

DELL RAPIDS SCHOOL DISTRICT NO. 49-3

AUDIT REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2020

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
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KMWF & Associates, PC

Certified Public Accountants

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
Dell Rapids School District No. 49-3
Minnehaha County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dell Rapids School District No. 49-3, South Dakota (School District), as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 22, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be a material weakness. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The School District's response was not subjected to the 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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.

KMWF & Associates, PC

KMWF & Associates, PC
Dell Rapids, South Dakota
March 22, 2021

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

PRIOR AUDIT FINDINGS:

Prior Finding Number 2019-001:

A deficiency in controls existed due to a lack of segregation of duties. This finding has not been corrected and is restated as finding number 2020-001.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Current Audit Finding:

Internal Control – Related Findings – Material Weaknesses:

Finding Number 2020-001:

Criteria:

Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data.

Condition/Cause:

A deficiency in controls existed due to a lack of segregation of duties regarding the cash receipts, cash disbursements and payroll. 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.

Effect:

This lack of segregation of duties could adversely affect the District's ability to record, process and report financial data and increases the risk of inaccurate financial statements and/or misappropriation of assets.

Recommendation:

Implementation of compensating controls.

Corrective Action Plan:

The School District is aware of this problem, which is a result of the size of the school district which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on page 67.



KMWF & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

School Board
Dell Rapids School District No. 49-3
Minnehaha County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dell Rapids School District No. 49-3, South Dakota, (School District) as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above 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 the Dell Rapids School District No. 49-3 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.

Emphasis of Matter

As discussed in Notes 2 and 19 to the financial statements, in 2020, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

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 and the Schedule of School District Contributions and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 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 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 effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

KMWF & Associates, PC

KMWF & Associates, PC
Dell Rapids, South Dakota
March 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Dell Rapids School District 49-3's (School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$4,497.60 less than the \$11,812,923.60 in governmental and business-type program expenditures.
- The total cost of the School's programs increased by 4.60%. Contributing factors for the increase include the change in the School's South Dakota Retirement System pension expense proportionate share, salary and benefit increases, an increase in special education expenses, upgrading of student computers, and a major K-12 curriculum replacement.
- In the General Fund, expenditures exceeded revenues by \$30,984.96. \$100,000.00 was transferred to the General Fund from the Capital Outlay Fund, utilizing Capital Outlay flexibility. A remaining Pension Fund balance of \$25,429.65 was closed to the General Fund. Due to the COVID-19 pandemic, students were instructed virtually from mid-March through the end of the school year. During this period, regular staff were paid full wages, but some expenditure areas realized savings. The General Fund's fund balance increased by \$94,444.69, increasing the fund balance percentage from 17% to 19%.
- The School paid \$8,910,000.00 toward capital debt principal and deposited an additional \$294,446.00 into a Qualified School Construction Bond Debt Service Sinking Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School'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 funds 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 school operates like businesses. Proprietary funds operated by the school are the Food Service Operation and Other Enterprise Funds for fee based programs such as the Before/After School Program, summer drivers' education, ACT prep classes, and athletic camps.

- Fiduciary fund statements provide information about the financial relationships - like student organization accounts - in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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 explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the School'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-1

Major Features of Dell Rapids School District's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (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; such as the food service operation, activity camps and drivers' education	Instances in which the School is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses, and Changes in Net Position *Statement of Cash Flows	*Statement of Net Position *Statement of Changes in Net Position
Account Basis and Measurement Focus	Accrual accounting and economic resource 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 expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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 School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School'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 School are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, declam, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing meal service, activity camps, ACT prep classes, and summer drivers' education. The Food Service Fund and the Other Enterprise Funds are the only business-type activities of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. 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 may establish other funds to control and manage money for particular purposes (like a Scholarship Trust).

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent

in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, 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 and the Other Enterprise Funds are the only proprietary funds maintained by the School.
- Fiduciary Funds – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position changed as follows:

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
Current and Other Assets	\$13,892,777.87	\$10,525,994.56	\$302,873.85	\$277,775.05	\$14,195,651.72	\$10,803,769.61	31.40%
Net Pension Asset	24,945.01	5,318.63	0.00	0.00	24,945.01	5,318.63	369.01%
Restricted Assets Held in Escrow	0.00	8,550,039.34	0.00	0.00	0.00	8,550,039.34	-100.00%
Capital Assets (Net of Depreciation)	<u>21,792,443.52</u>	<u>20,487,001.98</u>	<u>64,414.01</u>	<u>75,086.68</u>	<u>\$21,856,857.53</u>	<u>20,562,088.66</u>	6.30%
Total Assets	\$35,710,166.40	\$39,568,354.51	\$367,287.86	\$352,861.73	\$36,077,454.26	\$39,921,216.24	-9.63%
Long-Term Liabilities Outstanding	\$18,667,480.69	\$23,899,340.64	\$0.00	\$0.00	\$18,667,480.69	\$23,899,340.64	-21.89%
Other Liabilities	<u>1,444,658.73</u>	<u>790,151.61</u>	<u>32,589.22</u>	<u>26,844.67</u>	<u>1,477,247.95</u>	<u>816,996.28</u>	80.81%
Total Liabilities	\$20,112,139.42	\$24,689,492.25	\$32,589.22	\$26,844.67	\$20,144,728.64	\$24,716,336.92	-18.50%
Deferred Inflows of Resources - Taxes Levied for Future Period	\$2,926,300.32	\$2,917,526.08	\$0.00	\$0.00	\$2,926,300.32	\$2,917,526.08	0.30%
Pension Related Deferred Inflows	<u>554,181.97</u>	<u>429,208.03</u>	<u>0.00</u>	<u>0.00</u>	<u>554,181.97</u>	<u>429,208.03</u>	29.12%
Total Deferred Inflows	\$3,480,482.29	\$3,346,734.11	\$0.00	\$0.00	\$3,480,482.29	\$3,346,734.11	4.00%
Pension Related Deferred Outflows of Resources	<u>\$1,260,723.96</u>	<u>\$1,859,319.68</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1,260,723.96</u>	<u>\$1,859,319.68</u>	-32.19%
Total Deferred Outflows	\$1,260,723.96	\$1,859,319.68	\$0.00	\$0.00	\$1,260,723.96	\$1,859,319.68	-32.19%
Net Position:							
Invested in Capital Assets, Net of Related Debt	\$3,240,199.52	\$5,514,757.98	\$64,414.01	\$75,086.68	\$3,304,613.53	\$5,589,844.66	-40.88%
Restricted	9,340,247.29	6,904,023.99	0.00	0.00	9,340,247.29	6,904,023.99	35.29%
Unrestricted	<u>797,821.84</u>	<u>972,665.86</u>	<u>270,284.63</u>	<u>250,930.38</u>	<u>1,068,106.47</u>	<u>1,223,596.24</u>	-12.71%
Total Net Position	\$13,378,268.65	\$13,391,447.83	\$334,698.64	\$326,017.06	\$13,712,967.29	\$13,717,464.89	-0.03%
Beginning Net Position	<u>\$13,391,447.83</u>	<u>\$13,105,396.52</u>	<u>\$326,017.06</u>	<u>\$319,518.12</u>	<u>\$13,717,464.89</u>	<u>\$13,424,914.64</u>	
Increase (Decrease) in Net Position	<u>(\$13,179.18)</u>	<u>\$286,051.31</u>	<u>\$8,681.58</u>	<u>\$6,498.94</u>	<u>(\$4,497.60)</u>	<u>\$292,550.25</u>	
Percentage of Increase (Decrease) in Net Position	<u>-0.10%</u>	<u>2.18%</u>	<u>2.66%</u>	<u>2.03%</u>	<u>-0.03%</u>	<u>2.18%</u>	

Total assets decreased by \$3,843,761.98 between June 30, 2019 and June 30, 2020. Current assets increased by \$3,391,882.11, restricted assets held in escrow for crossover partial advance refunding bonds decreased by \$8,550,039.34, and net capital assets increased by \$1,294,768.87. The net pension asset (South Dakota Retirement System) of \$5,318.63 in FY2019 increased to a net pension asset of \$24,945.01 in FY2020.

Total liabilities decreased by \$4,571,608.28. Long-term liabilities outstanding decreased by \$5,231,859.95 primarily due to payments on existing certificates and bonds, including payoff of partial advance refunding bonds. \$3,755,000.00 in new Capital Outlay certificates were issued for a middle school/high school building improvement project and parking improvements. Other liabilities increased by \$660,251.67, primarily due to unamortized premiums on the new debt issuance and an increase in accounts payable.

Deferred inflows of resources increased by \$133,748.18. Future period property taxes and utility taxes increased by \$8,774.24, and pension related deferred inflows increased by \$124,973.94. Pension related deferred outflows decreased by \$598,595.72.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 school, consisting of general obligation bonds, capital outlay certificates payable, compensated absences payable and early retirement benefits payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Changes in Net Position

The School's revenues (excluding special items) totaled \$11,808,426.00 and the School's expenses totaled \$11,812,923.60. (See Table A-2).

