### m. 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.

#### n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the school board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the 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 the major Science Center Special Revenue Fund was to account for revenues from donations for the building and maintenance of the school's science center.

A schedule of fund balances is provided as follows:

| <p style="text-align: center;">DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8<br/>DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET<br/>GOVERNMENTAL FUNDS</p> |                        |                           |                              |                           |                                      |                             |                                |
|--|------------------------|---------------------------|------------------------------|---------------------------|--------------------------------------|-----------------------------|--------------------------------|
|  | General<br>Fund        | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Science<br>Center<br>Fund | Combined<br>Debt<br>Service<br>Funds | Capital<br>Project<br>Funds | Total<br>Governmental<br>Funds |
| <b>Fund Balances:</b>  |                        |                           |                              |                           |                                      |                             |                                |
| <i>Restricted for:</i>   |                        |                           |                              |                           |                                      |                             |                                |
| Capital Outlay   | \$                     | \$ 1,438,376.49           | \$                           | \$                        | \$                                   | \$                          | \$ 1,438,376.49                |
| Special Education  |                        |                           | 322,614.34                   |                           |                                      |                             | 322,614.34                     |
| Bond Redemption-HS   |                        |                           |                              |                           | 1,120,392.14                         |                             | 1,120,392.14                   |
| Bond Redemption-ES   |                        |                           |                              |                           | 107,178.11                           |                             | 107,178.11                     |
| Science Center   |                        |                           |                              | 428,465.84                |                                      |                             | 428,465.84                     |
| Unassigned   | 1,995,663.70           |                           |                              |                           |                                      | (124,208.81)                | 1,871,454.89                   |
| <b>Total Fund Balances</b>   | <b>\$ 1,995,663.70</b> | <b>\$ 1,438,376.49</b>    | <b>\$ 322,614.34</b>         | <b>\$ 428,465.84</b>      | <b>\$ 1,227,570.25</b>               | <b>\$ (124,208.81)</b>      | <b>\$ 5,288,481.81</b>         |

**o. Pensions:**

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

**NOTE 2 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE 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's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits school 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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 interest rates.

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

Concentration of Credit Risk- The school district places no limit on the amount that may be invested in any one issuer. The school district does not have any investments with an external investment pool as of June 30, 2020.

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

### NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and Payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

### NOTE 4 - INVENTORY

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

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

In the governmental fund financial statements, inventories in the General and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an

expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2020 in the governmental funds.

#### NOTE 5 - PROPERTY TAXES

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

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

#### NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

##### Primary Government

|  | Balance<br>06/30/19 | Increases         | (Decrease)  | Balance<br>06/30/20 |
|--|---------------------|-------------------|-------------|---------------------|
| Governmental Activities:                     |                     |                   |             |                     |
| Capital Asset, not depreciated:              |                     |                   |             |                     |
| Land   | \$ 625,964.10       | \$                | \$          | \$ 625,964.10       |
| Totals                                       | 625,964.10          |                   |             | 625,964.10          |
| Capital Assets, depreciated:                 |                     |                   |             |                     |
| Buildings                                    | 50,877,905.75       |                   |             | 50,877,905.75       |
| Improvements Other Than Buildings            | 3,386,185.64        | 171,478.04        |             | 3,557,663.68        |
| Library Books                                | 300,000.99          | 21,287.00         | (48,262.00) | 273,025.99          |
| Machinery and Equipment                      | 1,746,685.66        | 84,879.17         |             | 1,831,564.83        |
| Totals                                       | 56,310,778.04       | 277,644.21        | (48,262.00) | 56,540,160.25       |
| Less Accumulated Depreciation:               |                     |                   |             |                     |
| Buildings                                    | 11,736,317.40       | 1,166,571.93      |             | 12,902,889.33       |
| Improvements                                 | 1,763,046.86        | 255,017.74        |             | 2,018,064.60        |
| Library Books                                | 132,995.52          | 13,651.30         | (48,262.00) | 98,384.82           |
| Machinery and Equipment                      | 1,189,918.42        | 136,142.93        |             | 1,326,061.35        |
| Total Accumulated Depreciation               | 14,822,278.20       | 1,571,383.90      | (48,262.00) | 16,345,400.10       |
| Total Capital Assets, being depreciated, net | 41,488,499.84       | (1,293,739.69)    |             | 40,194,760.15       |
| Governmental activity capital assets, net    | \$ 42,114,463.94    | \$ (1,293,739.69) | \$          | \$ 40,820,724.25    |

**\*\*Depreciation expense was charged to functions as follows:**

**Governmental Activities:**

|  |  |  |  |  |                        |
|--|--|--|--|--|------------------------|
| Instruction  |  |  |  |  | \$ 1,088,718.14        |
| Support Services                                   |  |  |  |  | 216,657.09             |
| Co-Curricular Activities                           |  |  |  |  | 266,008.67             |
| Total Depreciation expense-governmental activities |  |  |  |  | <u>\$ 1,571,383.90</u> |

