

FLANDREAU SCHOOL DISTRICT NO. 50-3

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

JUNE 30, 2020

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020**

School Board

Tammy Lunday

Brian Johnson

Kelly Kontz

Tom Stenger

Kari Burggraff

Kevin Christenson

Jamie Hemmer

Superintendent

Rick Weber

Business Manager

Stacey VanBeek

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INDEPENDENT AUDITOR'S REPORT

School Board
Flandreau School District No. 50-3
Moody County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Flandreau School District No. 50-3, Moody County, 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 control 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, business-type activities, each major fund, and the aggregate remaining fund information of Flandreau School District No. 50-3 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.

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 Pension Schedules, and Budgetary Comparison Schedules 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Flandreau School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of 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 Flandreau School District's internal control over financial reporting and compliance.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants

January 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Flandreau School District #50-3's 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

- The School's net position from governmental fund activities is \$11,724,235.76 and business type activities is \$257,039.70. The total net position for governmental and business-type activities is \$11,981,275.46.
- During the year, per the Statement of Activities, the School's revenues generated from taxes and other revenues of the governmental activities were more than the \$8,273,929.45 governmental activities expenditures, resulting in a net increase of \$167,229.38. The business-type activities revenues generated \$32,694.17 more than the business-type activities expenditures of \$381,509.63.
- In the Capital Outlay Fund, revenues exceeded expenditures by \$289,563.04. The Capital Outlay's fund balance increased from \$986,230.43 to \$1,275,793.47. This is due to underspending the budget for future needs.
- The Impact Aid fund is maintained separately throughout the year and at year-end it is blended with the General Fund for reporting purposes. During FY 2020 Impact Aid funds were transferred to the General Fund in the amount of \$336,200.
- The total cost of the School's General Fund programs increased by 2.4% and the total cost of the School's Special Education Fund programs decreased by 0.21%. The General Fund's cost increase included additional staffing, salaries/benefits, federal funded expenses, etc. Special Education cost decrease involved contracted services that could not be provided due to COVID and purchased services which are driven by individual student needs.
- The District reduced its General Obligation Bond indebtedness \$255,000. G.O. Bond debt payable on June 30, 2020, was \$265,000.
- The District decreased its Capital Outlay Certificate indebtedness \$285,000. Capital Outlay Certificates payable on June 30, 2020, were \$4,180,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the 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 basic services, e.g., regular and special education, 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 a business and the activities that provide services for its other programs and activities, i.e., internal service activities. The District has two business-type activities which are Food Service and Drivers Education.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent of resources that belong to others, e.g., student clubs (agency funds) and scholarships (trust funds).

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 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

Required Components of Flandreau School's Annual Financial Report

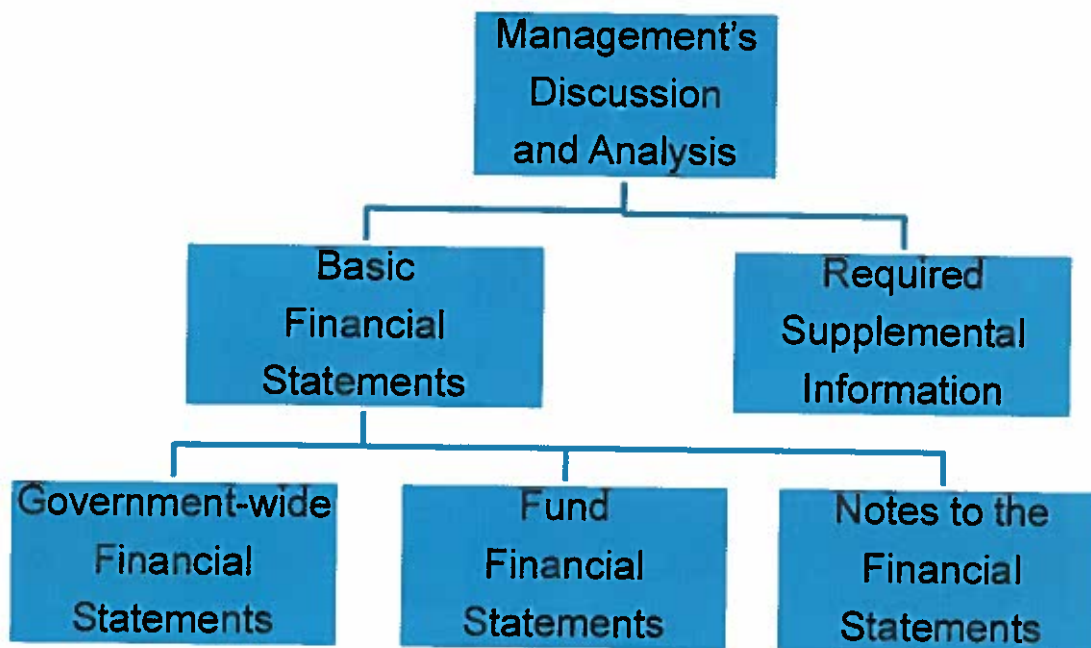


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2
Major Features of Flandreau School's Government-wide and Fund Financial Statements

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

GOVERNMENT-WIDE STATEMENTS

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating.
- To assess the overall financial health of the District, additional factors, e.g., changes in the District's property tax base and changes in the state school aid funding formula, also need to be considered.

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

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary, middle and high school educational programs, support services (guidance, executive administration, school board, fiscal services, etc.), debt service payments, extracurricular activities (sports, speech, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- **Business-type Activities** - The District has 2 business-type activities: Food Service and Drivers Education. The District charges a fee to students to help cover the costs of providing food services to all students and for also providing Drivers Education summer instruction to students.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant or "major" funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some funds.
- The District's School Board establishes other funds to control and manage money for particular purposes, e.g., various scholarship trust funds.

The School has three generic fund types:

- **Governmental Funds** - Most of the District's basic services are included in the governmental funds which focus on (1) how cash and other financial assets 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 the reader determine if there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains relationship and reconciles the differences between the fund financial statements and the governmental-wide statements.

- Proprietary Funds - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short-and long-term financial information. The District uses enterprise funds (type of proprietary fund) to report the activities of its Food Service Program and Drivers Education Program.
- Fiduciary Funds - The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

COMBINED NET POSITION

The School's combined net position increased as follows:

Table A-1
FLANDREAU SCHOOL DISTRICT #50-3
Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|---|----------------------------|-------------------------|-----------------------------|----------------------|-------------------------|-------------------------|
| | FY2019 | FY2020 | FY2019 | FY2020 | FY2019 | FY2020 |
| Current and Other Assets | \$ 5,093,223.68 | \$ 5,728,666.18 | \$ 190,599.73 | \$ 230,173.02 | \$ 5,283,823.41 | \$ 5,958,839.20 |
| Capital Assets | <u>12,417,803.61</u> | <u>12,122,787.63</u> | <u>43,292.01</u> | <u>66,289.51</u> | <u>12,461,095.62</u> | <u>12,189,077.14</u> |
| Total Assets | <u>17,511,027.29</u> | <u>17,851,453.81</u> | <u>233,891.74</u> | <u>296,462.53</u> | <u>17,744,919.03</u> | <u>18,147,916.34</u> |
| Pension Related Deferred Outflows | 1,473,067.41 | 999,698.27 | | | 1,473,067.41 | 999,698.27 |
| Loss on Refunding Debt | <u>258,272.76</u> | <u>222,636.40</u> | | | <u>258,272.76</u> | <u>222,636.40</u> |
| Total Deferred Outflows of Resources: | <u>1,731,340.17</u> | <u>1,222,334.67</u> | | | <u>1,731,340.17</u> | <u>1,222,334.67</u> |
| Long-Term Debt Outstanding | 4,985,000.00 | 4,463,066.03 | | | 4,985,000.00 | 4,463,066.03 |
| Other Liabilities | <u>713,638.64</u> | <u>792,279.54</u> | <u>9,546.21</u> | <u>39,422.83</u> | <u>723,184.85</u> | <u>831,702.37</u> |
| Total Liabilities | <u>5,698,638.64</u> | <u>5,255,345.57</u> | <u>9,546.21</u> | <u>39,422.83</u> | <u>5,708,184.85</u> | <u>5,294,768.40</u> |
| Pension Related Deferred Inflows | 367,030.43 | 440,337.83 | | | 367,030.43 | 440,337.83 |
| Taxes Levied for a Future Period | <u>1,619,692.01</u> | <u>1,653,869.32</u> | | | <u>1,619,692.01</u> | <u>1,653,869.32</u> |
| Total Deferred Inflows of Resources | <u>1,986,722.44</u> | <u>2,094,207.15</u> | | | <u>1,986,722.44</u> | <u>2,094,207.15</u> |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 7,691,076.37 | 7,900,424.03 | 43,292.01 | 66,289.51 | 7,734,368.38 | 7,966,713.54 |
| Restricted | 2,210,352.79 | 1,977,902.86 | | | 2,210,352.79 | 1,977,902.86 |
| Unrestricted | <u>1,655,577.22</u> | <u>1,845,908.87</u> | <u>181,053.52</u> | <u>190,750.19</u> | <u>1,836,630.74</u> | <u>2,036,659.06</u> |
| Total Net Position | <u>\$ 11,557,006.38</u> | <u>\$ 11,724,235.76</u> | <u>\$ 224,345.53</u> | <u>\$ 257,039.70</u> | <u>\$ 11,781,351.91</u> | <u>\$ 11,981,275.46</u> |
| Increase (Decrease) in Net Position | 123,009.04 | 167,229.38 | 43,262.59 | 32,694.17 | 166,271.63 | 199,923.55 |
| Adjusted Beginning Net Position | 11,433,997.34 | 11,557,006.38 | 181,082.94 | 224,345.53 | 11,615,080.28 | 11,781,351.91 |
| Ending Net Position | <u>\$ 11,557,006.38</u> | <u>\$ 11,724,235.76</u> | <u>\$ 224,345.53</u> | <u>\$ 257,039.70</u> | <u>\$ 11,781,351.91</u> | <u>\$ 11,981,275.46</u> |
| Percentage of Increase (Decrease) in Net Position | 1.08% | 1.45% | 23.89% | 14.57% | 1.43% | 1.70% |

This section explains the differences between the current and prior year's assets, liabilities, and changes in net position.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of construction bond

and capital outlay certificates indebtedness, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