49% of the School's revenue comes from property and other taxes, and 35% comes from state aid. (See Figure A-2)

- The School's expenses cover a range of services encompassing instruction, support services and food services. Expenses increased by approximately 4.60% in FY2020 due to an increase in the School's South Dakota Retirement System pension expense proportionate share, salary and benefit increases, an increase in special education expenses, upgrading of student computers, and a major K-12 curriculum replacement. (See Table A-2)

Figure A-2
Dell Rapids School District
Sources of Revenues for Fiscal Year 2020

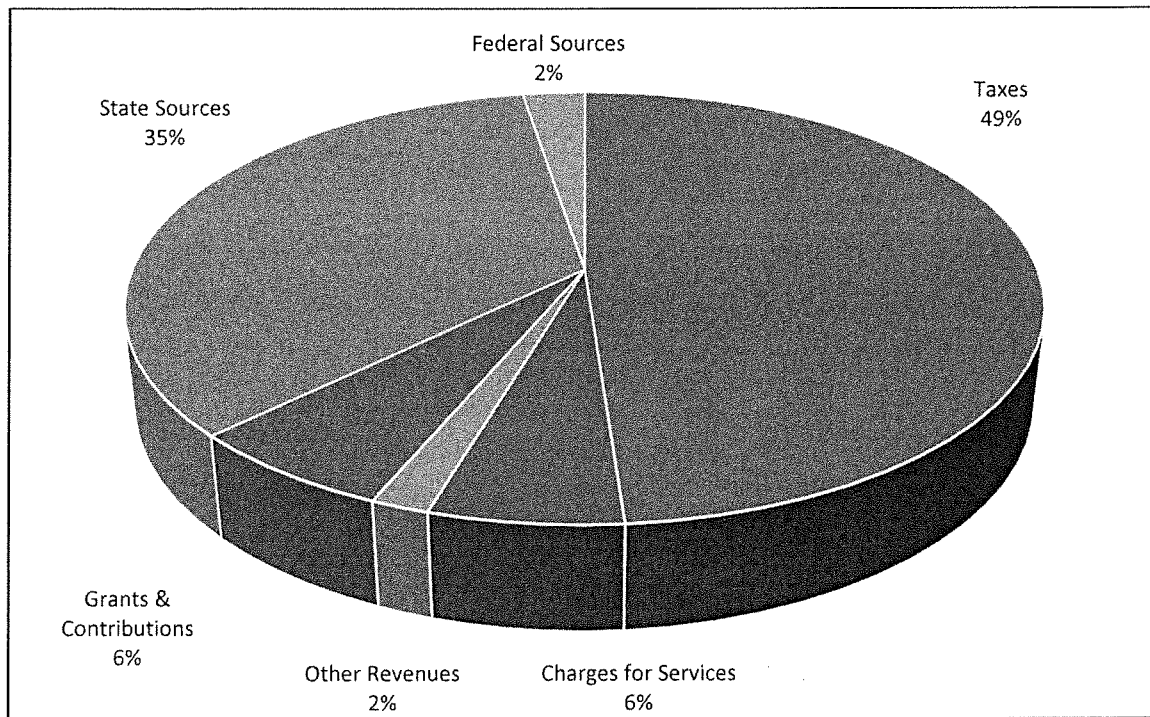
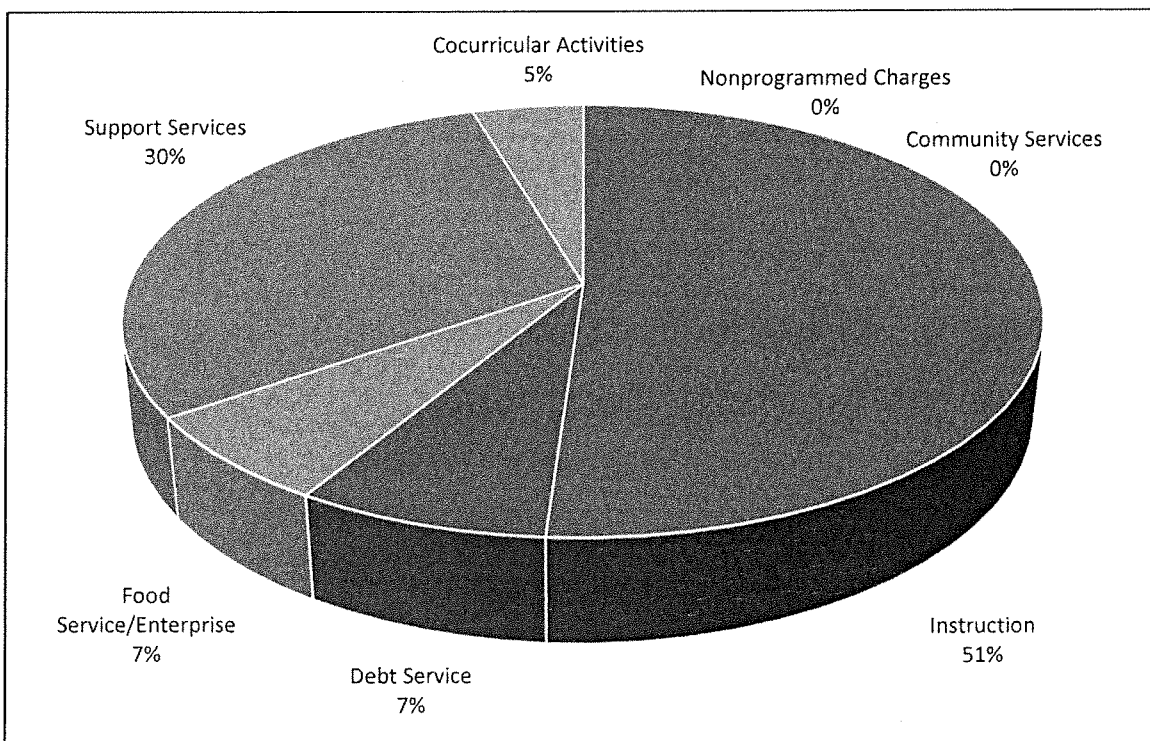


Figure A-3
Dell Rapids School District
Functional Expenses for Fiscal Year 2020



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

Table A-2
Dell Rapids School District 49-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues							
Program Revenues							
Charges for Services	\$111,201.48	\$108,679.63	\$573,001.17	\$651,989.77	\$684,202.65	\$760,669.40	-10.05%
Operating Grants and Contributions	535,917.19	493,881.55	219,864.55	203,235.91	755,781.74	697,117.46	8.42%
Capital Grants and Contributions		22,101.75			0.00	22,101.75	-100.00%
General Revenues							
Taxes	5,765,809.05	5,687,640.22			5,765,809.05	5,687,640.22	1.37%
Revenue State Sources	4,087,205.12	3,844,309.70			4,087,205.12	3,844,309.70	6.32%
Revenue Federal Sources	0.00	0.00			0.00	0.00	
Revenue Intermediate Sources	33,844.29	36,437.70			33,844.29	36,437.70	-7.12%
Revenue Local Sources	44,588.39	31,022.37			44,588.39	31,022.37	43.73%
Unrestricted Investment Earnings	129,257.29	105,501.51	207.53	455.26	129,464.82	105,956.77	22.19%
Federal Interest Reimbursement	307,529.94	400,513.15			307,529.94	400,513.15	-23.22%
Total Revenues	\$11,015,352.75	\$10,730,087.58	\$793,073.25	\$855,680.94	\$11,808,426.00	\$11,585,768.52	1.92%
Expenses							
Instruction	\$6,032,831.28	\$5,468,706.01			\$6,032,831.28	\$5,468,706.01	10.32%
Support Services	3,551,795.53	3,397,423.43			3,551,795.53	3,397,423.43	4.54%
Community Services	0.00	10,962.40			0.00	10,962.40	-100.00%
Nonprogrammed Charges	0.00	0.00			0.00	0.00	
Debt Service	896,955.82	1,033,193.98			896,955.82	1,033,193.98	-13.19%
Cocurricular Activities	546,949.30	533,750.45			546,949.30	533,750.45	2.47%
Food Service			506,442.66	585,191.94	506,442.66	585,191.94	-13.46%
Other Enterprise			277,949.01	263,990.06	277,949.01	263,990.06	5.29%
Total Expenses	\$11,028,531.93	\$10,444,036.27	\$784,391.67	\$849,182.00	\$11,812,923.60	\$11,293,218.27	4.60%
Excess (Deficiency) Before Special Items and Transfers	(\$13,179.18)	\$286,051.31	\$8,681.58	\$6,498.94	(\$4,497.60)	\$292,550.25	-101.54%
Transfers	0.00	0.00	0.00	0.00	0.00	0.00	
Increase (Decrease) in Net Position	(\$13,179.18)	\$286,051.31	\$8,681.58	\$6,498.94	(\$4,497.60)	\$292,550.25	-101.54%
Net Position, Beginning	\$13,391,447.83	\$13,105,396.52	\$326,017.06	\$319,518.12	\$13,717,464.89	\$13,424,914.64	2.18%
Net Position, Ending	\$13,378,268.65	\$13,391,447.83	\$334,698.64	\$326,017.06	\$13,712,967.29	\$13,717,464.89	-0.03%

GOVERNMENTAL ACTIVITIES

Revenues from governmental activities increased by \$285,265.17 or 2.66%. The main contributing factors were:

- An increase in revenue from state aid and other state sources.
- Increased revenue from grants and donations.
- Revenue from the sale of surplus property.
- Postponement of federal interest subsidies due to the COVID-19 pandemic.
- Expenditures from governmental activities increased by \$584,495.66 or 5.60%. Contributing factors for the increase include the change in the School's South Dakota Retirement System

pension expense proportionate share, salary and benefit increases, an increase in special education expenses, upgrading of student computers, and a major K-12 curriculum replacement.

BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities (Food Service and Enterprise) decreased by 7.32% to \$793,073.25 and expenses decreased by 7.63% to \$784,391.67. Factors contributing to these results included:

- Decrease in sales and expenses due to virtual instruction for two months.
- Annual increase in food service management company meal prices.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund had a \$99,444.69 increase in fund balance.

The Special Education Fund had a \$19,042.96 increase in fund balance, primarily due to:

- An increase in state aid/tax revenue
- Decreases in expenditures for the last two months of the school year when instruction was virtual.

The ending FY2020 Capital Outlay fund balance increased by \$799,881.73, primarily due to:

- Additional tax revenue from an increase in valuation
- Funds from the premium on debt issuance
- Reduced Capital Outlay flexibility transfer to the General Fund
- Unspent budget areas

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget three times. These amendments fell into two categories:

- Supplemental appropriations and contingency transfers approved to prevent budget overruns for unanticipated, yet necessary, expenses.
- Supplemental budgets approved to reflect revenue from grants, contributions, and donations and their related expenditures for supplies and equipment.
- Supplemental budgets approved to reflect the issuance of Capital Outlay certificates and the transfer to a Capital Projects Fund.

Favorable budget variances existed in various functional areas due to the School's continuous review throughout the year of various options to reduce costs. Additionally, some expenditures were reduced due to the two months of virtual instruction.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2020, the School had invested \$21,856,857.53 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery, and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$1,294,768.87, or 6.30%, over last year, due mainly to building improvements and annual depreciation.