**Business-type activity,**

**Capital assets, net**

**Capital Assets, depreciated:**

|                                |                   |                  |    |                   |
|--------------------------------|-------------------|------------------|----|-------------------|
| Machinery and Equipment        | \$ 354,243.46     | \$ 23,646.00     | \$ | \$ 377,889.46     |
| Less Accumulated Depreciation: |                   |                  |    |                   |
| Machinery and Equipment        | <u>265,172.46</u> | <u>12,548.17</u> |    | <u>277,720.63</u> |

**Business-type activity**

|                     |                     |                     |           |                      |
|---------------------|---------------------|---------------------|-----------|----------------------|
| capital assets, net | <u>\$ 89,071.00</u> | <u>\$ 11,097.83</u> | <u>\$</u> | <u>\$ 100,168.83</u> |
|---------------------|---------------------|---------------------|-----------|----------------------|

**\*\*Depreciation expense was charged to functions as follows:**

**Business-type Activities**

|              |  |  |  |  |                     |
|--------------|--|--|--|--|---------------------|
| Food Service |  |  |  |  | <u>\$ 12,548.17</u> |
|--------------|--|--|--|--|---------------------|

## **NOTE 7 - LONG -TERM LIABILITIES**

A summary of the changes in long-term liabilities for the year ended June 30, 2020 is as follows:

| <b>Primary Government:</b>      | <b>06/30/19</b>         | <b>Additions</b>     | <b>Deletions</b>        | <b>06/30/20</b>         | <b>Due Within One<br/>Year</b> |
|---------------------------------|-------------------------|----------------------|-------------------------|-------------------------|--------------------------------|
| <b>Governmental Activities:</b> |                         |                      |                         |                         |                                |
| General Obligation Bonds        | \$ 53,990,000.00        | \$                   | \$ 27,000,000.00        | \$ 26,990,000.00        | \$ 725,000.00                  |
| Premium on Bonds                | 1,612,206.90            |                      |                         | 1,612,206.90            | 76,771.76                      |
| Capital Outlay Certificates     | 700,000.00              |                      | 345,000.00              | 355,000.00              | 355,000.00                     |
| Financing (Capital              |                         |                      |                         |                         |                                |
| Acquisition) Lease              | 424,220.17              | 47,600.70            | 190,638.53              | 281,182.34              | 179,418.53                     |
| Other Postemployment            |                         |                      |                         |                         |                                |
| Benefits                        | 815,761.00              |                      | 815,761.00              |                         |                                |
| Accrued Compensated             |                         |                      |                         |                         |                                |
| Absences                        | <u>91,051.91</u>        | <u>89,267.86</u>     | <u>74,916.96</u>        | <u>105,402.81</u>       | <u>105,402.81</u>              |
| Total Governmental Activities   | <u>\$ 57,633,239.98</u> | <u>\$ 136,868.56</u> | <u>\$ 28,426,316.49</u> | <u>\$ 29,343,792.05</u> | <u>\$ 1,441,593.10</u>         |

Compensated absences for governmental activities and other postemployment benefits typically have been liquidated from the General and Special Education Funds.

The annual debt service requirements to maturity for all debt outstanding, other than compensated absences, and other postemployment benefits, as of June 30, 2020 are as follows:



| F/Y       | <u>General Obligation Bonds</u><br><u>(including premium)</u> |                      | <u>Capital Outlay</u><br><u>Certificates</u> |                 | <u>Capital (Financing)</u><br><u>Leases</u> |           | <u>Total</u>         |                      |
|-----------|---|----------------------|--|-----------------|---|-----------|----------------------|----------------------|
|           | Principal   | Interest             | Principal                                    | Interest        | Principal                                   | Interest  | Principal            | Interest             |
| 2021      | \$ 801,772  | \$ 905,325           | \$ 355,000                                   | \$ 3,106        | \$ 179,418                                  | \$        | \$ 1,336,190         | \$ 908,431           |
| 2022      | 876,772   | 888,450              |  |                 | 82,723                                      |           | 959,495              | 888,450              |
| 2023      | 926,772   | 865,450              |  |                 | 9,520                                       |           | 936,292              | 865,450              |
| 2024      | 1,001,772   | 829,950              |  |                 | 9,520                                       |           | 1,011,292            | 829,950              |
| 2025      | 1,061,772   | 774,213              |  |                 |   |           | 1,061,772            | 774,213              |
| 2026-2030 | 6,203,859   | 3,328,275            |  |                 |   |           | 6,203,859            | 3,328,275            |
| 2031-2035 | 7,908,859   | 2,087,288            |  |                 |   |           | 7,908,859            | 2,087,288            |
| 2036-2040 | 9,743,859   | 724,500              |  |                 |   |           | 9,743,859            | 724,500              |
| 2041-2045 | 76,772  |                      |  |                 |   |           | 76,772               |                      |
| Totals    | <u>\$ 28,602,209</u>  | <u>\$ 10,403,451</u> | <u>\$ 355,000</u>                            | <u>\$ 3,106</u> | <u>\$ 281,181</u>                           | <u>\$</u> | <u>\$ 29,238,390</u> | <u>\$ 10,406,557</u> |