CHANGES IN NET POSITION

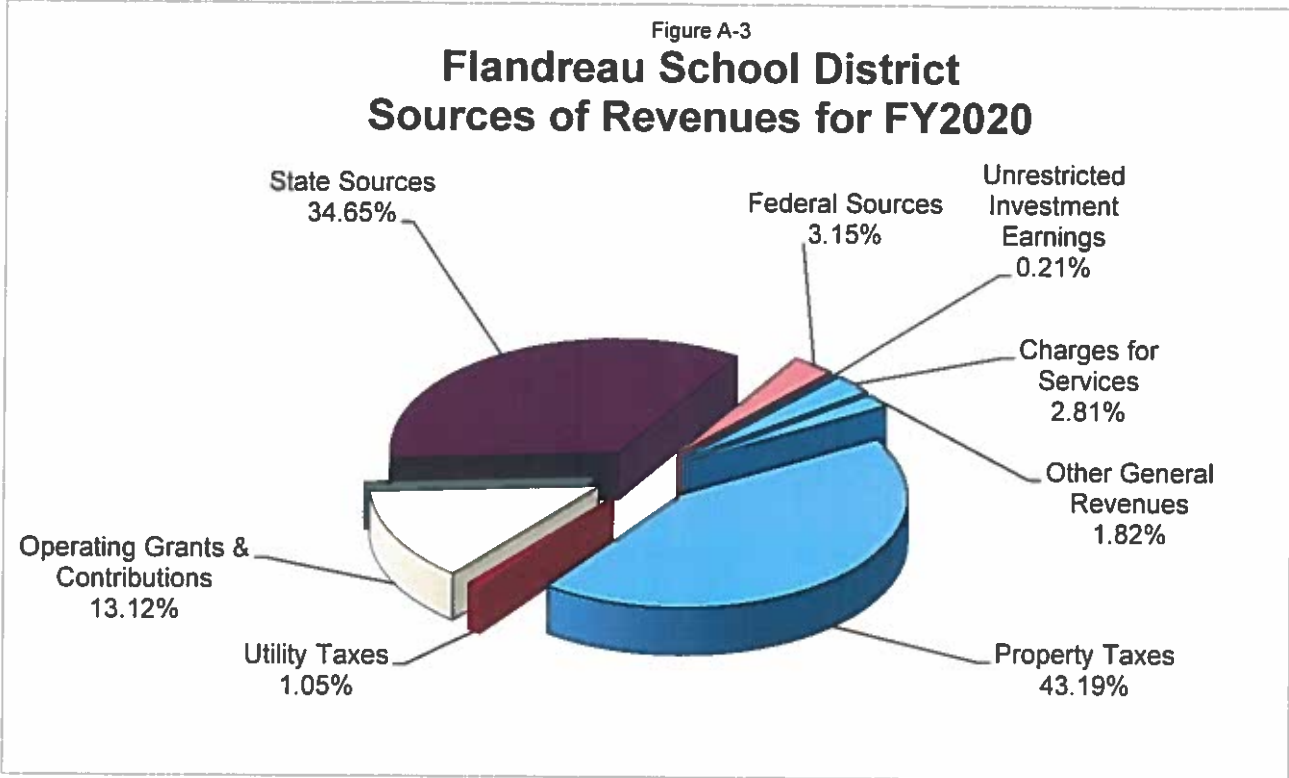
This section shows a comparison of assets, liabilities and net position and provides explanations for significant differences. Changes that occurred from FY 2019 to FY 2020 are as follows: Decrease in revenue due to the following: federal grants, other general revenues, operating grants, and investment earnings. Increase in expenditures due to the following: instruction and support services.

GOVERNMENTAL ACTIVITIES

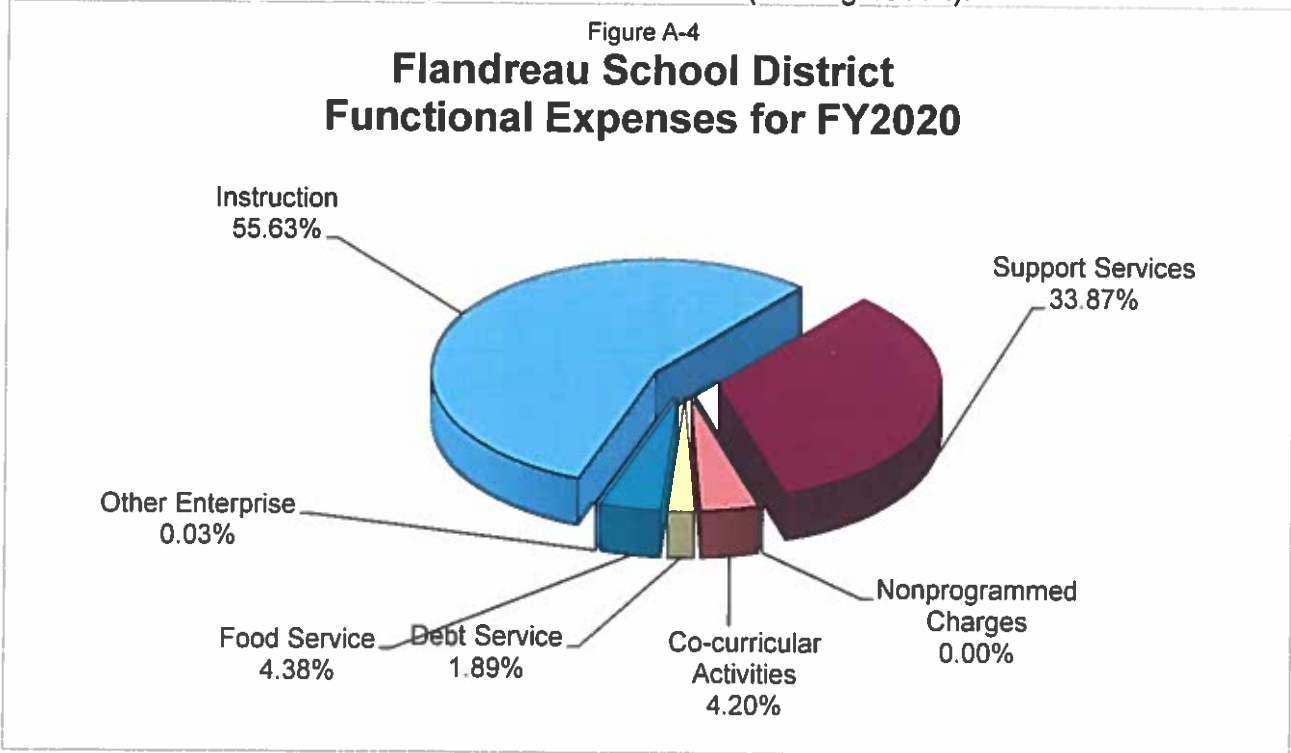
Table A-2 and the narrative that follows consider the operations of the government-wide activities.

| | Total Governmental Activities | | Total Business-Type Activities | | Total | Total |
|---------------------------------------|-------------------------------------|-------------------------|--------------------------------------|----------------------|-------------------------|-------------------------|
| | <u>FY2019</u> | <u>FY2020</u> | <u>FY2019</u> | <u>FY2020</u> | <u>FY2019</u> | <u>FY2020</u> |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 57,251.68 | \$ 110,170.88 | \$ 186,007.20 | \$ 139,004.25 | \$ 243,258.88 | \$ 249,175.13 |
| Operating Grants and General Revenues | 970,176.98 | 887,298.73 | 232,286.90 | 274,099.57 | 1,202,463.88 | 1,161,398.30 |
| Property Taxes | 3,688,073.70 | 3,825,703.56 | | | 3,688,073.70 | 3,825,703.56 |
| Utility Taxes | 88,978.37 | 92,645.47 | | | 88,978.37 | 92,645.47 |
| Revenue State Sources | 2,904,584.23 | 3,068,335.33 | | | 2,904,584.23 | 3,068,335.33 |
| Revenue Federal Sources | 304,673.98 | 278,889.62 | | | 304,673.98 | 278,889.62 |
| Other General Revenue | 171,957.28 | 160,975.87 | | | 171,957.28 | 160,975.87 |
| Unrestricted Investment Earni | 33,145.30 | 17,139.37 | 1,858.77 | 1,099.98 | 35,004.07 | 18,239.35 |
| Total Revenues | <u>8,218,841.52</u> | <u>8,441,158.83</u> | <u>420,152.87</u> | <u>414,203.80</u> | <u>8,638,994.39</u> | <u>8,855,362.63</u> |
| Expenses | | | | | | |
| Instruction | 4,612,223.26 | 4,815,638.50 | | | 4,612,223.26 | 4,815,638.50 |
| Support Services | 2,892,970.51 | 2,931,447.67 | | | 2,892,970.51 | 2,931,447.67 |
| Nonprogrammed Charges | | | | | | |
| Debt Services | 173,940.12 | 163,338.86 | | | 173,940.12 | 163,338.86 |
| Cocurricular Activities | 416,698.59 | 363,504.42 | | | 416,698.59 | 363,504.42 |
| Food Service | | | 372,869.76 | 379,134.60 | 372,869.76 | 379,134.60 |
| Driver's Education | | | 4,020.52 | 2,375.03 | 4,020.52 | 2,375.03 |
| Total Expenses | <u>8,095,832.48</u> | <u>8,273,929.45</u> | <u>376,890.28</u> | <u>381,509.63</u> | <u>8,472,722.76</u> | <u>8,655,439.08</u> |
| Increase (Decrease) in Net Po | <u>\$ 123,009.04</u> | <u>\$ 167,229.38</u> | <u>\$ 43,262.59</u> | <u>\$ 32,694.17</u> | <u>\$ 166,271.63</u> | <u>\$ 199,923.55</u> |
| NET POSITION - ENDING | <u>\$ 11,557,006.38</u> | <u>\$ 11,724,235.76</u> | <u>\$ 224,345.53</u> | <u>\$ 257,039.70</u> | <u>\$ 11,781,351.91</u> | <u>\$ 11,981,275.46</u> |

The District's Governmental and Business-type revenues totaled \$8,855,362.63 (See Table A-2). Over half of the District's revenue comes from 2 sources - property taxes and state aid. (See Figure A-3).



The District's Governmental and Business-type expenditures totaled \$8,655,439.08 (See Table A-2) and covered a range of services, including instruction, support services, debt service, co-curricular activities, food service, and driver's education. (See Figure A-4).



BUSINESS-TYPE ACTIVITIES

Revenues and expenses of the District's business-type activities:

Food Service and Driver's Education revenues decreased by 1.4% from \$420,152.87 in FY 2019 to \$414,203.80 in FY 2020 and expenses increased 1.2% from \$376,890.28 in FY 2019 to \$381,509.63 in FY 2020. Retained earnings decreased from \$43,262.59 in FY 2019 to \$32,694.17 in FY 2020.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Fund balances changed as follows: General Fund increased \$202,803.57 due to revenue exceeding expenditures. Capital Outlay Fund increased \$289,563.04 due to revenues exceeding expenditures. Special Education Fund increased \$47.92 due to revenues slightly exceeding expenditures. Impact Aid Fund decreased \$27,227.31 due to expenditures exceeding revenues. Bond Redemption Fund increased \$165.42 as a result of revenues slightly exceeding expenditures.

