

**TRI-VALLEY  
SCHOOL DISTRICT NO. 49-6**

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

**JUNE 30, 2020**

TRI-VALLEY SCHOOL DISTRICT NO. 49-6  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2020

School Board

Leslie Johnson

Paul Siemonsma

Tom Van Asselt

Nicole Pullman

Ryan Fods

Business Manager

Ronda Rinehart

Superintendent

Mike Lodmel

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# QUAM, BERGLIN & POST, P.C.

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Tri-Valley School District No. 49-6  
Minnehaha County, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tri-Valley School District No. 49-6, Minnehaha County, South Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

## ***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 Tri-Valley School District No. 49-6 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), Pension Schedules, Budgetary Comparison Schedules, and Schedule of Changes in Total OPEB Liability, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Quam, Berglin & Post, P.C.

April 7, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Tri-Valley School District #49-6 annual financial reports presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- Increased revenue from the half-cent sales tax increased instructional staff pay and benefits in FY17. Legislation relating to those accountabilities restricted local decisions on how those new funds should be budgeted and/or spent. The Tri-Valley School District met both accountabilities in FY17. No accountability in relation to teacher compensation is required for FY18, but accountability will return in FY20. In FY20, the average teacher compensation (wages + benefits) needs to meet or exceed the average established in FY17.
- The District will move forward with building the Tri-Valley Early Learning Center (Pre-K and Kindergarten), and will continue discussions relating to facilities, primarily the need for a new Elementary building.

### **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 District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the District'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 - Food Service and Driver's Education Program.
  - 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 Tri-Valley School's Annual Financial Report