The purchase price at the commencement of the financing (capital acquisition) leases was:

|           | <u>Copier</u>       | <u>HP Laptops</u>    | <u>HP Laptops</u>    | <u>HP Laptops</u>   |
|-----------|---------------------|----------------------|----------------------|---------------------|
| Principal | \$ 47,600.70        | \$ 290,085.00        | \$ 180,570.00        | \$ 39,040.17        |
| Interest  |                     |                      |                      |                     |
| Total     | <u>\$ 47,600.70</u> | <u>\$ 290,085.00</u> | <u>\$ 180,570.00</u> | <u>\$ 39,040.17</u> |

#### **Governmental Activities**

Liabilities payable (not including premium) at June 30, 2020 are comprised of the following

##### **General Obligation Bonds:**

Series 2016 Crossover Partial Refunding,

Issued September 29, 2016, interest rates from 1.5 to 4.0%

depending on length to maturity; Interest payable

semi-annually; Final payment July 2039

Payments from the Debt Service Fund.

\$ 26,990,000.00

##### **Capital Outlay Certificates:**

Series 2012, issued September 25, 2012, maturing December

2020. Interest rates from 0.95 to 1.75% depending on

length to maturity. Interest payable semi-annually.

Payments from the Capital Outlay Fund.

355,000.00

**Capital Leases:**

|  |           |
|--|-----------|
| Financing Lease with HP Financial Services, for the purchase of computers, matures June 30, 2021. Payments to be made from Capital Outlay Fund | 96,695.00 |
|--|-----------|

|  |            |
|--|------------|
| Financing Lease with HP Financial Services, for the purchase of computers, matures June 30, 2022. Payments to be made from Capital Outlay Fund | 120,380.00 |
|--|------------|

|  |           |
|--|-----------|
| Financing Lease with HP Financial Services, for the purchase of computers, matures June 30, 2022. Payments to be made from Capital Outlay Fund | 26,026.78 |
|--|-----------|

|   |           |
|---|-----------|
| Financing Lease with A&B Business Solutions, Inc., for the purchase of copiers, matures June 30, 2024. Payments to be made from Capital Outlay Fund | 38,080.56 |
|---|-----------|

**Compensated Absences:**

|   |            |
|---|------------|
| Vested leave. Payments to be made from the General Fund and Special Education Fund. | 105,402.81 |
|---|------------|

**NOTE 8 – INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS**

Interfund receivable and payable balances at June 30, 2020 were as follows:

|                                      | <b>Interfund<br/>Receivable</b> | <b>Interfund<br/>Payable</b> |
|--------------------------------------|---------------------------------|------------------------------|
| Major Funds:                         |                                 |                              |
| Capital Outlay Fund                  | \$ 124,208.81                   | \$                           |
| High School Capital<br>Projects Fund |                                 | 124,208.81                   |

These interfund balances are from cash balance shortages created from the new high school building project. These will be liquidated during the next fiscal year.

## NOTE 9 – RESTRICTED NET POSITION

The following table shows the Net Position restricted for other purposes as shown in the statement of Net Position.

| <u>Major Purposes</u>         | <u>Restricted by</u> | <u>Amount</u>          |
|-------------------------------|----------------------|------------------------|
| Capital Outlay Purposes       | Law                  | \$ 1,046,177.99        |
| Special Education Purposes    | Law                  | 330,002.00             |
| Science Center Purposes       | Donor Stipulation    | 428,465.84             |
| SDRS Pension Purposes         | Law                  | 1,079,567.36           |
| Debt Service Purposes         | Debt Covenants       | 1,246,587.37           |
| Total Restricted Net Position |                      | <u>\$ 4,130,800.56</u> |

## NOTE 10 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020 were as follows:

| <u>Transfer To:</u> | <u>Transfer From:</u> |                     |
|---------------------|-----------------------|---------------------|
|                     | <u>Capital Outlay</u> | <u>Pension Fund</u> |
| General Fund        | \$ 500,000.00         | 2,613.50            |

The School District transferred monies from the Capital Outlay Fund to the General Fund to offset expenses and from the Pension Fund to the General Fund to close the Pension Fund per SDCL.

## NOTE 11 – PENSION PLAN

### Plan Information:

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

### Benefits Provided:

SDRS has three different classes of employees, Class A 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/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 greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

#### **Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019, and 2018 \$429,906.55, \$415,964.02, and \$408,974.72, respectively, equal to the required contributions each year.