BUDGETARY HIGHLIGHTS

During the course of the year, the School Board revised the District budget several times. These amendments fall into three categories:

- Supplemental appropriations approved to prevent budget overruns for unanticipated but necessary expenses.
- Changes in actual federal revenue receipts versus budgeted amounts.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were no significant budget changes or budget variances for the year. The supplemental budget changes that were made were due to new or increased funding in federal grants.

CAPITAL ASSET ADMINISTRATION

By the end of 2020, the District had invested \$12,122,787.63 (after depreciation) in Governmental Activities in a broad range of capital assets, including land, buildings, improvements other than buildings and equipment for governmental activities. (See Table A-3). This amount represents a net decrease (including additions, deletions and depreciation) of \$295,015.98 over the previous year. Primary capital asset purchases include a vehicle, new flooring and windows in the high school, grounds equipment, and copiers. In Business-Type activities: Food Service purchased a three-door cooler, a new floor mixer, and new ovens for the High School.

Table A-3
FLANDREAU SCHOOL DISTRICT 50-3
Capital Assets (Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | |
|---|----------------------------|----------------------|-----------------------------|-------------------|
| | 06/30/19 | 06/30/20 | 06/30/19 | 06/30/20 |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 339,431.79 | \$ 339,431.79 | | |
| CWIP | | 15,880.00 | | |
| Other Capital Assets Being Depreciated | | | | |
| Buildings | 14,267,504.74 | 14,332,518.73 | | |
| Improvements other than Buildings, CWIP | 1,326,997.65 | 1,340,867.58 | | |
| Equipment | 1,449,455.76 | 1,450,181.50 | 117,649.44 | 150,167.75 |
| Total Other Capital Assets Being Depreciated | <u>17,043,958.15</u> | <u>17,123,567.81</u> | <u>117,649.44</u> | <u>150,167.75</u> |
| Accumulated Depreciation (Prior year) | (4,498,171.53) | (4,965,586.33) | | |
| Accumulated Depreciation | (467,414.80) | (390,505.64) | (74,357.43) | (83,878.24) |
| Total Other Capital Assets (Net of Depreciation) | <u>12,078,371.82</u> | <u>11,767,475.84</u> | <u>43,292.01</u> | <u>66,289.51</u> |
| Total All Capital Assets (Net of Depreciation) | <u>12,417,803.61</u> | <u>12,122,787.63</u> | <u>43,292.01</u> | <u>66,289.51</u> |

LONG-TERM DEBT

At year-end, the District had \$265,000 in General Obligation Bonds and \$4,180,000 in Capital Outlay Certificates. The net effect from the prior year is decreased as shown on Table A-4 below.

Table A-4
FLANDREAU SCHOOL DISTRICT #50-3
Outstanding Debt and Obligations

| | Governmental Activities | | |
|------------------------------------|----------------------------|------------------------|---------|
| | FY2019 | FY2020 | |
| General Obligation Bonds | \$ 520,000.00 | \$ 265,000.00 | -49.04% |
| Capital Outlay Certificates | 4,465,000.00 | 4,180,000.00 | -6.38% |
| Compensated Absences | | 18,066.03 | 100.00% |
| Total Long-Term Liabilities | <u>\$ 4,985,000.00</u> | <u>\$ 4,463,066.03</u> | |

Net Increase (Decrease) -10.47%

The School maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 75% of their last year's salary in one payment, paid in September of the following year. This plan allows the school to potentially reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers. At the end of FY 2020, the school had no staff members that elected the local early retirement option per policy.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Based on fund balances for governmental activities, the District's economic position increased by \$492,579.95. The fund balance for the General Fund increased by \$202,803.57 or 12.4%. All fund balances increase. The Special Education Fund is deficit spending due to high cost student needs. SE funding cannot meet the demands. The District did maintain a positive fund balance in Special Education due to receiving Extra-Ordinary Cost Funds upon application and approval from the State of South Dakota. The Special Education Fund did have a slight increase in fund balance from the prior yr. Note: ECF funds are not guaranteed each year. The District did experience an increase in total property valuation for the 2019 payable 2020 year. While a change in property valuation does affect the amount of revenue the District can generate from property taxes, the total amount which can be levied is limited by the State of South Dakota. In addition, an increase in property valuation does not increase revenues for the General Fund or Special Education because major revenues for these funds are based on an annual per pupil allocation that is set by the State. The allocation is based on a combination of local property tax revenue and state funds. Levies against property valuation determine local effort. This amount is subtracted from the local need and the difference is provided by the State as state aid. With regard to General Fund revenues, therefore, increases in local property valuation essentially increase the local effort and decrease the amount of state aid the District receives if the ADM/enrollment remains unchanged.

As noted above, one of the District's primary sources of revenue for the General Fund is the allocation received from the State of South Dakota.

1. For FY 2020 the Average Teacher Compensation accountability was met; the average was \$50,826. For FY 2019, 2020, and 2021 - the accountability to maintain is the district's Average Teacher Compensation as reported for FY 2017 which was \$48,309.
2. The funding formula is based on a target student to teacher ratio. This ratio is based on a sliding scaled determined by student enrollment. For Flandreau School District with over 600 students, the ratio is determined to be 15 students to 1.

Enrollment is projected to fluctuate for the next several years. As a result, the District is currently reviewing the projected enrollments to maintain a balanced budget.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, patrons, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Flandreau School District 50-3 Business Office, 600 West Community Drive, Flandreau, SD 57028.

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FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF NET POSITION
JUNE 30, 2020

| | <u>Primary Government</u> | | <u>Total</u> |
|---|--------------------------------|---------------------------------|-------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | |
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 3,800,016.85 | \$ 189,444.83 | \$ 3,989,461.68 |
| Taxes Receivable | 1,707,125.24 | | 1,707,125.24 |
| Accounts Receivable | 2,865.00 | 7,951.13 | 10,816.13 |
| Due from Other Governments | 199,090.83 | 21,349.12 | 220,439.95 |
| Inventories | | 11,427.94 | 11,427.94 |
| Net Pension Asset | 19,568.26 | | 19,568.26 |
| Capital Assets: | | | |
| Land & Construction in Progress | 355,311.79 | | 355,311.79 |
| Other Capital Assets, Net of Depreciation | <u>11,767,475.84</u> | <u>66,289.51</u> | <u>11,833,765.35</u> |
| TOTAL ASSETS | <u>17,851,453.81</u> | <u>296,462.53</u> | <u>18,147,916.34</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension Related Deferred Outflows | 999,698.27 | | 999,698.27 |
| Deferred Loss on Refunding of Debt | <u>222,636.40</u> | | <u>222,636.40</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,222,334.67</u> | | <u>1,222,334.67</u> |
| LIABILITIES : | | | |
| Accounts Payable | 166,107.49 | 17,171.21 | 183,278.70 |
| Accrued Wages & Benefits Payable | 626,172.05 | | 626,172.05 |
| Deposits Payable | | 22,251.62 | 22,251.62 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 568,066.03 | | 568,066.03 |
| Due in More than One Year | <u>3,895,000.00</u> | | <u>3,895,000.00</u> |
| TOTAL LIABILITIES | <u>5,255,345.57</u> | <u>39,422.83</u> | <u>5,294,768.40</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pension Related Deferred Inflows | 440,337.83 | | 440,337.83 |
| Taxes Levied for a Future Period | <u>1,653,869.32</u> | | <u>1,653,869.32</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,094,207.15</u> | | <u>2,094,207.15</u> |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 7,900,424.03 | 66,289.51 | 7,966,713.54 |
| Restricted for: | | | |
| Capital Outlay | 1,291,542.85 | | 1,291,542.85 |
| Special Education | 20,140.05 | | 20,140.05 |
| Debt Service | 87,291.26 | | 87,291.26 |
| SDRS Pension Purposes | 578,928.70 | | 578,928.70 |
| Unrestricted | <u>1,845,908.87</u> | <u>190,750.19</u> | <u>2,036,659.06</u> |
| TOTAL NET POSITION | <u>\$ 11,724,235.76</u> | <u>\$ 257,039.70</u> | <u>\$ 11,981,275.46</u> |

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

FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2020

| <u>Functions/Programs</u> | Net (Expense) Revenue and Changes in Net Position | | | | | |
|--------------------------------|--|-------------------------|--|----------------------------|-----------------------------|-------------------|
| | Program Revenues | | Primary Government | | | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| Instruction | \$ 4,815,638.50 | | \$ 887,298.73 | \$ (3,928,339.77) | | \$ (3,928,339.77) |
| Support Services | 2,931,447.67 | 85,843.03 | | (2,845,604.64) | | (2,845,604.64) |
| *Interest on Long-term Debt | 163,338.86 | | | (163,338.86) | | (163,338.86) |
| Cocurricular Activities | 363,504.42 | 24,327.85 | | (339,176.57) | | (339,176.57) |
| Total Governmental Activities | 8,273,929.45 | 110,170.88 | 887,298.73 | (7,276,459.84) | | (7,276,459.84) |
| Business-type Activities: | | | | | | |
| Food Service | 379,134.60 | | | | 33,969.22 | 33,969.22 |
| Driver's Education | 2,375.03 | 139,004.25 | 274,099.57 | | (2,375.03) | (2,375.03) |
| Total Business-type Activities | 381,509.63 | 139,004.25 | 274,099.57 | | 31,594.19 | 31,594.19 |
| Total Primary Government | \$ 8,655,439.08 | \$ 249,175.13 | \$ 1,161,398.30 | (7,276,459.84) | 31,594.19 | (7,244,865.65) |

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

General Revenues:
Taxes:

| | | | | |
|--|------------------|--|---------------|------------------|
| Property Taxes | 3,825,703.56 | | | 3,825,703.56 |
| Utility Taxes | 92,645.47 | | | 92,645.47 |
| Revenue from State Sources: | | | | |
| State Aid | 3,068,335.33 | | | 3,068,335.33 |
| Revenue from Federal Sources: | | | | |
| Grants and Contributions not Restricted to Specific Programs | 278,889.62 | | | 278,889.62 |
| Unrestricted Investment Earnings | 17,139.37 | | 1,099.98 | 18,239.35 |
| Other General Revenues | 160,975.87 | | | 160,975.87 |
| Total General Revenues | 7,443,689.22 | | 1,099.98 | 7,444,789.20 |
| Change in Net Position | 167,229.38 | | 32,694.17 | 199,923.55 |
| Net Position - Beginning | 11,557,006.38 | | 224,345.53 | 11,781,351.91 |
| NET POSITION - ENDING | \$ 11,724,235.76 | | \$ 257,039.70 | \$ 11,981,275.46 |