Table A-3

**DELL RAPIDS SCHOOL DISTRICT - Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percent Change
	2020	2019	2020	2019	2019-2019	2018-2020
Land	\$480,615.75	\$480,615.75			\$0.00	0.00%
Buildings and Construction Work in Progress	20,430,052.75	19,081,193.56			1,348,859.19	7.07%
Improvements	258,184.86	316,379.29			-58,194.43	-18.39%
Machinery and Equipment	<u>623,590.16</u>	<u>608,813.38</u>	<u>\$64,414.01</u>	<u>\$75,086.68</u>	<u>4,104.11</u>	<u>.60%</u>
Total Capital Assets	\$21,792,443.52	\$20,487,001.98	\$64,414.01	\$75,086.68	\$1,294,768.87	6.30%

Major capital asset purchases included library books, 77-passenger school bus, skidsteer tractor, and guaranteed energy savings contract building improvements. Middle school/high school building and parking lot improvements are construction in progress to be completed in fall 2020.

LONG-TERM DEBT

At year-end, the School had \$18,667,480.69 in General Obligation Bonds, Capital Outlay Certificates, and other long-term obligations. This is a decrease of 21.89% as shown on Table A-4 below.

Table A-4

Dell Rapids School District 49-3 Outstanding Debt and Obligations

Table A-4
DELL RAPIDS SCHOOL DISTRICT 49-3 - Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2019	2020	2019	2019-2020	2019-2020
Bonds	\$9,110,000.00	\$17,880,000.00			-\$8,770,000.00	-49.05%
Capital Outlay Certificates	9,442,244.00	5,827,244.00			\$3,615,000.00	62.04%
SDSDBF Insurance Deficit	64,103.00	128,206.00			-\$64,103.00	-50.00%
Installment Purchase Contracts	0.00	0.00			\$0.00	
Early Retirement	11,207.20	33,023.20			-\$21,816.00	-66.06%
Accrued Leave	39,926.49	30,867.44			\$9,059.05	29.35%
Net Pension Liability (SDRS)	0.00	0.00			\$0.00	
Total Outstanding Debt and Obligations	\$18,667,480.69	\$23,899,340.64	\$0.00	\$0.00	-\$5,231,859.95	-21.89%

The School paid \$490,000.00 in principal and \$686,290.54 in interest for Capital Outlay Certificates, General Obligation Bonds, and Qualified School Construction Bonds. \$294,446.00 (annual obligation) was put into a Debt Service sinking fund for payment of Qualified School Construction Bond principal at maturity in 2025. \$8,420,000.00 principal was paid from the School's escrow account for crossover partial advance refunding bonds. \$76,635.66 in interest was earned by the School's escrow account, and \$206,675.00 in interest expense was paid from this account. \$3,755,000.00 in Capital Outlay Certificates were issued in May 2020 to fund middle school/high school building improvements. \$7,979.72 of premiums on this debt issuance were amortized in FY2020.

The School is a member of the South Dakota School District Benefits Fund (SDSDBF) which had a significant deficit position from prior years. The SDSDBF assessed each member school for their share of the deficit, and the School will pay its \$254,537.00 share, plus \$3,820.00 interest, in four installments payable FY2018, FY2019, FY2020, and FY2021.

The School is liable for accrued annual vacation leave earned by full-time support staff.

The School maintains an early retirement plan, which allows teachers meeting certain qualifications to retire early and receive a benefit of \$30,000.00 paid in equal payments spread over the next three years. This plan allows the School to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

All employees who work 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. At June 30, 2020 the School's proportionate share of net pension asset was \$24,945.01

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown some change. The School experienced an increase in total property valuation (2019 valuation for taxes payable in 2020) of \$29,802,111, or 4.60% from the prior year. While the growth in valuation does increase the amount of revenue the School can generate from property taxes, the total amount which can be levied is limited by the State of South Dakota. In addition, growth in property valuation does not improve revenues for the General Fund or Special Education Fund because major revenues for these funds are based on an annual allocation derived from a formula determined by the State. This allocation is based on a combination of local property tax revenue and state funds. During calendar year 2020, additional revenue of approximately \$83,565 will be generated for the Capital Outlay Fund due to the increase in valuation.

One of the primary sources of revenue to the School had been based on a per student allocation from the State of South Dakota. This state aid formula ensured that property taxes plus state aid equal the per student allocation. Per pupil allocations from FY2011 through FY2016 were:

FY2016	\$4,876.76 (2% increase)
FY2015	\$4,781.14 (3.36% increase)
FY2014	\$4,625.65 (2.32% increase)
FY2013	\$4,490.07, plus a one-time \$30.73 additional allocation (.75% increase)
FY2012	\$4,389.95, plus a one-time \$97.00 additional allocation (6.61% reduction)
FY2011	\$4,804.60

In March 2016, the State legislature approved a K-12 education package aimed at increasing the statewide average teacher salary, and recruiting and retaining high quality teachers in the state. The state sales tax rate was increased by one-half cent to fund the K-12 education package.

The new K-12 funding formula, effective in FY2017, was based on a target statewide average salary of \$48,500, and was implemented as follows:

- A target student-to-teacher ratio, based on a sliding scale by student enrollment, was calculated for each school. The student-to-teacher ratio for the Dell Rapids School District is 15-1.
- The school's target number of teachers was calculated by dividing the school's fall enrollment by the target student-to-teacher ratio.
- The school's total instructional need was calculated by multiplying the school's target number of teachers by the statewide target for average teacher salary, and by increasing that total by 29% for benefits.

- The total instructional need was increased by 31% to cover non-instructional costs, which include operating costs as well as salaries and benefits of non-instructional staff, such as administrators, guidance counselors, librarians, and school nurses.
- These steps were used to calculate the school's total need for state aid. Local tax effort was applied against total need, and the state provided any necessary funding to achieve the total need.
- Under the K-12 education funding package, schools retain control on how to use the dollars they receive. However, the law required that at least 85% of the increase received in FY2017 be used to enhance certified instructional staff salaries and benefits. The Dell Rapids School District increased teacher salaries in FY2017 by an average of 16%. No accountability provision was legislated for FY2018. In FY2019 and FY2020, schools are accountable to pay average teacher compensation (salaries and benefits) that are greater than, or equal to, average teacher compensation paid in FY2017.

Additional provisions in the new K-12 funding package include:

- The pension levy was abolished, and any moneys remaining in the Pension Fund were merged into the General Fund in FY2020.
- Capital Outlay flexibility was broadened and made permanent. 45% of Capital Outlay property tax collections can be transferred to the General Fund for any general fund purpose.
- Future growth in Capital Outlay tax collections are capped to an increase of 3% or inflation, annually, plus new construction.
- Over the next five years, other revenues, including utility gross receipts taxes, county apportionment of revenue from traffic fines, and bank franchise taxes, will be equalized across school districts.

The School's enrollment has increased as follows:

- Fall 2015 – 902
- Fall 2016 – 912
- Fall 2017 – 938
- Fall 2018 – 951
- Fall 2019 – 992
- Fall 2020 – 982

Under the new funding formula, the School received, or will receive, the following General Fund revenue from state aid and taxes, after equalization of other revenues:

- FY2017 - \$4,988,750
- FY2018 - \$5,151,123
- FY2019 - \$5,288,550
- FY2020 - \$5,604,650
- FY2021 - \$5,659,516

In May of 2020, the School issued \$3,755,000 in Capital Outlay certificates to fund a middle school/high school building improvement project and parking lot improvements.

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 School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Dell Rapids School District 49-3, 1216 North Garfield Avenue, Dell Rapids, SD 57022.

Dell Rapids School District 49-3
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 10,849,431.97	\$ 302,873.85	\$ 11,152,305.82
Taxes Receivable	2,645,012.05		2,645,012.05
Other Assets	398,333.85		398,333.85
Net Pension Asset	24,945.01		24,945.01
Capital Assets:			
Land and Construction in Progress	2,302,826.11		2,302,826.11
Other Capital Assets, Net of Depreciation	19,489,617.41	64,414.01	19,554,031.42
TOTAL ASSETS	\$ 35,710,166.40	\$ 367,287.86	\$ 36,077,454.26
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	1,260,723.96		1,260,723.96
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,260,723.96		1,260,723.96
LIABILITIES:			
Accounts Payable	\$ 427,984.83	\$ 1,348.19	\$ 429,333.02
Other Current Liabilities	1,016,673.90	127.86	1,016,801.76
Unearned Revenue		31,113.17	31,113.17
Noncurrent Liabilities:			
Due Within One Year	750,236.69		750,236.69
Due in More than One Year	17,917,244.00		17,917,244.00
TOTAL LIABILITIES	20,112,139.42	32,589.22	20,144,728.64
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	2,926,300.32	-	2,926,300.32
Pension Related Deferred Inflows	554,181.97	-	554,181.97
TOTAL DEFERRED INFLOWS OF RESOURCES	3,480,482.29	-	3,480,482.29
NET POSITION:			
Net Investment in Capital Assets	3,240,199.52	64,414.01	3,304,613.53
Restricted for:			
Capital Outlay	3,222,906.37		3,222,906.37
Special Education	85,640.86		85,640.86
Capital Projects	1,977,789.64		1,977,789.64
Debt Service	3,322,423.42		3,322,423.42
SDRS Pension Purposes	731,487.00		731,487.00
Unrestricted	797,821.84	270,284.63	1,068,106.47
TOTAL NET POSITION	\$ 13,378,268.65	\$ 334,698.64	\$ 13,712,967.29