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

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

|   |                       |
|---|-----------------------|
| Proportionate share of net position restricted for pension benefits | \$ 40,953,152.43      |
| Less proportionate share of total pension benefits                  | <u>40,987,977.03</u>  |
| Proportionate share of net pension benefits                         | <u>\$ (34,824.60)</u> |

At June 30, 2020, the School District reported a liability (asset) of \$(34,824.60) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District's proportion was .32861890%, which is an increase (decrease) of .0007419% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense (reduction of pension expense) of \$975,179.64. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience  | \$ 136,603.34                     | \$ 15,762.24                     |
| Changes in assumption  | 1,202,750.99                      | 493,069.56                       |
| Net difference between projected and actual earnings on pension plan investments                             |                                   | 200,618.23                       |
| Changes in proportion and difference between District contributions and proportionate share of contributions |                                   | 15,068.09                        |
| District contributions subsequent to the measurement date  | <u>429,906.55</u>                 |                                  |
| TOTAL  | <u>\$ 1,769,260.88</u>            | <u>\$ 724,518.12</u>             |

\$429,906.55 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

|                     |    |                   |
|---------------------|----|-------------------|
| Year Ended June 30: |    |                   |
| 2021                | \$ | 761,388.70        |
| 2022                |    | (117,998.89)      |
| 2023                |    | (80,286.52)       |
| 2024                |    | <u>66,801.01</u>  |
| TOTAL               | \$ | <u>629,904.30</u> |

#### **Actuarial Assumptions:**

The total pension liability (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 percent   |
| Salary Increases          | Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service |
| Investment Rate of Return | 6.50% net of plan investment expense   |
| Future 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.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity      | 58.0%                    | 4.7%  |
| Fixed Income       | 30.0%                    | 1.7%  |
| Real Estate        | 10.0%                    | 4.3%  |
| Cash               | <u>2.0%</u>              | 0.9%  |
| Total              | <u>100.0%</u>            |   |

#### **Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

#### **Sensitivity of liability (asset) to changes in the discount rate:**

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the School District's proportionate

share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

|  | <u>1%</u><br><u>Decrease</u> | <u>Current</u><br><u>Discount</u><br><u>Rate</u> | <u>1%</u><br><u>Increase</u> |
|--|------------------------------|--|------------------------------|
| School District's proportionate share of the net pension liability (asset) | \$ 5,780,202.80              | \$ (34,824.60)                                   | \$ (4,773,021.19)            |

**Pension Plan Fiduciary Net Position:**

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

**NOTE 12 - RISK MANAGEMENT**

The school district is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2020, the school district managed its risks as follows:

**Employee Health Insurance**

The school district purchases health insurance for its employees from a commercial insurance carrier.

**Liability Insurance**

The school district purchases liability 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 school district purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage in 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

During the year ended June 30, 2020, no claims for unemployment benefits were paid. At June 30, 2020, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**NOTE 13 – SIGNIFICANT CONTINGENCIES - LITIGATION**

At June 30, 2020, the school district was not involved in any litigation.