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

FLANDREAU SCHOOL DISTRICT NO. 50-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> | <u>Bond Redemption Fund</u> | <u>Total Governmental Funds</u> |
|---|------------------------|----------------------------|-------------------------------|-----------------------------|---------------------------------|
| ASSETS: | | | | | |
| Cash and Cash Equivalents | \$ 2,251,902.96 | \$ 1,339,344.46 | \$ 124,430.58 | \$ 84,338.85 | \$ 3,800,016.85 |
| Accounts Receivable | 2,865.00 | | | | 2,865.00 |
| Taxes Receivable--Current | 508,084.42 | 655,165.85 | 376,040.56 | 114,578.49 | 1,653,869.32 |
| Taxes Receivable--Delinquent | 25,843.71 | 15,749.38 | 8,710.42 | 2,952.41 | 53,255.92 |
| Due from Other Governments | 155,969.42 | | 43,121.41 | | 199,090.83 |
| TOTAL ASSETS | <u>\$ 2,944,665.51</u> | <u>\$ 2,010,259.69</u> | <u>\$ 552,302.97</u> | <u>\$ 201,869.75</u> | <u>\$ 5,709,097.92</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 45,527.82 | \$ 63,550.99 | \$ 57,028.68 | \$ | \$ 166,107.49 |
| Contracts Payable | 434,265.50 | | 79,918.27 | | 514,183.77 |
| Payroll Deductions and Withholdings and Employer Matching Payable | 92,812.87 | | 19,175.41 | | 111,988.28 |
| Total Liabilities | <u>572,606.19</u> | <u>63,550.99</u> | <u>156,122.36</u> | | <u>792,279.54</u> |
| Deferred Inflows of Resources: | | | | | |
| Taxes Levied for a Future Period | 508,084.42 | 655,165.85 | 376,040.56 | 114,578.49 | 1,653,869.32 |
| Unavailable Revenue-Property Taxes | 25,843.71 | 15,749.38 | 8,710.42 | 2,952.41 | 53,255.92 |
| Total Deferred Inflows of Resources | <u>533,928.13</u> | <u>670,915.23</u> | <u>384,750.98</u> | <u>117,530.90</u> | <u>1,707,125.24</u> |
| Fund Balances: | | | | | |
| Restricted | | 1,275,793.47 | 11,429.63 | 84,338.85 | 1,371,561.95 |
| Assigned for Subsequent Year's Budget | 2,497.00 | | | | 2,497.00 |
| Unassigned | 1,835,634.19 | | | | 1,835,634.19 |
| Total Fund Balances | <u>1,838,131.19</u> | <u>1,275,793.47</u> | <u>11,429.63</u> | <u>84,338.85</u> | <u>3,209,693.14</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 2,944,665.51</u> | <u>\$ 2,010,259.69</u> | <u>\$ 552,302.97</u> | <u>\$ 201,869.75</u> | <u>\$ 5,709,097.92</u> |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances - Governmental Funds \$ 3,209,693.14

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

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

| | | |
|--------------------------------|-----------------------|---------------|
| Cost of Assets | \$ 17,478,879.60 | |
| Less: Accumulated Depreciation | <u>(5,356,091.97)</u> | 12,122,787.63 |

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

| | | |
|-----------------------------|--------------------|----------------|
| General Obligation Bonds | (265,000.00) | |
| Capital Outlay Certificates | (4,180,000.00) | |
| Accrued Leave | <u>(18,066.03)</u> | (4,463,066.03) |

Deferred outflows of resources consisting of losses on refunded debt are not accounted for in the governmental funds but are reported in the Statement of Net Position.

222,636.40

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

53,255.92

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

19,568.26

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

999,698.27

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

(440,337.83)

Net Position - Governmental Funds

\$ 11,724,235.76

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

FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2020

| | General Fund | Capital Outlay Fund | Special Education Fund | Bond Redemption Fund | Total Governmental Funds |
|---|-----------------|---------------------|------------------------|----------------------|--------------------------|
| Revenues: | | | | | |
| Revenue from Local Sources: | | | | | |
| Taxes: | | | | | |
| Ad Valorem Taxes | \$ 1,157,851.35 | \$ 1,500,100.94 | \$ 856,777.77 | \$ 264,979.79 | \$ 3,779,709.85 |
| Prior Years' Ad Valorem Taxes | 7,193.15 | 4,418.29 | 2,437.43 | 822.00 | 14,870.87 |
| Tax Deed Revenue | 11,484.06 | | | | 11,484.06 |
| Utility Taxes | 92,645.47 | | | | 92,645.47 |
| Penalties and Interest on Taxes | 2,863.98 | 1,180.34 | 661.64 | 222.22 | 4,928.18 |
| Earnings on Investments and Deposits | 10,854.98 | 5,418.36 | 124.62 | 741.41 | 17,139.37 |
| Co-curricular Activities: | | | | | |
| Admissions | 19,511.85 | | | | 19,511.85 |
| Pupil Organization Membership | 2,325.00 | | | | 2,325.00 |
| Rentals | 1,350.00 | | | | 1,350.00 |
| Other Pupil Activity Income | 1,141.00 | | | | 1,141.00 |
| Other Revenue from Local Sources: | | | | | |
| Rentals | 1,500.00 | | | | 1,500.00 |
| Contributions and Donations | 5,700.00 | 500.00 | | | 6,200.00 |
| Medicaid Direct Services | | | 62,698.47 | | 62,698.47 |
| Medicaid Indirect Administrative Services | 18,678.56 | | 4,466.00 | | 23,144.56 |
| Other | 24,629.04 | 614.00 | 1,185.00 | | 26,428.04 |
| Revenue from Intermediate Sources: | | | | | |
| County Sources: | | | | | |
| County Apportionment | 126,847.83 | | | | 126,847.83 |
| Revenue from State Sources: | | | | | |
| Grants-in-Aid: | | | | | |
| Unrestricted Grants-in-Aid | 3,068,335.33 | | | | 3,068,335.33 |
| Restricted Grants-in-Aid | 13,873.84 | | 432,408.00 | | 446,281.84 |
| Revenue from Federal Sources: | | | | | |
| Grants-in-Aid: | | | | | |
| Unrestricted Grants-in-Aid Received | 261,526.21 | | 17,363.41 | | 278,889.62 |
| Directly from Federal Government | | | | | |
| Restricted Grants-in-Aid Received | 49,267.00 | | | | 49,267.00 |
| Directly from the Federal Government | | | | | |
| Restricted Grants-in-Aid Received | 225,998.89 | | 165,751.00 | | 391,749.89 |
| from Federal Through State | 5,103,577.54 | 1,512,231.93 | 1,543,873.34 | 266,765.42 | 8,426,448.23 |
| Total Revenue | | | | | |

**FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2020**

| | General Fund | Capital Outlay Fund | Special Education Fund | Bond Redemption Fund | Total Governmental Funds |
|--|--------------|---------------------|------------------------|----------------------|--------------------------|
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular Programs: | | | | | |
| Elementary | 1,081,808.06 | 87,457.35 | | | 1,169,265.41 |
| Middle/Junior High | 733,294.00 | 93,889.01 | | | 827,183.01 |
| High School | 860,485.96 | 91,872.37 | | | 952,358.33 |
| Special Programs: | | | | | |
| Programs for Special Education | | | 954,213.03 | | 954,213.03 |
| Educationally Deprived | 257,148.12 | | | | 257,148.12 |
| Support Services: | | | | | |
| Pupils: | | | | | |
| Attendance and Social Work | 52,826.41 | | | | 52,826.41 |
| Guidance | 195,618.52 | | | | 195,618.52 |
| Health | 6,095.96 | 4,529.00 | 11,673.75 | | 22,298.71 |
| Psychological | | | 62,348.94 | | 62,348.94 |
| Speech Pathology | | | 235,215.84 | | 235,215.84 |
| Student Therapy | | | 79,434.57 | | 79,434.57 |
| Support Services - Instructional Staff: | | | | | |
| Improvement of Instruction | 48,599.83 | | 1,950.04 | | 50,549.87 |
| Educational Media/Tech Coordinator | 196,317.19 | 1,516.53 | | | 197,833.72 |
| Support Services - General Administration: | | | | | |
| Board of Education | 48,550.56 | | | | 48,550.56 |
| Executive Administration | 134,585.58 | | | | 134,585.58 |
| Support Services - School Administration: | | | | | |
| Office of the Principal | 337,206.01 | | | | 337,206.01 |
| Other | 2,737.18 | | | | 2,737.18 |
| Support Services - Business: | | | | | |
| Fiscal Services | 139,705.83 | 8,702.00 | | | 148,407.83 |
| Operation and Maintenance of Plant | 653,330.49 | 76,037.52 | | | 729,368.01 |
| Pupil Transportation | 182,594.61 | 46,285.44 | | | 228,880.05 |
| Food Services | 13,533.65 | | | | 13,533.65 |
| Support Services - Special Education: | | | | | |
| Administrative Costs | | | 58,269.83 | | 58,269.83 |
| Transportation Costs | | | 75,856.55 | | 75,856.55 |

| | | | | | | | |
|--|------------------------|------------------------|---------------------|--|---------------------|------------|------------------------|
| Other Special Education Costs | | | | | 64,862.87 | | 64,862.87 |
| Debt Services | | | | | | 266,600.00 | 667,702.50 |
| Cocurricular Activities: | | | | | | | |
| Male Activities | 55,833.14 | | 14,220.27 | | | | 70,053.41 |
| Female Activities | 34,860.33 | | 2,426.60 | | | | 37,286.93 |
| Transportation | 31,329.41 | | 5,508.64 | | | | 36,838.05 |
| Combined Activities | 84,313.13 | | | | | | 84,313.13 |
| Capital Outlay | | 139,121.66 | | | | | 139,121.66 |
| Total Expenditures | <u>5,150,773.97</u> | <u>972,668.89</u> | <u>1,543,825.42</u> | | <u>266,600.00</u> | | <u>7,933,868.28</u> |
| Excess of Revenue Over (Under) | | | | | | | |
| Expenditures | (47,196.43) | 539,563.04 | 47.92 | | 165.42 | | 492,579.95 |
| Other Financing Sources (Uses): | | | | | | | |
| Transfers In | 250,000.00 | | | | | | 250,000.00 |
| Transfers (Out) | (250,000.00) | | | | | | (250,000.00) |
| Total Other Financing Sources (Uses): | <u>250,000.00</u> | <u>(250,000.00)</u> | | | | | |
| Net Change in Fund Balances | 202,803.57 | 289,563.04 | 47.92 | | 165.42 | | 492,579.95 |
| Fund Balance - Beginning | <u>1,635,327.62</u> | <u>986,230.43</u> | <u>11,381.71</u> | | <u>84,173.43</u> | | <u>2,717,113.19</u> |
| FUND BALANCE - ENDING | <u>\$ 1,838,131.19</u> | <u>\$ 1,275,793.47</u> | <u>\$ 11,429.63</u> | | <u>\$ 84,338.85</u> | | <u>\$ 3,209,693.14</u> |