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

Dell Rapids School District 49-3
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Expenses	
Primary Government:							
Governmental Activities:							
Instruction	\$ 6,032,831.28	\$ -	\$ 424,892.27	\$ -	\$ (5,607,939.01)	\$ -	\$ (5,607,939.01)
Support Services	3,551,795.53	62,486.19	86,274.49	-	(3,403,034.85)		(3,403,034.85)
* Interest on Long-term Debt	896,955.82		307,529.94		(589,425.88)		(589,425.88)
Cocurricular Activities	546,949.30	48,715.29	24,750.43		(473,483.58)		(473,483.58)
Total Governmental Activities	11,028,531.93	111,201.48	843,447.13	-	(10,073,883.32)		(10,073,883.32)
Business-type Activities:							
Food Service	506,442.66	315,357.28	185,406.93			(5,678.45)	(5,678.45)
Other	277,949.01	257,643.89	34,457.62			14,152.50	14,152.50
Total Business-type Activities:	784,391.67	573,001.17	219,864.55	-	-	8,474.05	8,474.05
Total Primary Government	\$ 11,812,923.60	\$ 684,202.65	\$ 1,063,311.68	\$ -	\$ (10,073,883.32)	\$ 8,474.05	\$ (10,065,409.27)
General Revenues:							
Taxes:							
Property Taxes					5,560,960.67		5,560,960.67
Utility Taxes					204,848.38		204,848.38
Revenue from State Sources:							
State Aid					3,785,388.37		3,785,388.37
Other					301,816.75		301,816.75
Unrestricted Investment Earnings					129,257.29	207.53	129,464.82
Other General Revenues					78,432.68		78,432.68
Total General Revenue					10,060,704.14	207.53	10,060,911.67
Change in Net Position					(13,179.18)	8,681.58	(4,497.60)
Net Position - Beginning					13,391,447.83	326,017.06	13,717,464.89
NET POSITION - ENDING					\$ 13,378,268.65	\$ 334,698.64	\$ 13,712,967.29

* The district does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

Dell Rapids School District 49-3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Debt Service Fund	Qualified School Construction Bond Redemption Fund	Middle School/ High School Renovation Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:								
Cash and Cash Equivalents	\$ 1,800,205.83	\$ 3,145,348.01	\$ 202,604.60	\$ 548,245.95	\$ 2,782,041.05	\$ 2,370,986.53	\$ -	\$ 10,849,431.97
Taxes Receivable--Current	987,106.81	902,571.60	521,457.19	207,295.34				2,618,430.94
Taxes Receivable--Delinquent	11,342.56	7,957.08	4,240.23	3,041.24		-	-	26,581.11
Accounts Receivable, Net	313.00							313.00
Due from Other Government	280,389.28	117,081.33	550.24					398,020.85
TOTAL ASSETS	\$ 3,079,357.48	\$ 4,172,958.02	\$ 728,852.26	\$ 758,582.53	\$ 2,782,041.05	\$ 2,370,986.53	\$ -	\$ 13,892,777.87
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:								
Liabilities:								
Accounts Payable	\$ 18,048.56	\$ -	\$ 16,739.38	\$ -	\$ -	\$ 393,196.89	\$ -	\$ 427,984.83
Contracts Payable	494,763.05		59,760.15					554,523.20
Payroll Deductions and Withholdings and Employer Matching Payable	133,118.10		17,823.27					150,941.37
Total Liabilities	645,929.71	-	94,322.80	-	-	393,196.89	-	1,133,449.40
Deferred Inflows of Resources:								
Unavailable Revenue - Property Taxes	11,342.56	7,957.08	4,240.23	3,041.24		-	-	26,581.11
Unavailable Revenue - Utility Taxes	173,776.28							173,776.28
Taxes Levied for Future Period	1,035,383.63	950,051.65	548,888.60	218,200.16				2,752,524.04
Total Deferred Inflows of Resources	1,220,502.47	958,008.73	553,128.83	221,241.40	-	-	-	2,952,881.43
Fund Balances:								
Restricted:								
Capital Outlay		3,214,949.29						3,214,949.29
Special Education			81,400.63					81,400.63
Debt Service				537,341.13	2,782,041.05			3,319,382.18
Capital Projects						1,977,789.64	-	1,977,789.64
Assigned	295,826.00							295,826.00
Unassigned	917,099.30							917,099.30
Total Fund Balances	1,212,925.30	3,214,949.29	81,400.63	537,341.13	2,782,041.05	1,977,789.64	-	9,806,447.04
TOTAL LAIBILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,079,357.48	\$ 4,172,958.02	\$ 728,852.26	\$ 758,582.53	\$ 2,782,041.05	\$ 2,370,986.53	\$ -	\$ 13,892,777.87

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

Dell Rapids School District No. 49-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2020

Total Fund Balances - Governmental Funds \$ 9,806,447.04

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	The cost of capital assets are Accumulated depreciation is Net	\$ 31,151,847.20 (11,181,614.04) <u> </u>	19,970,233.16
	The cost of construction in progress is		1,822,210.36
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	Bonds CO Certificates Premium on Debt Issued Early Retirement SDSDBF Insurance Deficit Accrued Leave Net	\$ (9,110,000.00) (9,442,244.00) (311,209.33) (11,207.20) (64,103.00) (39,926.49) <u> </u>	(18,978,690.02)

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds. 26,581.11

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds 24,945.01

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 1,260,723.96

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (554,181.97)

Net Position - Governmental Funds \$ 13,378,268.65

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

Dell Rapids School District 49-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Debt Service Fund	Qualified School Construction Bond Redemption Fund	Middle School/ High School Renovation Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Revenue from Local Sources:								
Taxes:								
Ad Valorem Taxes	\$ 2,027,322.69	\$ 1,853,168.19	\$ 1,051,362.63	\$ 567,631.91	\$ -	\$ -	\$ -	\$ 5,499,485.42
Prior Years' Ad Valorem Taxes	21,558.82	16,033.57	8,200.40	6,231.04			105.47	52,129.30
Utility Taxes	204,848.38							204,848.38
Penalties and Interest on Taxes	7,451.92	3,387.80	1,709.51	1,170.37			35.91	13,755.51
Tuition and Fees:								
Regular Day School Transportation Fees	29,740.00							29,740.00
Other Transportation Fees	13,856.79							13,856.79
Earnings on Investments and Deposits	481.58	1,889.48	29.87	483.07	49,727.16		10.47	52,621.63
Cocurricular Activities:								
Admissions	48,715.29							48,715.29
Other Revenue from Local Sources:								
Rentals	4,820.00							4,820.00
Contributions and Donations	6,452.25	24,754.34						31,206.59
Services Provided Other LEAs			18,889.40					18,889.40
Refund of Prior Years' Expenditures	182.53							182.53
Charges for Services	5,358.49		25,397.56					30,756.05
Other	15,232.36	-	-					15,232.36
Revenue from Intermediate Sources:								
County Sources:								
County Apportionment	33,844.29							33,844.29
Revenues from State Sources:								
Grants-in-Aid:								
Unrestricted Grants-in-Aid	3,878,377.75							3,878,377.75
Restricted Grants-in-Aid	13,911.37		194,916.00					208,827.37
Revenue from Federal Sources:								
Grants-in-Aid:								
Restricted Grants-in-Aid Received from Federal Government Through the State	207,446.39	37,314.16	229,194.00					473,954.55
Other Federal Revenue		215,340.84		92,189.10		-	-	307,529.94
Total Revenue	6,519,600.90	2,151,888.38	1,529,699.37	667,705.49	49,727.16	-	151.85	10,918,773.15

Dell Rapids School District 49-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Debt Service Fund	Qualified School Construction Bond Redemption Fund	Middle School/ High School Renovation Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:								
Instruction:								
Regular Programs:								
Elementary	\$ 1,476,683.25	\$ 156,072.48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,632,755.73
Middle/Junior High	1,041,968.28	113,100.29						1,155,068.57
High School	1,152,674.39	154,421.03						1,307,095.42
Special Programs:								
Programs for Special Education		295.00	960,774.05					961,069.05
Culturally Different	2,159.82							2,159.82
Educationally Deprived	116,854.79							116,854.79
Support Services:								
Pupils:								
Attendance and Social Work	5,150.00							5,150.00
Guidance	182,952.18							182,952.18
Health	58,878.48		1,718.50					60,596.98
Psychological			54,619.60					54,619.60
Speech Pathology			152,684.18					152,684.18
Student Therapy Services			89,931.85					89,931.85
Support Services - Instructional Staff:								
Improvement of Instruction	25,867.94		743.40					26,611.34
Educational Media	277,392.76	72,611.80						350,004.56
Support Services - General Administration:								
Board of Education	47,954.81							47,954.81
Executive Administration	177,630.65							177,630.65
Support Services - School Administration:								
Office of the Principal	418,864.83	261.45						419,126.28
Other	605.32							605.32
Support Services - Business:								
Fiscal Services	127,217.56	6,147.00						133,364.56
Facilities Acquisitions and Construction		29,447.49						29,447.49
Operation and Maintenance of Plant	814,210.95	16,317.71						830,528.66
Student Transportation	270,522.47	3,300.00						273,822.47
Internal Services	2,160.96	10,363.20						12,524.16
Support Services - Central:								
Staff	2,604.98							2,604.98
Other	10,993.00							10,993.00
Support Services - Special Education:								
Administrative Costs			101,754.65					101,754.65
Transportation Costs			102,233.52					102,233.52
Other Special Education Costs			46,196.66					46,196.66

Dell Rapids School District 49-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Elementary School Debt Service Fund	Qualified School Construction Bond Redemption Fund	Middle School/ High School Renovation Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Nonprogrammed Charges:								
Early Retirement Payments							21,816.00	21,816.00
Debt Services		507,012.51		9,295,390.37				9,802,402.88
Cocurricular Activities:								
Male Activities	86,618.53							86,618.53
Female Activities	63,922.86							63,922.86
Transportation	59,810.90							59,810.90
Combined Activities	126,886.15	22,991.64						149,877.79
Capital Outlay		168,222.10				1,822,210.36	87,899.00	2,078,331.46
Total Expenditures	6,550,585.86	1,260,563.70	1,510,656.41	9,295,390.37	-	1,822,210.36	109,715.00	20,549,121.70
Excess of Revenue Over (Under) Expenditures	(30,984.96)	891,324.68	19,042.96	(8,627,684.88)	49,727.16	(1,822,210.36)	(109,563.15)	(9,630,348.55)
Other Financing Sources:								
Transfers In	125,429.65	3,573.00			294,446.00	3,800,000.00		4,223,448.65
Transfers Out		(4,194,446.00)					(29,002.65)	(4,223,448.65)
General Long-Term Debt Issued		4,074,189.05						4,074,189.05
Sale of Surplus Property		25,241.00						25,241.00
Total Other Financing Sources (Uses)	125,429.65	(91,442.95)	-	-	294,446.00	3,800,000.00	(29,002.65)	4,099,430.05
Net Changes in Fund Balances	94,444.69	799,881.73	19,042.96	(8,627,684.88)	344,173.16	1,977,789.64	(138,565.80)	(5,530,918.50)
Fund Balance - Beginning	1,118,480.61	2,415,067.56	62,357.67	9,165,026.01	2,437,867.89	-	138,565.80	15,337,365.54
FUND BALANCE - ENDING	\$ 1,212,925.30	\$ 3,214,949.29	\$ 81,400.63	\$ 537,341.13	\$ 2,782,041.05	\$ 1,977,789.64	\$ -	\$ 9,806,447.04

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

Dell Rapids School District 49-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (5,530,918.50)

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 2,078,331.46

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (772,002.42)

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (887.50)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

Bond	\$ 8,770,000.00	
CO Certificate	140,000.00	
Other Long-Term	64,103.00	
		8,974,103.00

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.