#### NOTE 14 - SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the school's financial condition and liquidity. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the school is not able to estimate the effects of the COVID-19 outbreak on its financial condition or liquidity for fiscal year 2021 and future years.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|   | <u>Budgeted Amounts</u> |                     | <b>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|---------------------|---|---|
|   | <u>Original</u>         | <u>Final</u>        |   |   |
| <b>Revenues:</b>  |                         |                     |   |   |
| Revenue from Local Sources:   |                         |                     |   |   |
| Taxes:  |                         |                     |   |   |
| Ad Valorem Taxes  | \$ 4,576,396.00         | \$ 4,576,396.00     | \$ 4,874,455.35                                     | \$ 298,059.35                               |
| Prior Years' Ad Valorem Taxes   |                         |                     | 51,650.42   | 51,650.42                                   |
| Tax Deed Revenue  |                         |                     | 26,094.34   | 26,094.34                                   |
| Utility Taxes   | 63,460.00               | 63,460.00           | 90,029.01   | 26,569.01                                   |
| Penalties and Interest on Taxes   | 12,500.00               | 12,500.00           |   | (12,500.00)                                 |
| Tuition and Fees:   |                         |                     |   |   |
| Tuition from Pupils or Parents  |                         |                     | 11,970.00   | 11,970.00                                   |
| Earnings on Investments/ Deposits   | 9,500.00                | 9,500.00            | 4,373.93  | (5,126.07)                                  |
| Cocurricular Activities:  |                         |                     |   |   |
| Admissions  | 40,000.00               | 40,000.00           | 49,966.90   | 9,966.90                                    |
| Other Pupil Activity Income   |                         |                     | 4,789.64  | 4,789.64                                    |
| Other Revenue from Local Sources:   |                         |                     |   |   |
| Contributions and Donations   | 10,000.00               | 10,000.00           | 1,781.00  | (8,219.00)                                  |
| Other   | 20,000.00               | 20,000.00           | 103,402.46  | 83,402.46                                   |
| Revenue from Intermediate Sources:  |                         |                     |   |   |
| County Sources:   |                         |                     |   |   |
| County Apportionment  | 185,000.00              | 185,000.00          | 174,791.24  | (10,208.76)                                 |
| Revenue from State Sources:   |                         |                     |   |   |
| Grants-in-Aid:  |                         |                     |   |   |
| Unrestricted Grants-in-Aid  | 3,964,517.00            | 3,964,517.00        | 4,049,514.15  | 84,997.15                                   |
| Restricted Grants-in-Aid  | 7,970.00                | 7,970.00            | 9,944.51  | 1,974.51                                    |
| Revenue from Federal Sources:   |                         |                     |   |   |
| Restricted Grants-in-Aid Received<br>from Federal Government through<br>the State | 147,366.00              | 147,366.00          | 165,641.69  | 18,275.69                                   |
| Total Revenue   | <u>9,036,709.00</u>     | <u>9,036,709.00</u> | <u>9,618,404.64</u>                                 | <u>581,695.64</u>                           |
| <b>Expenditures:</b>  |                         |                     |   |   |
| Instruction:  |                         |                     |   |   |
| Regular Programs:   |                         |                     |   |   |
| Elementary School   | 1,784,344.00            | 1,784,344.00        | 1,695,710.66  | 88,633.34                                   |
| Middle/Junior High  | 1,914,072.00            | 1,914,072.00        | 1,851,590.82  | 62,481.18                                   |
| High School   | 1,579,775.00            | 1,579,775.00        | 1,617,022.35  | (37,247.35)                                 |
| Special Programs:   |                         |                     |   |   |
| Educationally Deprived  | 233,924.00              | 233,924.00          | 263,307.66  | (29,383.66)                                 |
| Other Special Programs  | 30,561.00               | 30,561.00           | 30,560.63   | 0.37  |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | <u>Budgeted Amounts</u> |                        | <b>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|------------------------|---|---|
|  | <u>Original</u>         | <u>Final</u>           |   |   |
| Support Services:                          |                         |                        |   |   |
| Pupils:                                    |                         |                        |   |   |
| Guidance                                   | 223,681.00              | 223,681.00             | 228,889.54  | (5,208.54)                                  |
| Health                                     | 98,273.00               | 98,273.00              | 98,296.63   | (23.63)                                     |
| Support Services - Instructional Staff:    |                         |                        |   |   |
| Improvement of Instruction                 | 71,210.00               | 71,210.00              | 69,287.28   | 1,922.72                                    |
| Educational Media                          | 426,886.00              | 426,886.00             | 412,129.88  | 14,756.12                                   |
| Support Services - General Administration: |                         |                        |   |   |
| Board of Education                         | 178,919.00              | 178,919.00             | 192,432.46  | (13,513.46)                                 |
| Executive Administration                   | 175,242.00              | 175,242.00             | 180,506.33  | (5,264.33)                                  |
| Support Services - School Administration:  |                         |                        |   |   |
| Office of the Principal                    | 502,515.00              | 502,515.00             | 511,915.42  | (9,400.42)                                  |
| Other                                      | 2,500.00                | 2,500.00               | 470.27  | 2,029.73                                    |
| Support Services - Business:               |                         |                        |   |   |
| Fiscal Services                            | 199,454.00              | 199,454.00             | 205,943.51  | (6,489.51)                                  |
| Operation and Maintenance of Plant         | 1,050,501.00            | 1,050,501.00           | 1,024,869.52  | 25,631.48                                   |
| Pupil Transportation                       | 425,996.00              | 425,996.00             | 431,869.68  | (5,873.68)                                  |
| Internal Services                          | 76,925.00               | 76,925.00              | 83,883.60   | (6,958.60)                                  |
| Support Services - Central:                |                         |                        |   |   |
| Staff                                      | 10,000.00               | 10,000.00              | 6,034.19  | 3,965.81                                    |
| Cocurricular Activities:                   |                         |                        |   |   |
| Male Activities                            | 96,741.00               | 96,741.00              | 96,391.62   | 349.38                                      |
| Female Activities                          | 95,082.00               | 95,082.00              | 88,147.58   | 6,934.42                                    |
| Transportation                             | 75,692.00               | 75,692.00              | 58,092.14   | 17,599.86                                   |
| Combined Activities                        | <u>282,455.00</u>       | <u>282,455.00</u>      | <u>254,490.71</u>                                   | <u>27,964.29</u>                            |
| Total Expenditures                         | <u>9,534,748.00</u>     | <u>9,534,748.00</u>    | <u>9,401,842.48</u>                                 | <u>132,905.52</u>                           |
| Excess of Revenue Over (Under)             |                         |                        |   |   |
| Expenditures                               | (498,039.00)            | (498,039.00)           | 216,562.16  | 714,601.16                                  |
| Other Financing Sources (Uses):            |                         |                        |   |   |
| Transfer In                                | <u>500,000.00</u>       | <u>500,000.00</u>      | <u>502,613.50</u>                                   | <u>2,613.50</u>                             |
| Net Change in Fund Balances                | 1,961.00                | 1,961.00               | 719,175.66  | 717,214.66                                  |
| Beginning Fund Balance                     | <u>1,276,488.04</u>     | <u>1,276,488.04</u>    | <u>1,276,488.04</u>                                 |   |
| ENDING FUND BALANCE                        | <u>\$ 1,278,449.04</u>  | <u>\$ 1,278,449.04</u> | <u>\$ 1,995,663.70</u>                              | <u>\$ 717,214.66</u>                        |