**FLANDREAU SCHOOL DISTRICT NO. 50-3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2020**

| | | |
|---|---------------------|----------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ 492,579.95 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays expense:</p> | | |
| Capital Outlays | \$ 139,121.66 | |
| Depreciation Expense | <u>(434,137.64)</u> | (295,015.98) |
| <p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> | | |
| General Obligation Bonds | 255,000.00 | |
| Capital Outlay Certificates | <u>285,000.00</u> | 540,000.00 |
| <p>In the statement of activities, certain operating expenses (compensated absences and early retirement benefits) are measured by the amounts earned and paid during the year. In the governmental funds, however, expenditures for these items are different than the amount of financial resources used.</p> | | |
| Change in Compensated Absences | | (18,066.03) |
| <p>Deferred outflows of resources consisting of losses from refunding on debt, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Position. This amount represents the amount of these charges expensed during the period.</p> | | |
| | | (35,636.36) |
| <p>Governmental funds report property taxes as revenue using the current financial resources measurement focus, but the statement of activities includes the property taxes as revenue when earned.</p> | | |
| | | 14,710.60 |
| <p>Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.</p> | | |
| | | <u>(531,342.80)</u> |
| Change in Net Position of Governmental Activities | | <u>\$ 167,229.38</u> |

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

FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

| | Food Service Fund | Other Enterprise Fund | Total |
|----------------------------------|------------------------------|--------------------------------------|----------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 181,804.40 | \$ 7,640.43 | \$ 189,444.83 |
| Accounts Receivable | 7,951.13 | | 7,951.13 |
| Due From State Gov't | 21,349.12 | | 21,349.12 |
| Inventory of Donated Food | 11,427.94 | | 11,427.94 |
| Total Current Assets | 222,532.59 | 7,640.43 | 230,173.02 |
| Capital Assets: | | | |
| Machinery and Equipment | 150,167.75 | | 150,167.75 |
| Less: Accumulated Depreciation | (83,878.24) | | (83,878.24) |
| Total Noncurrent Assets | 66,289.51 | | 66,289.51 |
| TOTAL ASSETS | 288,822.10 | 7,640.43 | 296,462.53 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts Payable | 17,171.21 | | 17,171.21 |
| Deposits Payable | 22,251.62 | | 22,251.62 |
| Total Current Liabilities | 39,422.83 | | 39,422.83 |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 66,289.51 | | 66,289.51 |
| Unrestricted Net Position | 183,109.76 | 7,640.43 | 190,750.19 |
| Total Net Position | \$ 249,399.27 | \$ 7,640.43 | \$ 257,039.70 |

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

FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2020

| | <u>Food Service Fund</u> | <u>Other Enterprise Fund</u> | <u>Total</u> |
|--|------------------------------|--------------------------------------|----------------------|
| Operating Revenue: | | | |
| Sales: | | | |
| To Pupils | \$ 105,154.70 | \$ | \$ 105,154.70 |
| To Adults | 7,586.25 | | 7,586.25 |
| A la Carte | 26,263.30 | | 26,263.30 |
| Other | 541.92 | | 541.92 |
| Total Operating Revenue | <u>139,546.17</u> | | <u>139,546.17</u> |
| Operating Expenses: | | | |
| Food Service: | | | |
| Salaries | 20,552.62 | 1,892.00 | 22,444.62 |
| Employee Benefits | 8,249.60 | 258.26 | 8,507.86 |
| Purchased Services | 300,571.97 | | 300,571.97 |
| Repairs and Maintenance Services | 1,371.36 | | 1,371.36 |
| Supplies | 10,802.97 | 224.77 | 11,027.74 |
| Cost of Sales-Donated Food | 27,291.26 | | 27,291.26 |
| Other | 774.01 | | 774.01 |
| Depreciation-Local Funds | 9,520.81 | | 9,520.81 |
| Total Operating Expenses | <u>379,134.60</u> | <u>2,375.03</u> | <u>381,509.63</u> |
| Operating Income (Loss) | <u>(239,588.43)</u> | <u>(2,375.03)</u> | <u>(241,963.46)</u> |
| Nonoperating Revenue (Expense): | | | |
| Local Sources: | | | |
| Investment Earnings | 1,099.98 | | 1,099.98 |
| State Sources: | | | |
| Cash Reimbursements | 1,421.03 | | 1,421.03 |
| Federal Sources: | | | |
| Cash Reimbursements | 244,647.39 | | 244,647.39 |
| Donated Food | 27,489.23 | | 27,489.23 |
| Total Nonoperating Revenue (Expense) | <u>274,657.63</u> | | <u>274,657.63</u> |
| Change in Net Position | 35,069.20 | (2,375.03) | 32,694.17 |
| Net Position- Beginning | <u>214,330.07</u> | <u>10,015.46</u> | <u>224,345.53</u> |
| NET POSITION - ENDING | <u>\$ 249,399.27</u> | <u>\$ 7,640.43</u> | <u>\$ 257,039.70</u> |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2020**

| | Food Service Fund | Other Enterprise Fund | Total |
|---|------------------------------|--------------------------------------|-----------------|
| Cash Flows from Operating Activities: | | | |
| Receipts from Customers | \$ 131,349.75 | \$ | \$ 131,349.75 |
| Payments to Suppliers | (295,792.64) | (454.51) | (296,247.15) |
| Payments to Employees | (28,802.22) | (2,150.26) | (30,952.48) |
| Other Operating Cash Payments | (774.01) | | (774.01) |
| Net Cash Provided (Used) by Operating Activities | (194,019.12) | (2,604.77) | (196,623.89) |
| Cash Flows from Noncapital Financing Activities: | | | |
| Operating Subsidies | 246,068.42 | | 246,068.42 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Purchase of Capital Assets | (32,518.31) | | (32,518.31) |
| Cash Flows from Investing Activities: | | | |
| Investment Earnings | 1,099.98 | | 1,099.98 |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 20,630.97 | \$ (2,604.77) | \$ 18,026.20 |
| | | | |
| Cash and Cash Equivalents at Beginning of Year | \$ 161,173.43 | \$ 10,245.20 | \$ 171,418.63 |
| Cash and Cash Equivalents at End of Year | 181,804.40 | 7,640.43 | 189,444.83 |
| | | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 20,630.97 | \$ (2,604.77) | \$ 18,026.20 |
| | | | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating Income (Loss) | \$ (239,588.43) | \$ (2,375.03) | \$ (241,963.46) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation Expense | 9,520.81 | | 9,520.81 |
| Value of Commodities Used | 27,291.26 | | 27,291.26 |
| Change in Assets and Liabilities: | | | |
| Accounts and Other Receivables | (21,349.12) | | |
| Accounts Payable | 16,953.66 | (229.74) | 16,723.92 |
| Deposits Payable | 13,152.70 | | 13,152.70 |
| Net Cash Provided (Used) by Operating Activities | \$ (194,019.12) | \$ (2,604.77) | \$ (196,623.89) |
| | | | |
| Noncash Investing, Capital and Financing Activities: | | | |
| Value of Commodities Received | \$ 27,489.23 | | |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

| | Private-Purpose Trust Funds | Agency Funds |
|--------------------------------|--|-------------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 6,853.19 | \$ 86,399.00 |
| Interest Bearing Accounts | 443,882.07 | |
| TOTAL ASSETS | 450,735.26 | 86,399.00 |
| LIABILITIES: | | |
| Amounts Held for Others | | 86,399.00 |
| Total Liabilities | | \$ 86,399.00 |
| NET POSITION | | |
| Held in Trust for Scholarships | \$ 450,735.26 | |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2020**

| | <u>Private-Purpose Trust Funds</u> |
|-----------------------------|--|
| ADDITIONS: | |
| Contributions and Donations | \$ 9,082.10 |
| Interest on Investments | <u>4,859.49</u> |
| Total Additions | <u>13,941.59</u> |
| DEDUCTIONS: | |
| Other Deductions | <u>11,774.09</u> |
| Total Deductions | <u>11,774.09</u> |
| Change in Net Position | 2,167.50 |
| Net Position - Beginning | <u>448,567.76</u> |
| NET POSITION - ENDING | <u>\$ 450,735.26</u> |

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Flandreau School District No. 50-3, 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 several 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 and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods 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 program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate

set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

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

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

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

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

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

The 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. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of*

net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

- b. *Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. *The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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

The Other Enterprise Fund is an enterprise fund maintained by the School District for the benefit of students. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Private Purpose Trust Funds – Private Purpose Trust Funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments. The School District maintains the following private-purpose trust funds:

The Wm & Olive Jellife Scholarship Fund, The Fuller Scholarship Fund, The Rice Scholarship Fund, The Bechen Scholarship Fund, The Rusch Scholarship Fund, The Dakota Layers Scholarship Fund, The FFA Scholarship Fund, The F A Wittern Scholarship Fund, The General School Scholarship Fund, The Masonic Scholarship Fund, Gordan Jones Scholarship Fund, The Vernon and Elizabeth Lee Scholarship Fund and Sutton-Ackerman Scholarship Fund.

They are used for the purpose of providing scholarships to students.

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary 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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Flandreau School District is 60 days. The revenues, accrued at June 30, 2020, are amounts due from other governments for grants and taxes.

Under the modified 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.

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

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at

date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

f. Capital Assets

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

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

Government-wide Statements

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

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

The total June 30, 2020 balance of capital assets for governmental activities includes approximately 2.447% for which costs were determined by estimates of the original costs. The total June 30, 2020 balance of capital assets for business-type activities are 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 estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

| | <u>Threshold</u> | <u>Method</u> | <u>Life</u> |
|--------------------------------------|------------------|---------------|-------------|
| Land | ALL | NA | NA |
| Buildings | \$ 15,000.00 | Straight Line | 5-50 yrs |
| Improvements other than Buildings | 15,000.00 | Straight Line | 5-50 yrs |
| Machinery and Equipment | 5,000.00 | Straight Line | 5-50 yrs |
| Food Service Machinery and Equipment | 1,000.00 | Straight Line | 10 yrs |

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, capital outlay certificates payable, early retirement benefits payable, and general obligation 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.

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise 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.

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

I. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the district would first use *committed, then assigned, and lastly, unassigned* amounts of unrestricted fund balance when expenditures are made.

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

A schedule of fund balances is provided as follows:

**FLANDREAU SCHOOL DISTRICT NO. 50-3
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS**

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> | <u>Bond Redemption Fund</u> | <u>Total Governmental Funds</u> |
|----------------------------|-------------------------|------------------------------------|---------------------------------------|-------------------------------------|---|
| Fund Balances: | | | | | |
| <i>Restricted for:</i> | | | | | |
| Capital Outlay | \$ | \$ 1,275,793.47 | \$ | \$ | \$ 1,275,793.47 |
| Special Education | | | 11,429.63 | | 11,429.63 |
| Bond Redemption | | | | 84,338.85 | 84,338.85 |
| <i>Assigned to:</i> | | | | | |
| Subsequent Year's Budget | 2,497.00 | | | | 2,497.00 |
| <i>Unassigned</i> | <u>1,835,634.19</u> | | | | <u>1,835,634.19</u> |
| Total Fund Balances | <u>\$ 1,838,131.19</u> | <u>\$ 1,275,793.47</u> | <u>\$ 11,429.63</u> | <u>\$ 84,338.85</u> | <u>\$ 3,209,693.14</u> |

n. Pensions

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

NOTE 2 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

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

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

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

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.