CO Certificate	(\$3,755,000.00)	
		(3,755,000.00)

When bonds are issued there is usually a premium or discount involved. This premium or discount is amortized over the life of the bonds issued. (311,209.33)

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statement in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". (4,409.56)

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.

Vacation Leave	\$ (9,059.05)	
Early Retirement	21,816.00	
		12,756.95

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 the governmental funds. (Pension Expense) (703,943.28)

Change in Net Position of Governmental Activities \$ (13,179.18)

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

Dell Rapids School District No.49-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 164,292.43	\$ 138,581.42	\$ 302,873.85
Total Current Assets	<u>164,292.43</u>	<u>138,581.42</u>	<u>302,873.85</u>
Noncurrent Assets:			
Machinery and Equipment - Local Funds	152,890.75		152,890.75
Less: Accumulated Depreciation	<u>(88,476.74)</u>		<u>(88,476.74)</u>
Total Noncurrent Assets	<u>64,414.01</u>	<u>-</u>	<u>64,414.01</u>
TOTAL ASSETS	<u>\$ 228,706.44</u>	<u>\$ 138,581.42</u>	<u>\$ 367,287.86</u>
LIABILITIES:			
Accounts Payable	\$ -	\$ 1,348.19	\$ 1,348.19
Payroll Deductions and Withholdings and Employer Matching Payable		127.86	127.86
Unearned Revenues	<u>31,113.17</u>		<u>31,113.17</u>
TOTAL LIABILITIES	<u>\$ 31,113.17</u>	<u>\$ 1,476.05</u>	<u>\$ 32,589.22</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 64,414.01	\$ -	\$ 64,414.01
Unrestricted Net Position	<u>133,179.26</u>	<u>137,105.37</u>	<u>270,284.63</u>
Total Net Position	<u>197,593.27</u>	<u>137,105.37</u>	<u>334,698.64</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 228,706.44</u>	<u>\$ 138,581.42</u>	<u>\$ 367,287.86</u>

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

Dell Rapids School District No. 49-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
Operating Revenue:			
Sales:			
Student	\$ 304,093.86	\$ -	\$ 304,093.86
Adults	11,263.42		11,263.42
Other Charges for Goods and Services		244,772.60	244,772.60
	<u>315,357.28</u>	<u>244,772.60</u>	<u>560,129.88</u>
Total Operating Revenue			
Operating Expenses:			
Food Service:			
Salaries	7,313.04	194,546.19	201,859.23
Employee Benefits	1,050.19	35,174.85	36,225.04
Purchased Services	433,305.55	25,256.19	458,561.74
Supplies	1,303.00	19,971.78	21,274.78
Cost of Sales - Donated	52,798.21		52,798.21
Other		3,000.00	3,000.00
Depreciation - Local Funds	10,672.67		10,672.67
	<u>506,442.66</u>	<u>277,949.01</u>	<u>784,391.67</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(191,085.38)</u>	<u>(33,176.41)</u>	<u>(224,261.79)</u>
Nonoperating Revenue:			
Investment Earnings	116.74	90.79	207.53
Other Local Revenue		19,257.62	19,257.62
State Grants	1,982.30	12,871.29	14,853.59
Federal Grants	130,626.42	15,200.00	145,826.42
Donated Food	52,798.21		52,798.21
	<u>185,523.67</u>	<u>47,419.70</u>	<u>232,943.37</u>
Total Nonoperating Revenue (Expense)			
Change in Net Position	<u>(5,561.71)</u>	<u>14,243.29</u>	<u>8,681.58</u>
Net Position - Beginning	<u>203,154.98</u>	<u>122,862.08</u>	<u>326,017.06</u>
NET POSITION - ENDING	<u><u>\$ 197,593.27</u></u>	<u><u>\$ 137,105.37</u></u>	<u><u>\$ 334,698.64</u></u>

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

Dell Rapids School District No. 49-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 330,567.69	\$237,458.60	\$ 568,026.29
Payments to Employees for Services	(8,363.23)	(229,609.16)	(237,972.39)
Payments to Suppliers of Goods and Services	(434,608.55)	(50,491.71)	(485,100.26)
Net Cash Provided (Used) by Operating Activities	<u>(112,404.09)</u>	<u>(42,642.27)</u>	<u>(155,046.36)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants	<u>132,608.72</u>	<u>47,328.91</u>	<u>179,937.63</u>
Net Cash Flows from Noncapital Financing Activities	<u>132,608.72</u>	<u>47,328.91</u>	<u>179,937.63</u>
Cash Flows from Investing Activities:			
Interest Earnings	<u>116.74</u>	<u>90.79</u>	<u>207.53</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u><u>\$ 20,321.37</u></u>	<u><u>\$ 4,777.43</u></u>	<u><u>\$ 25,098.80</u></u>
Cash and Cash Equivalents at Beginning of Year	\$ 143,971.06	\$133,803.99	\$ 277,775.05
Cash and Cash Equivalents at End of Year	<u>164,292.43</u>	<u>138,581.42</u>	<u>302,873.85</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u><u>\$ 20,321.37</u></u>	<u><u>\$ 4,777.43</u></u>	<u><u>\$ 25,098.80</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$(191,085.38)	\$ (33,176.41)	\$(224,261.79)
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	10,672.67		10,672.67
Value of Donated Commodities Used	52,798.21		52,798.21
Change in Assets and Liabilities:			
Accounts Payable		(2,263.74)	(2,263.74)
Accrued Wages and Benefits Payable		111.88	111.88
Unearned Revenue	<u>15,210.41</u>	<u>(7,314.00)</u>	<u>7,896.41</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$(112,404.09)</u></u>	<u><u>\$ (42,642.27)</u></u>	<u><u>\$(155,046.36)</u></u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 52,798.21		\$ 52,798.21

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

Dell Rapids School District No. 49-3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	<u>Custodial Funds</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 130,779.93</u>
TOTAL ASSETS	<u><u>\$ 130,779.93</u></u>
LIABILITIES:	
Accounts Payable	<u>\$ 1,068.16</u>
NET POSITION:	
Restricted for:	
Organizations	<u>\$ 129,711.77</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 130,779.93</u></u>

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

Dell Rapids School District No. 49-3
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30,2020

	<u>Custodial Funds</u>
ADDITIONS:	
Collections for Organization Activities	<u>\$ 149,404.07</u>
TOTAL ADDITIONS	<u>\$ 149,404.07</u>
DEDUCTIONS:	
Payments for Organization Activities	\$ 140,433.58
Other Deductions	<u>2,810.30</u>
TOTAL DEDUCTIONS	<u>\$ 143,243.88</u>
Change in Net Position	<u>\$ 6,160.19</u>
Net Position - Beginning	<u>\$ -</u>
Restatement:	
Implementation of GASB 84 (See Note 19)	<u>123,551.58</u>
Net Position - Beginning, as Restated	<u>123,551.58</u>
NET POSITION - ENDING	<u><u>\$ 129,711.77</u></u>

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Dell Rapids School District No. 49-3 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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 recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as programs revenues, including all taxes, are presented as general revenues.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

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

The funds of the 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 School District. This fund is financed by grants and property taxes. This is a major fund.

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

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

Bond Redemption Fund - a fund established by 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. Two Bond Redemption Funds are maintained by the School District – the Elementary School Bond Redemption Fund and the Qualified

DELL RAPIDS SCHOOL DISTRICT NO. 49-3 NOTES TO THE FINANCIAL STATEMENTS

School Construction Bond Fund. The Qualified School Construction Bond Fund is a major fund. The School District has chosen to treat the Elementary School Bond Redemption Fund as 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 Guaranteed Energy Savings Capital Project Fund and the Middle School/High School Renovation Capital Project Fund are the only capital projects fund maintained by the School District. The Guaranteed Energy Savings Capital Project Fund is not a major fund. The Middle School/High School Renovation Capital Project Fund 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. The School District has chosen to treat this as a major fund.

Other Enterprise Fund – a fund used to account for fee based programs such as before/after school programs, drivers' education, athletic camps, and ACT Prep classes. This is not a major fund.

Fiduciary Funds:

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

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, 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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 30 days. The revenues which are accrued at June 30, 2020 are:

Title I reimbursement receivable	\$ 29,267.00
Title IIA reimbursement receivable	4,458.00
Title IV reimbursement receivable	2,139.00
IDEA 611 reimbursement receivable	421.00
Medicaid reimbursement receivable	129.24
DOC grant reimbursement receivable	7,505.90
Rural electric utility taxes receivable	63,243.10
ASBSD P-Card rebate receivable	313.00
QSCB interest subsidy receivable	107,891.81
Workforce education grant receivable	9,189.52

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

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

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

d. Deposits and Investments

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

Investments classified in the financial statements consist 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.

e. Capital Assets

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

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

Government-Wide 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 eight percent for which the costs were determined by estimates of the original cost. The total June 30, 2020 balance of capital assets for business-type activities are all valued at original cost.

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All Land	-----N/A-----	-----N/A-----
Improvements other than Buildings	\$ 15,000.00	Straight-line	20 yrs.
Buildings	\$ 50,000.00	Straight-line	50 yrs.
Building Improvements	\$ 25,000.00	Straight-line	20 yrs.
Machinery and Equipment	\$ 5,000.00	Straight-line	10-15 yrs.
Food Service Equipment	\$ 5,000.00	Straight-line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Long-Term Liabilities

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 compensated absences, early retirement benefits payable, South Dakota School District Benefit Fund deficit, capital outlay certificates payable, and bonds payable.