**REQUIRED SUPPLEMENTARY INFORMATION  
DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <b>Budgeted Amounts</b> |                        | <b>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|------------------------|---|---|
|   | <b>Original</b>         | <b>Final</b>           |   |   |
| <b>Revenues:</b>                            |                         |                        |   |   |
| Revenue from Local Sources:                 |                         |                        |   |   |
| Taxes:                                      |                         |                        |   |   |
| Ad Valorem Taxes                            | \$ 2,351,880.00         | \$ 2,351,880.00        | \$ 2,364,970.91                                     | \$ 13,090.91                                |
| Prior Years' Ad Valorem Taxes               |                         |                        | 20,094.60   | 20,094.60                                   |
| Other                                       | <u>20,000.00</u>        | <u>20,000.00</u>       |   | <u>(20,000.00)</u>                          |
| <b>Total Revenue</b>                        | <u>2,371,880.00</u>     | <u>2,371,880.00</u>    | <u>2,385,065.51</u>                                 | <u>13,185.51</u>                            |
| <b>Expenditures:</b>                        |                         |                        |   |   |
| Instruction:                                |                         |                        |   |   |
| Regular Programs:                           |                         |                        |   |   |
| Elementary                                  | 22,500.00               | 22,500.00              | 19,810.84   | 2,689.16                                    |
| Middle/Junior High                          | 30,500.00               | 30,500.00              | 24,551.51   | 5,948.49                                    |
| High School                                 | 30,100.00               | 30,100.00              | 35,417.20   | (5,317.20)                                  |
| Support Services - Instructional Staff:     |                         |                        |   |   |
| Improvement of Instruction                  | 91,000.00               | 91,000.00              | 96,641.84   | (5,641.84)                                  |
| Educational Media                           | 329,000.00              | 329,000.00             | 237,907.00  | 91,093.00                                   |
| Support Services - Business:                |                         |                        |   |   |
| Fiscal Services                             | 13,000.00               | 13,000.00              | 21,868.79   | (8,868.79)                                  |
| Operation & Maintenance of Plant            | 717,203.00              | 717,203.00             | 498,375.08  | 218,827.92                                  |
| Pupil Transportation                        | 116,348.00              | 116,348.00             | 86,375.51   | 29,972.49                                   |
| Debt Services                               | 566,883.00              | 566,883.00             | 575,128.53  | (8,245.53)                                  |
| Cocurricular Activities:                    |                         |                        |   |   |
| Combined Activities                         | <u>40,000.00</u>        | <u>40,000.00</u>       | <u>32,951.50</u>                                    | <u>7,048.50</u>                             |
| <b>Total Expenditures</b>                   | <u>1,956,534.00</u>     | <u>1,956,534.00</u>    | <u>1,629,027.80</u>                                 | <u>327,506.20</u>                           |
| <b>Excess Revenue Over (Under)</b>          |                         |                        |   |   |
| Expenditures                                | 415,346.00              | 415,346.00             | 756,037.71  | 340,691.71                                  |
| <b>Other Financing Sources (Uses):</b>      |                         |                        |   |   |
| Transfer In                                 | 160,000.00              | 160,000.00             |   | (160,000.00)                                |
| Transfer Out                                | (500,000.00)            | (500,000.00)           | (500,000.00)  |   |
| Proceeds of Long Term Debt Issued           |                         |                        | <u>47,600.70</u>                                    | <u>47,600.70</u>                            |
| <b>Total Other Financing Sources (Uses)</b> | <u>(340,000.00)</u>     | <u>(340,000.00)</u>    | <u>(452,399.30)</u>                                 | <u>(112,399.30)</u>                         |
| <b>Net Change in Fund Balances</b>          | 75,346.00               | 75,346.00              | 303,638.41  | 228,292.41                                  |
| <b>Beginning Fund Balance</b>               | <u>1,134,738.08</u>     | <u>1,134,738.08</u>    | <u>1,134,738.08</u>                                 |   |
| <b>ENDING FUND BALANCE</b>                  | <u>\$ 1,210,084.08</u>  | <u>\$ 1,210,084.08</u> | <u>\$ 1,438,376.49</u>                              | <u>\$ 228,292.41</u>                        |