As of June 30, 2020, the School District had the following investments:

External Investment Pools:

| | <u>Credit Rating</u> | <u>Fair Value</u> |
|----------------------------------|----------------------|------------------------|
| SDFIT - Government Cash Reserves | Unrated | <u>\$ 1,766,908.99</u> |

The South Dakota Public Funds Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. More than 5% of the School District’s investments are in South Dakota Public Funds Investment Trust.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from investments to the fund making the investments.

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all significant receivables to be collected within one year. No allowance for estimated uncollectible receivables has been established, as the District believes all receivables are collectible.

NOTE 4 - INVENTORY

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

In the government-wide and proprietary 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 an immaterial balance of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand in the governmental funds as of June 30, 2020.

NOTE 5 - PROPERTY TAXES

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

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

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

| Primary Government | Balance June 30, 2019 | Increases | Decreases | Balance June 30, 2020 |
|---|--------------------------|------------------------|--------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 339,431.79 | \$ | \$ | \$ 339,431.79 |
| Construction in Work in Progress | | 15,880.00 | | 15,880.00 |
| Total, not being depreciated | 339,431.79 | 15,880.00 | | 355,311.79 |
| Capital Assets, being depreciated: | | | | |
| Buildings | 14,267,504.74 | \$ 65,013.99 | | 14,332,518.73 |
| Improvements Other than Buildings | 1,326,997.65 | 13,869.93 | | 1,340,867.58 |
| Machinery and Equipment | 1,449,455.76 | 44,357.74 | (43,632.00) | 1,450,181.50 |
| Total, being depreciated | 17,043,958.15 | 123,241.66 | (43,632.00) | 17,123,567.81 |
| Less Accumulated Depreciation: | | | | |
| Buildings | (3,206,001.27) | (295,488.13) | | (3,501,489.40) |
| Improvements Other than Buildings | (922,292.74) | (46,245.63) | | (968,538.37) |
| Machinery and Equipment | (837,292.32) | (92,403.88) | 43,632.00 | (886,064.20) |
| Total Accumulated Depreciation | (4,965,586.33) | (434,137.64) | 43,632.00 | (5,356,091.97) |
| Total Capital Assets, being depreciated, net | 12,078,371.82 | (310,895.98) | | 11,767,475.84 |
| Total | \$ 12,417,803.61 | \$ (295,015.98) | \$ | \$ 12,122,787.63 |

Depreciation expense was charged to functions as follows:

| | |
|---|----------------------|
| Governmental Activities: | |
| Instruction | \$ 124,127.80 |
| Support Services | 174,996.94 |
| Cocurricular | 135,012.90 |
| Total depreciation expense - governmental activities | \$ 434,137.64 |

Business - Type Activity:

| | Balance June 30, 2019 | Increases | Decreases | Balance June 30, 2020 |
|--|--------------------------|---------------------|-----------|--------------------------|
| Capital Assets, being depreciated: | | | | |
| Machinery and Equipment | \$ 117,649.44 | \$ 32,518.31 | \$ | \$ 150,167.75 |
| Accumulated Depreciation: | | | | |
| Machinery and Equipment | (74,357.43) | (9,520.81) | | (83,878.24) |
| Business-type activity capital assets, net | <u>\$ 43,292.01</u> | <u>\$ 22,997.50</u> | <u>\$</u> | <u>\$ 66,289.51</u> |

**Depreciation expense was charged to functions as follows:

Business-type Activity

Food Service

Total Depreciation expense - business-type activities \$ 9,520.81

Construction Work in Progress at June 30, 2020 is composed of the following:

| Project Name | Project Authorization | Expended Thru 6/30/2020 | Committed |
|----------------------------|--------------------------|----------------------------|-------------|
| High School Office Remodel | \$ 19,850.00 | \$ 15,880.00 | \$ 3,970.00 |

NOTE 7 - LONG - TERM LIABILITIES

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

| Governmental Activities | General Obligation Bonds | Capital Outlay Certificates | Compensated Absences | Totals |
|-------------------------|--------------------------------|-----------------------------------|-------------------------|------------------------|
| Long-Term Liabilities | | | | |
| Payable, June 30, 2019 | \$ 520,000.00 | \$ 4,465,000.00 | \$ | \$ 4,985,000.00 |
| Additions | | | 19,990.61 | 19,990.61 |
| Deletions | 255,000.00 | 285,000.00 | 1,924.58 | 541,924.58 |
| Long-Term Liabilities | <u>\$ 265,000.00</u> | <u>\$ 4,180,000.00</u> | <u>\$ 18,066.03</u> | <u>\$ 4,463,066.03</u> |
| Payable, June 30, 2020 | | | | |
| Due within One Year | <u>\$ 265,000.00</u> | <u>\$ 285,000.00</u> | <u>\$ 18,066.03</u> | <u>\$ 568,066.03</u> |

Compensated absences for governmental activities typically have been liquidated from the General Fund.

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

General Obligation Bonds:

Series 2015 General Obligation Refunding Bonds issued April 7, 2015, maturing June 30, 2022, with annual interest rate of 2.0%. Semi-annual payments from Debt Service Fund. \$ 265,000.00

Capital Outlay Certificates:

Series 2015 Capital Outlay Refunding Certificates issued April 7, 2015, maturing June 30, 2022, interest rate of 2.0%. Semi-annual payments made from the Capital Outlay Fund. 200,000.00

Series 2017 Limited Tax Capital Outlay Refunding Certificates, issued May 11, 2017, maturing June 1, 2032, interest rates from 1.60 to 3.00%, depending on length to maturity of the individual certificate, annual payments made from the Capital Outlay Fund. 3,980,000.00

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

| Year | General Obligation Bonds | | Capital Outlay Certificates | | Total | |
|---------|-----------------------------|-------------|--------------------------------|---------------|-----------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| Ending | | | | | | |
| 2021 | \$ 265,000.00 | 5,300.00 | \$ 285,000.00 | \$ 109,132.50 | \$ 550,000.00 | \$ 114,432.50 |
| 2022 | | | 315,000.00 | 103,772.50 | 315,000.00 | 103,772.50 |
| 2023 | | | 320,000.00 | 97,472.50 | 320,000.00 | 97,472.50 |
| 2024 | | | 325,000.00 | 91,072.50 | 325,000.00 | 91,072.50 |
| 2025 | | | 335,000.00 | 84,247.50 | 335,000.00 | 84,247.50 |
| 2026-30 | | | 1,800,000.00 | 286,340.00 | 1,800,000.00 | 286,340.00 |
| 2031-35 | | | 800,000.00 | 36,150.00 | 800,000.00 | 36,150.00 |
| Total | \$ 265,000.00 | \$ 5,300.00 | \$ 4,180,000.00 | \$ 808,187.50 | \$ 4,445,000.00 | \$ 813,487.50 |

NOTE 8 – RESTRICTED NET POSITION

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

| <u>Major Purposes</u> | <u>Restricted by</u> | <u>Amount</u> |
|-------------------------------|----------------------|------------------------|
| Capital Outlay Purposes | Law | \$ 1,291,542.85 |
| Special Education | Law | 20,140.05 |
| SDRS Pension Purposes | Law | 578,928.70 |
| Debt Service Purposes | Debt Covenants | 87,291.26 |
| Total Restricted Net Position | | <u>\$ 1,977,902.86</u> |

NOTE 9 - 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 public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service.

Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO 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 retirement benefits 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 valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the 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 5.0% 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. The School District's share of contributions to the SDRS for the fiscal

years ended June 30, 2020, 2019, and 2018 were \$247,103.10, \$235,567.34, and \$226,473.63 respectively, equal to the required contributions each year.

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

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

| | |
|---|-----------------------|
| Proportionate share of pension benefits | \$ 23,011,942.75 |
| Less proportionate share of net pension restricted for pension benefits | <u>23,031,511.01</u> |
| Proportionate share of net pension benefits | <u>\$ (19,568.26)</u> |

At June 30, 2020, the School District reported a liability (asset) of (\$19,568.26) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School'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 .18465390%, which is an increase (decrease) of .0030887% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense (a reduction of pension expense) of \$531,342.80. 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 | \$ 76,758.64 | \$ 8,856.94 |
| Changes in assumption | 675,836.53 | 277,060.18 |
| Net difference between projected and actual earnings on pension plan investments | | 112,729.18 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | | 41,691.52 |
| District contributions subsequent to the measurement date | <u>247,103.10</u> | |
| TOTAL | <u>\$ 999,698.27</u> | <u>\$ 440,337.83</u> |

\$247,103.10 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| Year Ending June 30 | | |
|---------------------|----|-------------------|
| 2021 | \$ | 427,831.12 |
| 2022 | | (66,304.63) |
| 2023 | | (45,113.71) |
| 2024 | | 37,536.08 |
| TOTAL | \$ | <u>353,948.86</u> |

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.25 percent |
| Salary Increases | Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service |
| Investment Rate of Return | 6.50% net of plan investment expense |
| Future COLAs | 1.88% |

Mortality rates were based on 97% of the RP-2014 Mortality Table, 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-014 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:

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

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current

plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset)

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

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

| | <u>1%</u> <u>Decrease</u> | <u>Current</u> <u>Discount</u> <u>Rate</u> | <u>1%</u> <u>Increase</u> |
|--|------------------------------|--|------------------------------|
| School District's proportionate share of the net pension liability (asset) | \$ 3,247,947.67 | \$ (19,568.26) | \$ (2,682,003.31) |

Pension Plan Fiduciary Net Position:

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

NOTE 10 - JOINT VENTURES

The School District participates in the Prairie Lake Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing educational 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 | 7.90 % |
| Chester | 5.50 |
| Colman-Egan | 7.20 |
| Dell Rapids | 15.50 |
| Flandreau | 11.50 |
| Garretson | 6.90 |
| Howard | 7.90 |
| Madison Central | 15.30 |
| Oldham-Ramona | 3.80 |
| Rutland | 3.40 |
| Tri-Valley | 15.10 |

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

The School District retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements 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 net position of \$56,246.31.

NOTE 11 - 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 purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

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

Worker's Compensation

The School District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

During the year ended June 30, 2020, three claims were filed for unemployment benefits. At June 30, 2020, one claim had been filed and were outstanding for unemployment benefits. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

NOTE 12 – FLANDREAU SCHOOL DISTRICT EDUCATION FOUNDATION

The Flandreau School District Education Foundation is a nonprofit organization formed April 30, 1999 by members of the community to accept contributions to be used for the benefit of the School District. The Foundation is a Component Unit of the Primary Government but is not reported as a Component Unit due to the following:

The Foundation had no assets at June 30, 2020. However, the organization will continue to exist, in case donations are made in the future. The Foundation's Board of Directors is made up of members of the school board.