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

g. Program Revenues

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

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

h. Proprietary Funds Revenue and Expense Classifications

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

i. Cash and Cash Equivalents

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

j. Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

k. Application of Net Position

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

l. Fund 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.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

- 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 or Business Manager.
- 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 Governing Board committed the following fund balance types by taking the following action:

The General Fund Assigned Fund Balance as authorized by the Governing Board is comprised of the following:

Assigned for the Subsequent Year's Budget	\$295,826.00
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The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

m. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses (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.

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2020, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the School District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2020. The implementation of this standard required the School District to reclassify previously reported agency funds as custodial funds.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

3. 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.

As of June 30, 2020, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. There were no investments held as of June 30, 2020.

The actual bank balances at June 30, 2020 were as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 755,999.89
Uninsured, collateral jointly held by state's/School's agent in the name of the state and the pledging financial institution.	
Uninsured, uncollateralized	<u>10,898,794.46</u>
Total Deposits	<u>\$ 11,654,794.35</u>

The School District's carrying amount of deposits at June 30, 2020 was \$11,280,035.75.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

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.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been established.

5. INVENTORY

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is current cost, First-In, First-Out (FIFO) basis. 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 in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The district's inventory of consumable supplies at June 30, 2020 was not material to the financial statements.

6. 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 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."

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 480,615.75			\$ 480,615.75
Construction Work in Progress	875,528.00	1,822,210.36	875,528.00	1,822,210.36
Total, not being depreciated	1,356,143.75	1,822,210.36	875,528.00	2,302,826.11
Capital assets, being depreciated:				
Improvements	1,079,280.23			\$1,079,280.23
Buildings	26,678,549.50	963,427.00		\$27,641,976.50
Machinery and Equipment	1,866,394.66	168,222.10	84,642.04	\$1,949,974.72
Total, being depreciated	29,624,224.39	1,131,649.10	84,642.04	30,671,231.45
Less accumulated depreciation for:				
Improvements	762,900.94	58,194.43		821,095.37
Buildings	8,472,883.94	561,250.17		9,034,134.11
Machinery and Equipment	1,257,581.28	152,557.82	83,754.54	1,326,384.56
Total accumulated depreciation	10,493,366.16	772,002.42	83,754.54	11,181,614.04
Total capital assets, being depreciated, net	19,130,858.23	359,646.68	887.50	19,489,617.41
Governmental activity capital assets, net	<u>\$ 20,487,001.98</u>	<u>\$ 2,181,857.04</u>	<u>\$ 876,415.50</u>	<u>\$ 21,792,443.52</u>

** Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 384,537.22
Support Services	225,851.61
Co-curricular Activities	161,613.59
Total depreciation expense - governmental activities	<u>\$ 772,002.42</u>

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Business-type Activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 152,890.75			\$ 152,890.75
Less accumulated depreciation for:				
Machinery and Equipment	77,804.07	10,672.67		88,476.74
Total capital assets, being depreciated, net	75,086.68	(10,672.67)	-	64,414.01
Business-type activity capital assets, net	<u>\$ 75,086.68</u>	<u>\$ (10,672.67)</u>	<u>\$ -</u>	<u>\$ 64,414.01</u>

**Depreciation expense was charge to functions as follows:

Business-type activities:	
Food Service - Current Year Depreciation	\$ 10,672.67

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Construction in Progress is comprised of a Middle School/High School renovation project. The total cost of the project is expected to be \$4,002,316.05, of which \$1,822,210.36 was expended through June 30, 2020.

8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 17,880,000.00	\$ -	\$ 8,770,000.00	\$ 9,110,000.00	\$ 480,000.00
Capital Outlay Certificates	5,827,244.00	3,755,000.00	140,000.00	9,442,244.00	155,000.00
SDSDBF Insurance Deficit	128,206.00		64,103.00	64,103.00	64,103.00
Total Debt	23,835,450.00	3,755,000.00	8,974,103.00	18,616,347.00	699,103.00
Early Retirement Payable-					
Governmental Funds	33,023.20	-	21,816.00	11,207.20	11,207.20
Accrued Compensated Absences-					
Governmental Funds	30,867.44	44,338.74	35,279.69	39,926.49	39,926.49
Total Governmental Activities	\$ 23,899,340.64	\$ 3,799,338.74	\$ 9,031,198.69	\$ 18,667,480.69	\$ 750,236.69

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirement Benefits payable for governmental activities typically have been liquidated from the Pension Fund.

Annual payments of \$294,446.00 are being made into a Sinking Fund for the payment of QSCB certificate principal at maturity in 2025.

During fiscal year 2017, the School District issued \$8,735,000.00 in Series 2016 General Obligation Refunding Bonds with an average interest rate ranging from 2-3% to refund the following:

<u>Year Issued</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Unpaid Principal at Time of Refunding</u>
2010	General Obligation Build America Bonds	3.073% to 6.407%	\$8,420,000.00

The School District refunded the debt to reduce its total debt service payments over the next 18 years by \$1,047,878.95 to obtain an economic gain of \$832,602.92. The net proceeds of \$8,735,000.00 plus premiums of \$261,636.75 and less discounts and fees of \$137,488.75 and cash payments of \$1,679.83 were deposited in an irrevocable trust with an escrow agent to provide for debt service requirements on the refunded issue which was called effective 1/15/2020 (crossover date).

During fiscal year 2020, the School District issued \$3,755,000.00 in Capital Outlay Certificates to fund middle school/high school interior and exterior improvements.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Liabilities payable at June 30, 2020 are comprised of the following:

Primary Government:

Governmental Activities:

Bonds Payable – Payable from Bond Redemption Fund

Series 2010A-2; Build America Bonds; Maturity – 6/30/2035; Interest Rate – 3.073% to 6.407%
Series 2016; General Obligation Refunding Bonds; Maturity – 6/30/35; Interest Rate – 2.0% to 3.0%

Total	<u>\$9,110,000.00</u>
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Capital Outlay Certificates – Payable from Capital Outlay Fund

2010; Qualified School Construction Bonds; Maturity – 6/1/2025; Interest Rate – 6.05%
2016; Maturity – 12/15/2025; Interest Rate – 1.0% to 2.25%
2018; Maturity – 12/15/2033; Interest Rate – 2.55% to 3.45%
2020; Maturity – 8/1/2039; Interest Rate – 2.297%

Total	<u>\$9,442,244.00</u>
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Insurance Deficit Payable

SDSDBF Insurance Deficit Payable

4th Installment Payment due by October 1st, 2020

Principal Payable from General Fund	\$ 50,218.00
Principal Payable from Special Education Fund	\$ 12,371.00
Principal Payable from Enterprise Funds	\$ 1,514.00

Early Retirement Benefits Payable

Teachers retiring between the ages of 55 and 62, with 20 years of service in the District, may elect to apply for a retirement incentive of \$30,000.00. One teacher per year may take the retirement incentive, or two teachers may mutually agree to receive retirement incentives of \$15,000.00 each. Retirement incentives are paid in three annual installments, beginning the year following retirement, through an employer contribution to a 403(b) non-ERISA employer funded plan.

The amount payable in July 2020 for one retired teacher is \$11,207.20.

Total	<u>\$ 11,207.20</u>
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Compensated Absences

Accrued vacation leave for full-time employees from General Fund.

Total	<u>\$ 39,926.49</u>
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DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

Primary Government:

Governmental Activities:

The annual debt service requirements to maturity, except for compensated absences and SDRS liability, for all debt outstanding as of June 30, 2020 are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2020

Ending June 30,	Capital Outlay Certificates		General Obligation Bonds		SDSDBF Insurance Deficit		Early Retirement Benefits Payable		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	155,000	373,356	480,000	216,226	64,103	-	11,207		710,310	589,582
2022	255,000	398,745	485,000	199,725					740,000	598,470
2023	265,000	392,326	510,000	189,775					775,000	582,101
2024	265,000	385,591	530,000	179,375					795,000	564,966
2025	4,387,244	378,612	545,000	168,625					4,932,244	547,237
2026-30	1,345,000	526,155	3,010,000	667,475			-	-	4,355,000	1,193,630
2031-35	1,450,000	307,185	3,550,000	267,263			-	-	5,000,000	574,448
2036-39	1,320,000	101,250							1,320,000	101,250
									-	-
TOTALS	\$ 9,442,244	\$ 2,863,219	\$ 9,110,000	\$ 1,888,464	\$ 64,103	\$ -	\$ 11,207	\$ -	\$ 18,627,554	\$ 4,751,683

9. OPERATING LEASES

The District has a four-year lease for seven Savin MP6503 copier/printers that began in July 2017, with a monthly payment of \$863.60 from the Capital Outlay Fund.

The following are the minimum payments required for the July 2017 to July 2021 operating lease:

Year	Capital Outlay Fund Amount
FY2021	\$11,563.20

10. RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2020 was as follows:

Fund	Restricted By	Amount
Special Education	Law	\$ 85,640.86
Capital Outlay & Capital Projects	Law	5,200,696.01
SDRS Pension Purposes	Law	731,487.00
Debt Service	Debt Covenants	3,322,423.42
Total Restricted Net Assets		<u>\$ 9,340,247.29</u>

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

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

11. INTERFUND TRANSFERS

There were no interfund receivable or payable balances on June 30, 2020.

There were six interfund transfers for the year ended June 30, 2020.

A transfer for \$294,446.00 was made from the Capital Outlay Fund to a Debt Service Fund. The purpose of the transfer was to make the ninth of fourteen payments into a sinking fund for the 2025 redemption of \$4,122,244.00 in Qualified School Construction bond principal.

A transfer of \$3,800,000.00 was made from the Capital Outlay Fund to a Capital Projects Fund for the middle school/high school interior/exterior renovation project.

A transfer of \$100,000.00 was made from the Capital Outlay Fund to the General Fund for operating expenses.

Two transfers totaling \$25,429.65 were made to the General Fund to close the Pension Fund.

Remaining Guaranteed Energy Savings Capital Project Funds of \$3,573.00 were transferred to the Capital Outlay Fund.