**REQUIRED SUPPLEMENTARY INFORMATION  
DAKOTA VALLEY SCHOOL DISTRICT NO. 61- 8  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | <u>Budgeted Amounts</u> |                      | <b>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|----------------------|---|---|
|   | <u>Original</u>         | <u>Final</u>         |   |   |
| <b>Revenues:</b>  |                         |                      |   |   |
| Revenue from Local Sources:   |                         |                      |   |   |
| Taxes:  |                         |                      |   |   |
| Ad Valorem Taxes  | \$ 1,328,037.00         | \$ 1,328,037.00      | \$ 1,393,409.49                                     | \$ 65,372.49                                |
| Prior Years' Ad Valorem Taxes   |                         |                      | 11,837.95   | 11,837.95                                   |
| Other   |                         |                      | 781.50  | 781.50                                      |
| Charges for Services  | 10,000.00               | 10,000.00            | 16,529.04   | 6,529.04                                    |
| Revenue from Federal Sources:   |                         |                      |   |   |
| Grants-in-Aid:  |                         |                      |   |   |
| Restricted Grants-in-Aid Received<br>from Federal Government Through<br>the State | <u>270,140.00</u>       | <u>270,140.00</u>    | <u>268,272.88</u>                                   | <u>(1,867.12)</u>                           |
| Total Revenue   | <u>1,608,177.00</u>     | <u>1,608,177.00</u>  | <u>1,690,830.86</u>                                 | <u>82,653.86</u>                            |
| <b>Expenditures:</b>  |                         |                      |   |   |
| Special Programs:   |                         |                      |   |   |
| Programs for Special Education  | 1,252,312.00            | 1,252,312.00         | 855,169.04  | 397,142.96                                  |
| Severe Disabilities   |                         |                      | 63,248.25   | (63,248.25)                                 |
| Day Programs  |                         |                      | 35,149.23   | (35,149.23)                                 |
| Residential Programs  |                         |                      | 43,332.58   | (43,332.58)                                 |
| Early Childhood Programs  |                         |                      | 133,969.54  | (133,969.54)                                |
| Support Services  |                         |                      |   |   |
| Pupils:   |                         |                      |   |   |
| Psychological   | 75,808.00               | 75,808.00            | 84,458.39   | (8,650.39)                                  |
| Speech Pathology  | 149,101.00              | 149,101.00           | 140,727.90  | 8,373.10                                    |
| Student Therapy Services  | 46,372.00               | 46,372.00            | 69,750.83   | (23,378.83)                                 |
| Support Services - Special Education  |                         |                      |   |   |
| Administrative Costs  | <u>84,584.00</u>        | <u>84,584.00</u>     | <u>141,274.88</u>                                   | <u>(56,690.88)</u>                          |
| Total Expenditures  | <u>1,608,177.00</u>     | <u>1,608,177.00</u>  | <u>1,567,080.64</u>                                 | <u>41,096.36</u>                            |
| Net Change in Fund Balance  | 0.00                    |                      | 123,750.22  | 123,750.22                                  |
| Beginning Fund Balance  | <u>198,864.12</u>       | <u>198,864.12</u>    | <u>198,864.12</u>                                   |   |
| ENDING FUND BALANCE   | <u>\$ 198,864.12</u>    | <u>\$ 198,864.12</u> | <u>\$ 322,614.34</u>                                | <u>\$ 123,750.22</u>                        |

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of Budgetary Comparisons for the General Fund  
And for each major Special Revenue Fund with a legally required budget

**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING**

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

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES**

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

Schedule of Required Supplementary Information  
DAKOTA VALLEY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

|   | 2015           | 2016           | 2017         | 2018         | 2019         | 2020         |
|---|----------------|----------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset)  | 0.3198142%     | 0.3167222%     | 0.3201444%   | 0.3272075%   | 0.3278770%   | 0.3286189%   |
| District's proportionate share of net pension liability (asset)   | \$ (2,304,131) | \$ (1,343,309) | \$ 1,081,416 | \$ (29,694)  | \$ (7,647)   | \$ (34,825)  |
| District's covered-employee payroll   | \$ 5,592,667   | \$ 5,761,556   | \$ 6,057,885 | \$ 6,597,328 | \$ 6,816,317 | \$ 6,938,765 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -41.20%        | -23.32%        | 17.85%       | -0.45%       | -0.11%       | -0.50%       |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                                  | 107.30%        | 104.10%        | 96.89%       | 100.10%      | 100.02%      | 100.09%      |