NOTE 13 - INTERFUND TRANSFERS

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

| | |
|-------------------------------|-----------------------------|
| | <u>Transfers to:</u> |
| | General Fund |
| <u>Transfers From:</u> | |
| Major Funds: | |
| Capital Outlay | \$ 250,000.00 |

A transfer of \$250,000.00 was made to the General Fund from Capital Outlay Fund to help with utility costs per SDCL.

NOTE 14 – SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2020 the School District was not involved in any litigation.

NOTE 15 – SUBSEQUENT EVENT

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

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

**REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2020**

| | Budgeted Amounts | | Actual Amounts (Budgetary | Variance Positive |
|--|---------------------|---------------------|---------------------------------|----------------------|
| | Original | Final | Basis) | (Negative) |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 1,207,760.00 | 1,207,760.00 | \$ 1,157,851.35 | \$ (49,908.65) |
| Prior Years' Ad Valorem Taxes | 14,000.00 | 14,000.00 | 7,193.15 | (6,806.85) |
| Tax Deed Revenue | | | 11,484.06 | 11,484.06 |
| Utility Taxes | 80,000.00 | 80,000.00 | 92,645.47 | 12,645.47 |
| Penalties and Interest on Taxes | 4,300.00 | 4,300.00 | 2,863.98 | (1,436.02) |
| Earnings on Investments and Deposits: | 5,000.00 | 5,000.00 | 7,876.63 | 2,876.63 |
| Cocurricular Activities: | | | | |
| Admissions | 20,000.00 | 20,000.00 | 19,511.85 | (488.15) |
| Pupil Organization Membership | 2,000.00 | 2,000.00 | 2,325.00 | 325.00 |
| Rentals | 1,000.00 | 1,000.00 | 1,350.00 | 350.00 |
| Other Pupil Activity Income | 1,000.00 | 1,000.00 | 1,141.00 | 141.00 |
| Other Revenue from Local Sources: | | | | |
| Rentals | | | 1,500.00 | 1,500.00 |
| Contributions and Donations | 700.00 | 700.00 | 5,700.00 | 5,000.00 |
| Refund of Prior Years' Expenditures | | | | |
| Medicaid Indirect Services | 14,000.00 | 14,000.00 | 18,678.56 | 4,678.56 |
| Other | 32,691.00 | 32,691.00 | 24,629.04 | (8,061.96) |
| Revenue from Intermediate Sources: | | | | |
| County Sources: | | | | |
| County Apportionment | 95,000.00 | 95,000.00 | 126,847.83 | 31,847.83 |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted Grants-in-Aid | 3,025,100.00 | 3,025,100.00 | 3,068,335.33 | 43,235.33 |
| Restricted Grants-in-Aid | 18,000.00 | 18,000.00 | 13,873.84 | (4,126.16) |
| Other State Revenue | | | | |
| Revenue from Federal Sources: | | | | |
| Restricted Grants-in-Aid Received | | | | |
| Directly from Federal Government | 49,181.00 | 49,181.00 | 49,267.00 | 86.00 |
| Restricted Grants-in-Aid Received from Federal Government through the State | 223,506.00 | 223,506.00 | 225,998.89 | 2,492.89 |
| Total Revenues | 4,793,238.00 | 4,793,238.00 | 4,839,072.98 | 45,834.98 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular Programs: | | | | |
| Elementary School | 1,115,148.00 | 1,115,148.00 | 1,081,808.06 | 33,339.94 |
| Middle/Junior High | 763,847.00 | 763,847.00 | 733,294.00 | 30,553.00 |
| High School | 881,425.00 | 881,425.00 | 860,485.96 | 20,939.04 |

**REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2020**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|--|------------------------|------------------------|---|--|
| | Original | Final | | |
| Special Programs: | | | | |
| Educationally Deprived | 263,718.00 | 263,718.00 | 257,148.12 | 6,569.88 |
| Support Services - Pupils: | | | | |
| Attendance and Social Work | 43,450.00 | 48,150.00 | 52,826.41 | (4,676.41) |
| Guidance | 185,090.00 | 192,690.00 | 195,618.52 | (2,928.52) |
| Health | 5,100.00 | 5,100.00 | 6,095.96 | (995.96) |
| Support Services - Instructional Staff: | | | | |
| Improvement of Instruction | 35,262.00 | 36,262.00 | 48,599.83 | (12,337.83) |
| Educational Media | 205,554.00 | 205,554.00 | 196,317.19 | 9,236.81 |
| Support Services - General Administration: | | | | |
| Board of Education | 60,930.00 | 60,930.00 | 48,550.56 | 12,379.44 |
| Executive Administration | 136,036.00 | 136,036.00 | 134,585.58 | 1,450.42 |
| Support Services - School Administration: | | | | |
| Office of the Principal | 347,124.00 | 347,124.00 | 339,943.19 | 7,180.81 |
| Other | | | | |
| Support Services - Business: | | | | |
| Fiscal Services | 144,763.00 | 144,763.00 | 139,705.83 | 5,057.17 |
| Operation and Maintenance of Plant | 698,850.00 | 698,850.00 | 653,330.49 | 45,519.51 |
| Pupil Transportation | 242,100.00 | 242,100.00 | 182,594.61 | 59,505.39 |
| Food Service | 20,000.00 | 20,000.00 | 13,533.65 | 6,466.35 |
| Nonprogrammed Charges: | | | | |
| Early Retirement Payments | | | | |
| Cocurricular Activities: | | | | |
| Male Activities | 66,181.00 | 66,181.00 | 55,833.14 | 10,347.86 |
| Female Activities | 45,040.00 | 45,040.00 | 34,860.33 | 10,179.67 |
| Transportation | 44,000.00 | 44,000.00 | 31,329.41 | 12,670.59 |
| Combined Activities | 92,694.00 | 92,694.00 | 84,313.13 | 8,380.87 |
| Contingencies | 25,000.00 | 25,000.00 | | 25,000.00 |
| Total Expenditures | <u>5,421,312.00</u> | <u>5,434,612.00</u> | <u>5,150,773.97</u> | <u>283,838.03</u> |
| Excess of Revenue Over (Under) Expenditures | (628,074.00) | (641,374.00) | (311,700.99) | 329,673.01 |
| Other Financing Sources (Uses) Transfer In | <u>586,200.00</u> | <u>586,200.00</u> | <u>586,200.00</u> | |
| Total Other Financing Sources (Uses) | <u>586,200.00</u> | <u>586,200.00</u> | <u>586,200.00</u> | |
| Net Change in Fund Balances | (41,874.00) | (55,174.00) | 274,499.01 | 329,673.01 |
| FUND BALANCE - JULY 1, 2019 | <u>1,183,576.73</u> | <u>1,183,576.73</u> | <u>1,183,576.73</u> | |
| FUND BALANCE - JUNE 30, 2020 | <u>\$ 1,141,702.73</u> | <u>\$ 1,128,402.73</u> | <u>\$ 1,458,075.74</u> | <u>\$ 329,673.01</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDING JUNE 30, 2020**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|----------------------|--|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u> | <u>Positive</u> <u>(Negative)</u> |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 1,483,080.00 | \$ 1,483,080.00 | \$ 1,500,100.94 | \$ 17,020.94 |
| Prior Years' Ad Valorem Taxes | 10,000.00 | 10,000.00 | 4,418.29 | (5,581.71) |
| Penalties and Interest on Taxes | 750.00 | 750.00 | 1,180.34 | 430.34 |
| Earnings on Investments and Deposits | 6,500.00 | 6,500.00 | 5,418.36 | (1,081.64) |
| Other Revenue from Local Sources: | | | | |
| Contributions and Donations | | | 500.00 | 500.00 |
| Other | | | 614.00 | 614.00 |
| Total Revenue | <u>1,500,330.00</u> | <u>1,500,330.00</u> | <u>1,512,231.93</u> | <u>11,901.93</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | 154,600.00 | 154,600.00 | 87,457.35 | 67,142.65 |
| Middle/Junior High | 130,600.00 | 130,600.00 | 93,889.01 | 36,710.99 |
| High School | 125,550.00 | 125,550.00 | 98,532.33 | 27,017.67 |
| Support Services | | | | |
| Other Guidance Services | | | 4,529.00 | (4,529.00) |
| Support Services - Instructional Staff: | | | | |
| Educational Media | 13,000.00 | 13,000.00 | 11,447.14 | 1,552.86 |
| Support Services - Business: | | | | |
| Fiscal Services | 12,900.00 | 12,900.00 | 8,702.00 | 4,198.00 |
| Facilities Acquisition and Construction | 10,000.00 | 10,000.00 | 15,880.00 | (5,880.00) |
| Operation and Maintenance of Plant | 264,630.00 | 264,630.00 | 182,688.61 | 81,941.39 |
| Pupil Transportation | 69,000.00 | 69,000.00 | 46,285.44 | 22,714.56 |
| Food Service Services | 24,000.00 | 24,000.00 | | 24,000.00 |
| Debt Services | 401,200.00 | 401,200.00 | 401,102.50 | 97.50 |
| Cocurricular Activities: | | | | |
| Male Activities | 24,850.00 | 24,850.00 | 14,220.27 | 10,629.73 |
| Female Activities | 8,000.00 | 8,000.00 | 2,426.60 | 5,573.40 |
| Combined Activities | 12,000.00 | 12,000.00 | 5,508.64 | 6,491.36 |
| Total Expenditures | <u>1,250,330.00</u> | <u>1,250,330.00</u> | <u>972,668.89</u> | <u>277,661.11</u> |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | 250,000.00 | 250,000.00 | 539,563.04 | 289,563.04 |
| Other Financing Sources (Uses): | | | | |
| Transfer In/(Out) | (250,000.00) | (250,000.00) | (250,000.00) | |
| Net Change in Fund Balances | | | 289,563.04 | 289,563.04 |
| FUND BALANCE - JULY 1, 2019 | <u>986,230.43</u> | <u>986,230.43</u> | <u>986,230.43</u> | |
| FUND BALANCE - JUNE 30, 2020 | <u>\$ 986,230.43</u> | <u>\$ 986,230.43</u> | <u>\$ 1,275,793.47</u> | <u>\$ 289,563.04</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
FLANDREAU SCHOOL DISTRICT NO. 50-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDING JUNE 30, 2020**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-------------------------|---------------------|------------------------------------|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>(Budgetary</u> <u>Basis)</u> | <u>Positive</u> <u>(Negative)</u> |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 735,380.00 | \$ 735,380.00 | \$ 856,777.77 | \$ 121,397.77 |
| Prior Years' Ad Valorem Taxes | 8,500.00 | 8,500.00 | 2,437.43 | (6,062.57) |
| Penalties and Interest on Taxes | 1,000.00 | 1,000.00 | 661.64 | (338.36) |
| Earnings on Investment and Deposits | 50.00 | 50.00 | 124.62 | 74.62 |
| Tuition and Fees: | | | | |
| Services Provided by Other LEA's | 50,000.00 | 50,000.00 | | (50,000.00) |
| Medicaid Direct Services | 5,000.00 | 5,000.00 | 62,698.47 | 57,698.47 |
| Medicaid Indirect Services | 3,100.00 | 3,100.00 | 4,466.00 | 1,366.00 |
| Other Local Revenue | | | 1,185.00 | 1,185.00 |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted Grants-in-Aid | 252,984.00 | 252,984.00 | 432,408.00 | 179,424.00 |
| Other State Aid | | | | |
| Revenue from Federal Sources: | | | | |
| Unrestricted Grants-in-Aid Received | | | | |
| Directly from Federal Government | 10,600.00 | 10,600.00 | 17,363.41 | 6,763.41 |
| Restricted Grants-in-Aid Received from Federal Government through State | <u>166,262.00</u> | <u>678,508.00</u> | <u>165,751.00</u> | <u>(512,757.00)</u> |
| Total Revenue | <u>1,232,876.00</u> | <u>1,745,122.00</u> | <u>1,543,873.34</u> | <u>(201,248.66)</u> |
| Expenditures: | | | | |
| Special Programs: | | | | |
| Programs for Special Education | 959,323.00 | 959,323.00 | 954,213.03 | 5,109.97 |
| Support Services | | | | |
| Pupils: | | | | |
| Health | 25,000.00 | 25,000.00 | 11,673.75 | 13,326.25 |
| Psychological | 76,066.00 | 76,066.00 | 62,348.94 | 13,717.06 |
| Speech Pathology | 268,018.00 | 268,018.00 | 235,215.84 | 32,802.16 |
| Student Therapy Services | 113,000.00 | 113,000.00 | 79,434.57 | 33,565.43 |
| Support Services - Instructional Staff: | | | | |
| Improvement of Instruction | 2,000.00 | 2,000.00 | 1,950.04 | 49.96 |
| Support Services - Special Education: | | | | |
| Administrative Costs | 135,415.00 | 135,415.00 | 58,269.83 | 77,145.17 |
| Transportation Costs | 72,000.00 | 72,000.00 | 75,856.55 | (3,856.55) |
| Other Special Education Costs | <u>94,300.00</u> | <u>94,300.00</u> | <u>64,862.87</u> | <u>29,437.13</u> |
| Total Expenditures | <u>1,745,122.00</u> | <u>1,745,122.00</u> | <u>1,543,825.42</u> | <u>201,296.58</u> |
| Net Change in Fund Balances | (512,246.00) | 0.00 | 47.92 | 47.92 |
| FUND BALANCE - JULY 1, 2019 | <u>11,381.71</u> | <u>11,381.71</u> | <u>11,381.71</u> | |
| FUND BALANCE - JUNE 30, 2020 | <u>\$ (500,864.29)</u> | <u>\$ 11,381.71</u> | <u>\$ 11,429.63</u> | <u>\$ 47.92</u> |