12. TAX ABATEMENTS

The Municipality of Dell Rapids has created a tax increment district under the authority granted by South Dakota Codified Law section 11-9. The tax increment district was created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance the value of other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax increment district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all costs of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The Municipality of Dell Rapids has two (2) active tax increment districts. One was entered into in 2013 for the County Fair grocery store, and the other was entered into in 2016 for the Feigen Development Park. Because the general property taxes on tax increment districts are allocated to the district, the taxes are not available to the Dell Rapids School District during the life of the tax increment district.

The portion of property taxes levied for this tax increment district during the fiscal year ended June 30, 20120 that was not available to the Dell Rapids School District was \$57,409.07. Of this amount, the School District was able to recover "lost" tax revenue of \$32,661.28 and \$7,530.78 in the General Fund and Special Education Fund, respectively, through State Aid.

13. 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,

DELL RAPIDS SCHOOL DISTRICT NO. 49-3 NOTES TO THE FINANCIAL STATEMENTS

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.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

The District's share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019, and 2018, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2020	\$300,047.19
2019	\$300,293.98
2018	\$284,454.85

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 share of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2019 and reported by the School District as of June 30, 2020 are as follows:

Proportionate share of pension liability	\$29,334,915.30
Less proportionate share of net pension restricted for pension benefits	<u>\$29,359,860.31</u>
Proportionate share of net pension (asset)	<u>\$ (24,945.01)</u>

At June 30, 2020, the School District reported an asset of \$24,945.01 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019 the School District's proportion was 0.23539110% which is an increase of 0.0073423% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized a reduction of pension expense of \$703,943.28. At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 97,849.55	\$ 11,290.56
Changes in assumption.	\$ 861,535.59	\$ 353,187.80
Net Difference between projected and actual earnings on pension plan investments.	\$ -	\$ 143,703.68
Changes in proportion and difference between District contributions and proportionate share of contributions.	\$ 1,291.63	\$ 45,999.93
School District contributions subsequent to the measurement date.	\$ 300,047.19	\$ -
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TOTAL	\$1,260,723.96	\$ 554,181.97
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DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

\$300,047.19 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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	\$ 528,257.13
2022	\$ (99,123.61)
2023	\$ (66,804.40)
2024	\$ 44,165.69

TOTAL	\$ 406,494.80
	=====

Actuarial Assumptions:

The total pension liability 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
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

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

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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

<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	2.0%	0.9%
Total	100%	
	=====	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection to cash flows used to determine the discount rate assumed the 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 pension 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% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$4,140,383.57	\$(24,945.01)	\$(3,418,935.15)

Pension Plan Fiduciary Net Position:

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

14. POST EMPLOYMENT HEALTH CARE PLAN

The School District pays a set rate toward medical insurance premiums for current employees.

Eligible retirees and their qualified dependents are allowed to continue with the District's group medical and/or dental insurance coverage until age 65. An eligible retiree must have retired on or before the end of the 2014-2015 school year, qualified for benefits under the South Dakota Retirement System Rule of 85, and have been a participant in the insurance plan for the 12 months immediately prior to retirement. Retirees continuing with the District's group health insurance coverage pay 100% of the insurance premium.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

15. JOINT VENTURES

The School District participates in the joint venture known as Prairie Lakes Educational Cooperative formed for the purpose of providing special education services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Baltic	7.9%
Chester	5.5%
Colman-Egan	7.2%
Dell Rapids	15.5%
Flandreau	11.5%
Garretson	6.9%
Howard	7.9%
Madison Central	15.3%
Oldham - Ramona	3.8%
Rutland	3.4%
Tri-Valley	15.1%

The Prairie Lakes Educational Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the cooperative's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the Net Position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

At June 30, 2020, this joint venture had total assets of \$111,154.69 total liabilities of \$54,908.38 and a net position of \$56,246.31.

The Baltic School District and Dell Rapids St. Mary School participate in a wrestling sports cooperative with the Dell Rapids School District. The St. Mary School contributes \$500.00 toward expenses and the Baltic School District contributes a proportionate share of total expenses (\$3,125.00 in FY2020).

The Dell Rapids School District participates in a girls' soccer cooperative with the Garretson School District. The Dell Rapids School District pays a prorated share of expenses based on the number of Dell Rapids School soccer participants.

16. RISK MANAGEMENT

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

Employee Health Insurance

The school district joined the South Dakota School District Benefits Fund. This is a public entity self-insured risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. During FY2020, three coverage plans were offered with deductibles ranging from \$2,500 per person/\$5,000 per family up to \$5,000 per person/\$10,000 per family. The plans also provide for coinsurance of 80 percent with a maximum of \$6,450 per person/\$12,900 per family.

The school district does not carry additional health insurance coverage to pay claims in excess of this upper limit.

Liability Insurance

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

Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The School District pays an annual premium to provide workers' compensation for its employees under a retrospectively rated policy, and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchase by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceed the liability coverage over the past three years.

Unemployment Benefits

The school district has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2020, no claims were paid for unemployment benefits. \$2,500.00 has been budgeted for unemployment benefits that may be filed in the next fiscal year.

17. SIGNIFICANT CONTINGENCIES AND LITIGATION

At June 30, 2020, the School District was involved in no lawsuits.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO THE FINANCIAL STATEMENTS

18. SIGNIFICANT CONTINGENCIES – BENEFITS FUND

The School District is a member of the South Dakota School District Benefits Fund (SDSDBF) which had a significant deficit position at the end of June 2015. The SDSDBF assessed the School District for its share of the deficit which has been determined to be \$64,103.00. This amount is reflected as a long-term liability in the government-wide financial statements.

19. IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of June 30, 2020, the School District implemented GASB Statement No. 84, *Fiduciary Activities* (GASB 84). There are no agency funds previously accounted for activities that are not considered fiduciary in nature. Beginning net position has been restated to reflect the reclassification of Agency Funds to Custodial Funds as of July 1, 2019 as follows:

	<u>Custodial Funds</u>
Net Position July 1, 2019, as previously reported	\$ -
Restatement:	
Implementation of GASB 84	<u>123,551.58</u>
Net Position July 1, 2019, as Restated	<u><u>\$ 123,551.58</u></u>

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events to March 22, 2021, the date which the financial statements were available to be issued, and determined that no other events occurring subsequent to the end of the fiscal year merit recognition or disclosure in these statements.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,967,034.00	\$ 1,967,034.00	\$ 2,027,322.69	\$ 60,288.69
Prior Years' Ad Valorem Taxes			21,558.82	21,558.82
Tax Deed Revenue				-
Utility Taxes	187,000.00	187,000.00	204,848.38	17,848.38
Penalties and Interest on Taxes	4,000.00	4,000.00	7,451.92	3,451.92
Tuition and Fees:				
Regular Day School Transportation Fees	24,000.00	24,000.00	29,740.00	5,740.00
Other Transportation Fees	16,000.00	16,000.00	13,856.79	(2,143.21)
Earning Investments and Deposits	1,000.00	1,000.00	481.58	(518.42)
Cocurricular Activities:				
Admissions	48,000.00	48,000.00	48,715.29	715.29
Rentals	1,000.00	1,000.00		(1,000.00)
Other Revenue from Local Sources:				
Rentals	1,680.00	1,680.00	4,820.00	3,140.00
Contributions and Donations	500.00	6,961.96	6,452.25	(509.71)
Refund of Prior Years' Expenditures			182.53	182.53
Charges for Services	6,000.00	6,000.00	5,358.49	(641.51)
Other	13,000.00	13,000.00	15,232.36	2,232.36
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	50,000.00	50,000.00	33,844.29	(16,155.71)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	3,593,255.00	3,593,255.00	3,878,377.75	285,122.75
Restricted Grants-in-Aid	16,500.00	16,500.00	13,911.37	(2,588.63)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	100.00	100.00	-	(100.00)
Restricted Grants-in-Aid Received from Federal Government Through the State	203,988.00	211,238.00	207,446.39	(3,791.61)
Total Revenue	\$ 6,133,057.00	\$ 6,146,768.96	\$ 6,519,600.90	\$ 372,831.94

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 1,502,836.00	\$ 1,509,441.44	\$ 1,476,683.25	\$ 32,758.19
Middle/Junior High	1,092,112.00	1,092,112.00	1,041,968.28	50,143.72
High School	1,187,932.00	1,189,377.52	1,152,674.39	36,703.13
Special Programs:				
Culturally Different	24,881.00	24,881.00	2,159.82	22,721.18
Educationally Deprived	115,899.00	116,899.00	116,854.79	44.21
Support Services:				
Pupils:				
Attendance and Social Work	5,150.00	5,150.00	5,150.00	-
Guidance	192,716.00	192,716.00	182,952.18	9,763.82
Health	59,148.00	59,148.00	58,878.48	269.52
Support Services - Instructional Staff:				
Improvement of Instruction	36,942.00	36,942.00	25,867.94	11,074.06
Educational Media	304,482.00	304,482.00	277,392.76	27,089.24
Support Services - General Administration:				
Board of Education	48,565.00	48,565.00	47,954.81	610.19
Executive Administration	189,580.00	189,580.00	177,630.65	11,949.35
Support Services - School Administration:				
Office of the Principal	418,920.00	418,920.00	418,864.83	55.17
Other	1,000.00	1,000.00	605.32	394.68
Support Services - Business:				
Fiscal Services	137,994.00	137,994.00	127,217.56	10,776.44
Operation and Maintenance of Plant	853,081.00	855,193.00	814,210.95	40,982.05
Pupil Transportation	269,704.00	273,704.00	270,522.47	3,181.53
Internal Services	3,200.00	3,200.00	2,160.96	1,039.04
Support Services - Central:				
Staff	2,950.00	2,950.00	2,604.98	345.02
Other	19,440.00	19,440.00	10,993.00	8,447.00
Community Services:				
Nonpublic School	15,077.00	15,077.00	-	15,077.00
Nonprogrammed Charges:				
Payments to State - Unemployment	2,500.00	2,500.00	-	2,500.00