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Schedule of Required Supplementary Information**

**DAKOTA VALLEY SCHOOL DISTRICT**

**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**

**South Dakota Retirement System**

|  | 2014        | 2015        | 2016        | 2017        | 2018        | 2019        | 2020        |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ 335,560  | \$ 345,695  | \$ 363,474  | \$ 396,172  | \$ 408,975  | \$ 415,964  | \$ 429,907  |
| Contributions in relation to the contractually required contribution | \$ 335,560  | \$ 345,695  | \$ 363,474  | \$ 396,172  | \$ 408,975  | \$ 415,964  | \$ 429,907  |
| Contribution deficiency (excess)                                     | \$          | \$          | \$          | \$          | \$          | \$          | \$          |
| District's covered-employee payroll                                  | \$5,592,667 | \$5,761,556 | \$6,057,885 | \$6,597,328 | \$6,816,317 | \$6,938,765 | \$7,171,105 |
| Contributions as a percentage of covered-employee payroll            | 6.00%       | 6.00%       | 6.00%       | 6.01%       | 6.00%       | 5.99%       | 5.99%       |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of the Proportional Share of the Net Pension Liability (Asset) and  
Schedule of Contributions

**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 third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR 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 FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year 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 decreased 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.



# QUAM, BERGLIN & POST P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
110 WEST MAIN – P.O. BOX 426  
ELK POINT, SOUTH DAKOTA 57025

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(605) 356-3374

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

School Board  
Dakota Valley School District No. 61-8  
Union County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dakota Valley School District No. 61-8, Union County, South Dakota (School District), as of June 30, 2020 and for the year then ended, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 21, 2021, which was qualified because long-term financial obligations and commitments related to other postemployment benefits was not recorded.

### **Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Dakota Valley School District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as items 2020-001 to be a material weakness.

## **Compliance and Other Matters**

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

### **Dakota Valley School District's Response to Finding**

Dakota Valley School District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan as listed in the Table of Contents. Dakota Valley School District's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Quam, Berglin & Post P.C.  
Elk Point, SD

June 21, 2021

**DAKOTA VALLEY SCHOOL DISTRICT NO. 61-8  
SCHEDULE OF PRIOR AUDIT FINDINGS CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**PRIOR AUDIT FINDINGS:**

**Prior Audit Finding Number 2019-001:**

A material weakness was reported for a lack of segregation of duties for revenues, expenditures and payroll. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control.

**Corrective Action Plan:**

This prior audit finding has not been corrected and is being restated as finding number 2020-001.

**Prior Audit Finding Number 2019-002:**

A material weakness was reported from expenditures exceeding the total amounts budgeted for the General Fund.

**Corrective Action Plan:**

A compliance related finding resulted from expenditures exceeding the total amounts budgeted for the General Fund. This prior audit finding has since been corrected.

## **CURRENT AUDIT FINDINGS:**

### ***Internal Control Related Findings - Material Weakness:***

#### **Audit Finding Number 2020-001:**

##### **Criteria:**

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues, expenditures, and payroll. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

##### **Condition, Cause and Effect:**

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

##### **Recommendation:**

We recommend that the Dakota Valley School District officials be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating controls, whenever and wherever possible and practical.

##### **Corrective Action Plan:**

Jill Sponder, Business Manager for Dakota Valley School District is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The School District Board of Education has prepared a response to this finding found in the Corrective Action Plan.



## Dakota Valley School District No. 61-8

Administration Center  
1150 Northshore Drive  
North Sioux City, SD 57049  
Phone: (605) 422-3800 Fax: (605) 422-3807



Board of Education Members

Mr. Steve Kistner, President  
Mr. Jeff Dooley, Vice-President  
Mr. Kevin Hoffman  
Mr. Matt Thompson  
Mrs. Sara Weber

Superintendent of Schools

Dr. Jerry Rasmussen

Business Manager

Ms. Jill Sponder

Special Services Director

Mrs. Linda Steele

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### CORRECTIVE PLAN OF ACTION June 30, 2020

Dakota Valley School District No. 61-8 has considered the lack of segregation of duties for revenues, expenditures and payroll. At this time, it is not cost effective for Dakota Valley School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Dakota Valley School District to decrease the likelihood that financial data is adversely affected.

The Dakota Valley School District's Board will continue to monitor the necessity to have segregation of duties for revenues, expenditures and payroll and implement such segregation as budget dollars and board authority allow.

*The Mission of the Dakota Valley School District is:*

**TO ENSURE ALL STUDENTS RECEIVE AN ENRICHED EDUCATIONAL EXPERIENCE IN A SAFE ENVIRONMENT**

**DAKOTA VALLEY SCHOOL DISTRICT IS AN EQUAL OPPORTUNITY EMPLOYER**