FLANDREAU SCHOOL DISTRICT NO. 50-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the 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 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 the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
12. The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

| | | Year Ended <u>06/30/20</u> |
|--|---------------|-------------------------------|
| <u>General Fund:</u> | | |
| USGAAP Basis Fund Balance | | \$ 1,838,131.19 |
| Reconciling Items: | | |
| Impact Aid Fund Balance | \$ 380,055.45 | |
| Net Adjustment to GAAP Basis Fund Balance | | <u>380,055.45</u> |
| Budgetary Basis Fund Balance | | <u>\$ 1,458,075.74</u> |

NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

1. 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.
2. The budgetary basis comparison schedule for the General Fund includes only the budgeted amounts for the General Fund, and does not include any amounts for the blended Impact Aid Fund.

Schedule of Required Supplementary Information
 FLANDREAU SCHOOL DISTRICT NO. 50-3

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

South Dakota Retirement System

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset) | 0.1732669% | 0.1675114% | 17.13106% | 17.51687% | 0.18157% | 0.18465% |
| District's proportionate share of net pension liability (asset) | \$ (1,248,317) | \$ (710,463) | \$ 578,670 | \$ (15,897) | \$ (4,234) | \$ (19,568) |
| District's covered-employee payroll | \$ 3,029,960 | \$ 3,058,271 | \$ 3,257,454 | \$ 3,559,045 | \$ 3,774,556 | \$ 3,926,115 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -41.20% | -23.23% | 17.76% | -0.45% | -0.11% | -0.50% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 107.30% | 104.10% | 96.89% | 100.10% | 100.02% | 100.09% |

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

Schedule of Required Supplementary Information

FLANDREAU SCHOOL DISTRICT NO. 50-3

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 181,798 | \$ 183,497 | \$ 195,448 | \$ 213,544 | \$ 226,474 | \$ 235,567 | \$ 247,103 |
| Contributions in relation to the contractually required contribution | \$ 181,798 | \$ 183,497 | \$ 195,448 | \$ 213,544 | \$ 226,474 | \$ 235,567 | \$ 247,103 |
| Contribution deficiency (excess) | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| District's covered-employee payroll | \$ 3,029,960 | \$ 3,058,271 | \$ 3,257,454 | \$ 3,559,045 | \$ 3,774,556 | \$ 3,926,115 | \$ 4,121,823 |
| Contributions as a percentage of covered-employee payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 5.99% |

FLANDREAU SCHOOL DISTRICT NO. 50-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

CHANGES OF BENEFIT TERMS

No significant changes

CHANGES OF ASSUMPTIONS

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

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

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

**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2020**

| | <u>CFDA Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Expenditure Amount 2020</u> |
|---|------------------------|--|--|
| U.S. Department of Agriculture: | | | |
| Pass-Through the SD Department of Education | | | |
| Child Nutrition Cluster: | | | |
| Non-cash Assistance: (Commodities) | | | |
| National School Lunch Program | 10.555 | NSLP-50003-20 | \$ 27,291.26 |
| Cash Assistance: (Note 3) | | | |
| School Breakfast Program | 10.553 | NSLP-50003-20 | 48,710.73 |
| National School Lunch Program | 10.555 | NSLP-50003-20 | <u>195,936.66</u> |
| Total Child Nutrition Cluster | | | <u>271,938.65</u> |
| Fresh Fruit and Vegetable Program | 10.582 | NSLP-50003-20 | <u>14,346.89</u> |
| Total U.S. Department of Agriculture | | | <u>286,285.54</u> |
| U.S. Department of Education: | | | |
| Direct Federal Funding: | | | |
| Impact Aid (Note 4) | 84.041 | N/A | 353,563.41 |
| Indian Education - Grants to Local Educational Agencies | 84.060 | N/A | 49,267.00 |
| Pass-Through the SD Department of Education | | | |
| Title I Cluster: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | TIA-50003-20 | 146,539.00 |
| Improving Teacher Quality Grants | 84.367 | TIIA-50003-20 | 39,820.00 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | 611-50003-20 | 160,617.00 |
| Special Education - Preschool Grants | 84.173 | 619-50003-20 | <u>5,134.00</u> |
| Total Special Education Cluster: | | | <u>165,751.00</u> |
| School Support and Academic Enrichment Grants | 84.424 | TIVA-50003-20 | 17,147.00 |
| Elementary and Secondary School Emergency Relief | 84.425D | N/A | <u>8,146.00</u> |
| Total U.S. Department of Education | | | <u>780,233.41</u> |
| GRAND TOTAL | | | <u>\$ 1,066,518.95</u> |

FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2020
(continued)

Note 1: *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: *Federal Reimbursement*

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 4: *Major Federal Financial Assistance Program*

This represents a major federal financial assistance program.

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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
Flandreau School District No. 50-3
Moody 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 Flandreau School District No. 50-3, Moody County, 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 January 26, 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) as a basis for designing 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 Flandreau 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs that we consider to be a significant deficiency. We consider the deficiency described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item number 2020-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Flandreau School District's response to the findings identified in our audit is described in the accompanying Corrective Plan of Action. 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

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



Quam, Berglin & Post, P.C.
Certified Public Accountants

January 26, 2021

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

School Board
Flandreau School District No. 50-3
Moody County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Flandreau School District No. 50-3, Moody County, South Dakota (School District) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Flandreau School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Flandreau School District No. 50-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Flandreau School District No. 50-3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Flandreau School District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants

January 26, 2021

**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

There were no prior federal audit findings.

PRIOR OTHER AUDIT FINDINGS:

Prior Finding Number 2019-001:

A significant deficiency in internal controls was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This prior audit comment has not been corrected and is being restated as audit finding number 2020-001.

Prior Finding Number 2019-002:

SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district adopted a budget that did not reflect the means of finance. As a result, this transaction resulted in the use of fund balance in excess of available fund balance, creating a negative fund balance budget for the special education fund. This audit finding has been corrected.

**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. A significant deficiency was disclosed by our audit of the financial statements for a lack of segregation of duties, as discussed in finding number 2020-001.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Uniform Guidance.
- f. The federal awards tested as major programs included:

| | |
|------------|-------------------------|
| Impact Aid | <u>CFDA #</u> 84.041 |
|------------|-------------------------|

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.00.
- h. Flandreau School District qualified as a low-risk entity.

**FLANDREAU SCHOOL DISTRICT NO. 50-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

CURRENT FEDERAL AUDIT FINDINGS:

Federal Compliance-Related Audit Findings and Questioned Costs

There are no compliance-related audit findings and questioned costs.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Finding – Significant Deficiency:

Finding Number 2020-001:

Criteria:

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

Condition Found:

A significant deficiency in internal control was reported due to lack of proper segregation of duties for revenues, resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Recommendations:

We recommend that the Board of Education be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls, whenever and wherever possible and practical.

Response:

The Board of Education of this entity is aware of this problem, which is a result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. They have included a response to the finding on the following page.

FLANDREAU PUBLIC SCHOOLS

Empowering all students to become learners and leaders in a diverse and dynamic world.

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Business Manager
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CORRECTIVE PLAN OF ACTION JUNE 30, 2020

Flandreau School District No. 50-3 has considered the lack of segregation of duties. At this time, it is not cost effective for Flandreau School District No. 50-3 to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Flandreau School District to decrease the likelihood that financial data is adversely affected.

Flandreau School District's Board will continue to monitor the necessity to have segregation of duties and to implement such segregation as budget dollars and board authority allow.


Business Manager


Superintendent

Justin Kelm
Elementary School
Principal
605-997-2780

Brian Relf
Middle School
Principal
605-997-2705

Nichole Herzog
High School
Principal
605-997-2455

Marie Ivers
Special Education
Director
605-997-3263

Board of Education: Tom Stenger-President • Kelly Kontz-Vice President
Kari Burggraft • Kevin Christenson • Jamie Hemmer • Brian Johnson • Tammy Lunday