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Cocurricular Activities:				
Male Activities	\$ 87,376.00	\$ 87,376.00	\$ 86,618.53	\$ 757.47
Female Activities	64,482.00	64,482.00	63,922.86	559.14
Transportation	62,153.00	62,153.00	59,810.90	2,342.10
Combined Activities	148,308.00	151,207.00	126,886.15	24,320.85
Contingencies	50,000.00	46,000.00		46,000.00
Total Expenditures	6,896,428.00	6,910,489.96	6,550,585.86	359,904.10
Excess of Revenue Over (Under) Expenditures	(763,371.00)	(763,721.00)	(30,984.96)	732,736.04
Other Financing Sources				
Transfers In	476,000.00	476,000.00	125,429.65	(350,570.35)
Total Other Financing Sources	476,000.00	476,000.00	125,429.65	(350,570.35)
Net Change in Fund Balance	(287,371.00)	(287,721.00)	94,444.69	382,165.69
Fund Balance - Beginning	1,118,480.61	1,118,480.61	1,118,480.61	-
FUND BALANCE - ENDING	\$ 831,109.61	\$ 830,759.61	\$ 1,212,925.30	\$ 382,165.69

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Capital Outlay Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,826,892.00	\$ 1,826,892.00	\$ 1,853,168.19	\$ 26,276.19
Prior Years' Ad Valorem Taxes			16,033.57	16,033.57
Penalties and Interest on Taxes	1,500.00	1,500.00	3,387.80	1,887.80
Earning Investments and Deposits	1,500.00	1,500.00	1,889.48	389.48
Other Revenue from Local Sources:				
Contributions and Donations	8,000.00	25,854.34	24,754.34	(1,100.00)
Other				-
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State		9,190.00	37,314.16	28,124.16
Other Federal Revenue	212,614.00	212,614.00	215,340.84	2,726.84
Total Revenue	\$ 2,050,506.00	\$ 2,077,550.34	\$ 2,151,888.38	\$ 74,338.04
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 156,374.00	\$ 156,374.00	\$ 156,072.48	\$ 301.52
Middle/Junior High	120,906.00	120,906.00	113,100.29	7,805.71
High School	148,470.00	158,969.98	159,762.37	(792.39)
Special Programs:				
Programs for Special Education	4,500.00	4,500.00	295.00	4,205.00
Support Services - Instructional Staff:				
Educational Media	100,635.00	101,149.41	79,770.02	21,379.39
Support Services - General Administration:				
Executive Administration	375.00	375.00	-	375.00
Support Services - School Administration:				
Office of the Principal	1,125.00	1,125.00	261.45	863.55
Other	375.00	375.00	-	375.00
Support Services - Business:				
Fiscal Services	6,375.00	6,375.00	6,147.00	228.00
Facilities Acquisition and Construction	46,000.00	50,500.00	29,447.49	21,052.51
Operation and Maintenance of Plant	81,200.00	81,200.00	70,453.69	10,746.31
Student Transportation Services	113,000.00	113,000.00	104,886.56	8,113.44
Internal Services	10,364.00	10,364.00	10,363.20	0.80

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Capital Outlay Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Community Services Nonpublic School	10,000.00	10,000.00		10,000.00
Debt Services	435,540.00	507,413.00	507,012.51	400.49
Cocurricular Activities: Combined Activities	10,325.00	21,854.95	22,991.64	(1,136.69)
Total Expenditures	1,245,564.00	1,344,481.34	1,260,563.70	83,917.64
Excess of Revenue Over (Under) Expenditures	804,942.00	733,069.00	891,324.68	158,255.68
Other Financing Sources:				
Transfers In			3,573.00	3,573.00
Transfers Out	(744,446.00)	(4,544,446.00)	(4,194,446.00)	350,000.00
Proceeds of General Long-Term Liabilities		4,074,189.05	4,074,189.05	-
Sale of Surplus Property			25,241.00	25,241.00
Total Other Financial Sources (Uses)	(744,446.00)	(470,256.95)	(91,442.95)	378,814.00
Net Change in Fund Balance	60,496.00	262,812.05	799,881.73	537,069.68
Fund Balance - Beginning	2,415,067.56	2,415,067.56	2,415,067.56	-
FUND BALANCE - ENDING	\$ 2,475,563.56	\$ 2,677,879.61	\$ 3,214,949.29	\$ 537,069.68

The notes to the required supplementary schedules are an integral part of this schedule.

REQUIRED SUPPLEMENTARY INFORMATION
Dell Rapids School District 49-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
Special Education Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,030,945.00	\$ 1,030,945.00	\$ 1,051,362.63	\$ 20,417.63
Prior Years' Ad Valorem Taxes			8,200.40	8,200.40
Penalties and Interest on Taxes	750.00	750.00	1,709.51	959.51
Earning Investments and Deposits	10.00	10.00	29.87	19.87
Other Revenue from Local Sources:				
Services Provided Other School Districts	17,085.00	17,085.00	18,889.40	1,804.40
Charges for Services	15,900.00	15,900.00	25,397.56	9,497.56
Other				-
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	381,077.00	381,077.00	194,916.00	(186,161.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	241,398.00	241,398.00	229,194.00	(12,204.00)
Total Revenue	\$ 1,687,165.00	\$ 1,687,165.00	\$ 1,529,699.37	\$ (157,465.63)
Expenditures:				
Special Programs:				
Programs for Special Education	\$ 1,079,978.00	\$ 1,079,978.00	\$ 960,774.05	\$ 119,203.95
Support Services:				
Pupils:				
Health			1,718.50	(1,718.50)
Psychological	54,500.00	54,500.00	54,619.60	(119.60)
Speech Pathology	175,177.00	175,177.00	152,684.18	22,492.82
Student Therapy Services	100,501.00	100,501.00	89,931.85	10,569.15
Support Services - Instructional Staff:				
Improvement of Instruction	3,673.00	3,673.00	743.40	2,929.60
Support Services - Special Education:				
Administrative Costs	103,622.00	103,622.00	101,754.65	1,867.35
Transportation Costs	121,579.00	121,579.00	102,233.52	19,345.48
Other Special Education Costs	48,135.00	48,135.00	46,196.66	1,938.34
Total Expenditures	1,687,165.00	1,687,165.00	1,510,656.41	176,508.59
Excess of Revenue Over (Under) Expenditures	-	-	19,042.96	19,042.96
Fund Balance - Beginning	62,357.67	62,357.67	62,357.67	-
FUND BALANCE - ENDING	\$ 62,357.67	\$ 62,357.67	\$ 81,400.63	\$ 19,042.96

The notes to the required supplementary schedules are an integral part of this schedule.

DELL RAPIDS SCHOOL DISTRICT NO. 49-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and each major Special Revenue Fund with a legally required budget.

1. Budgets and Budgetary Accounting:

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

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

2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

Required Supplementary Information
Dell Rapids School District 49-3
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
South Dakota Retirement System

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.2353911%	0.2280488%	0.2261769%	0.2173607%	0.2204587%	0.2277243%
District's proportionate share of net pension liability (asset)	\$ (24,945)	\$ (5,319)	\$ (20,526)	\$ 734,223	\$ (935,028)	\$ (1,640,660)
District's covered-employee payroll	\$ 5,004,888	\$ 4,740,906	\$ 4,595,435	\$ 4,133,098	\$ 4,024,942	\$ 3,982,257
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.02%	100.01%	96.89%	104.10%	107.30%

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 previous fiscal year.

Required Supplementary Information
Dell Rapids School District 49-3
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 300,047	\$ 300,294	\$ 284,455	\$ 275,727	\$ 247,987	\$ 241,497
Contributions in relation to the contractually required contribution	<u>\$ 300,047</u>	<u>\$ 300,294</u>	<u>\$ 284,455</u>	<u>\$ 275,727</u>	<u>\$ 247,987</u>	<u>\$ 241,497</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,000,777	\$ 5,004,888	\$ 4,740,906	\$ 4,595,435	\$ 4,133,098	\$ 4,024,942
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

DELL RAPIDS SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of
Pension 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.

Dell Rapids School District

Quarrier Pride...We Empower Each Other to Excel

Administration:

Dr. Summer Schultz, Superintendent
Drew Bunkers, 9-12 Principal
Francis Ruesink, 5-8 Principal
Julie Wynja, K-4 Principal
Jeff Krumm, Technology Director
Jeff Dvorak, Activities Director/Facility Manager
Barb Littel, Business Manager

Board of Education:

Matt Weiland, President
Jeff Traill, Vice President
Lee Bollock
Jacque LeBrun
Troy Randall

March 22, 2021

To Whom It May Concern:

This letter is in response to the following audit finding:

Internal controls should be in place that provide reasonable assurance that management directives are carried out in regards to the recording and processing of financial data. ...

This reportable condition exists due to a lack of segregation of duties in the Dell Rapids School District. It is a result of the size of the school district which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Since it is not feasible financially for the district to take corrective action that would remove this comment as an audit finding, specific actions that are being implemented as compensating controls include:

- The superintendent reviews bank statements for unusual transactions and examine the monthly bank reconciliation. The superintendent also compares bank statement balances, bank reconciliation balances, and balance sheet reports.
- Salaries are entered into the payroll accounting system by the business manager. The administrative secretary verifies entries against written contracts (signed by the school board president) and salaries published in the board minutes.
- Monthly payroll is run by the business manager. The administrative secretary packages and mails pay stubs to employees.
- Classified staff utilize a computerized time clock system. Weekly time clock reports are processed by the administrative secretary and reviewed by the business manager. Supervisors have view-only access to time cards.
- Direct deposit payroll processing is limited at the bank to a level sufficient only for normal payroll amounts.
- If grant funds are used for program supplies, requisitions are entered online, approved by the building principal and the business manager, and purchase orders are generated by the administrative secretary for the business manager's signature. The administrative secretary checks in packages and enters invoices for accounts payable. The school board approves payment of invoices, the business manager prints checks, and the administrative secretary packages/mails checks.
- Detailed expenditure reports are uploaded to the DOE Grants Management System when the business manager processes requests for reimbursement. Reimbursements are made by direct deposit into the school district bank account.
- An itemized listing of claims is sent to the superintendent and school board members prior to each board meeting. Claims, with supporting documentation, are available for board review at the school board meeting.
- The superintendent, building principals, special education director, facility manager, activities director, and technology director have view-only access to financial reports via the accounting system's weblink.

Barbara Littel

Barbara Littel
Business Manager