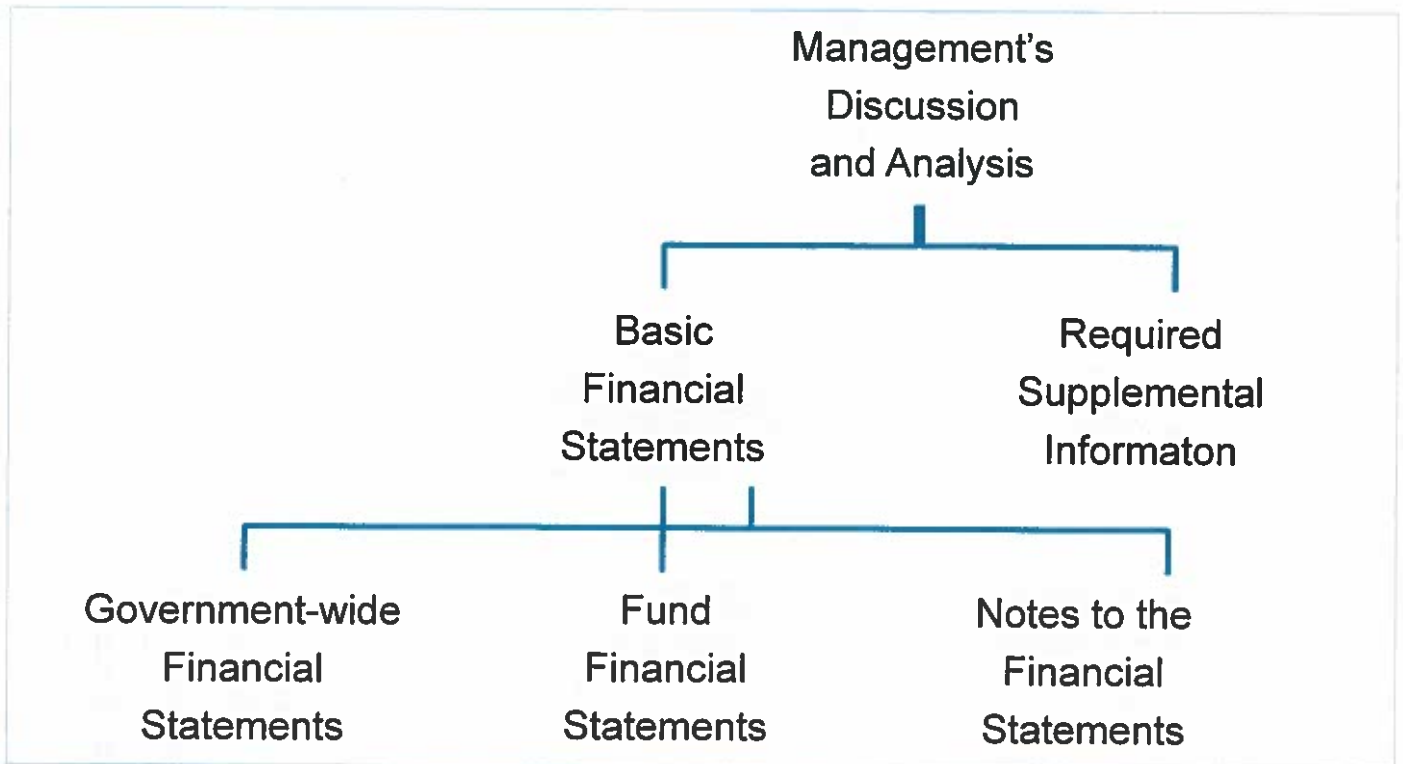


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents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

FIGURE A-2

Major Features of Tri-Valley 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 and fiduciary component units)	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 Changes in Net Position *Statement of Cash Flows	*Statement of Net Position *Statement of Changes in Fiduciary 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 are 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, debate, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing services 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 government-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 an enterprise fund (one type of proprietary fund) to report the activities of its Food Service and Driver's Education Programs, a business-type activity. The District does not use an internal service fund at this time.
- **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 DISTRICT AS A WHOLE

## Net Position

The District's combined net position increased as follows:

TABLE A-1  
TRI-VALLEY SCHOOL DISTRICT NO. 49-6  
STATEMENT OF NET POSITION

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020
Current and Other Assets	\$ 6,517,511.55	\$ 17,839,354.94	\$ 190,053.51	\$ 167,560.25	\$ 6,707,565.06	\$ 18,006,915.1
Capital Assets	<u>9,618,580.02</u>	<u>9,580,102.85</u>	<u>44,388.74</u>	<u>35,329.05</u>	<u>9,662,968.76</u>	<u>9,615,431.9</u>
<b>Total Assets</b>	16,136,091.57	27,419,457.79	234,442.25	202,889.30	16,370,533.82	27,622,347.0
Deferred Outflows of Resources						
OPEB Related Deferred Outflows		79,058.00				79,058.0
Pension Related Deferred Outflows	<u>1,825,233.16</u>	<u>1,219,157.00</u>			<u>1,825,233.16</u>	<u>1,219,157.0</u>
<b>Total Deferred Outflows of Resources</b>	1,825,233.16	1,298,215.00			1,825,233.16	1,298,215.0
Current Liabilities	764,698.60	792,480.97	21,572.06	25,279.46	786,270.66	817,760.4
Long-Term Debt Outstanding	<u>1,835,476.68</u>	<u>11,401,110.01</u>			<u>1,835,476.68</u>	<u>11,401,110.0</u>
<b>Total Liabilities</b>	2,600,175.28	12,193,590.98	21,572.06	25,279.46	2,621,747.34	12,218,870.4
Deferred Inflows of Resources						
Pension Related Deferred Inflows	474,618.57	522,251.13			474,618.57	522,251.1
OPEB Related Deferred Inflows	100,739.00	572,216.00			100,739.00	572,216.0
Taxes Levied for Future Period	<u>2,483,192.34</u>	<u>2,721,913.44</u>			<u>2,483,192.34</u>	<u>2,721,913.4</u>
<b>Total Deferred Inflows of Resources</b>	3,058,549.91	3,816,380.57			3,058,549.91	3,816,380.5
Net Position:						
Net Investment in Capital Assets	9,001,080.02	9,225,675.35	44,388.74	35,329.05	9,045,468.76	9,261,005.4
Restricted	3,014,772.02	3,015,924.57			3,014,772.02	3,015,924.5
Unrestricted	<u>286,747.50</u>	<u>466,101.32</u>	<u>168,481.45</u>	<u>142,280.79</u>	<u>455,228.95</u>	<u>608,382.1</u>
<b>Total Net Position</b>	\$ 12,302,599.54	\$ 12,707,701.24	\$ 212,870.19	\$ 177,609.84	\$ 12,515,469.73	\$ 12,885,311.0
Increase (Decrease) in Net Position	<u>373,239.95</u>	<u>405,101.70</u>	<u>2,232.88</u>	<u>(35,260.35)</u>	<u>375,472.83</u>	<u>369,841.3</u>
Percentage of Increase (Decrease) in Net Position	3.13%	3.29%	1.06%	-16.56%	3.09%	2.96

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 other postemployment benefits payable, early retirement payable, financing (capital acquisition) lease, and capital outlay certificates payable, 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.

## GOVERNMENT-WIDE ACTIVITIES

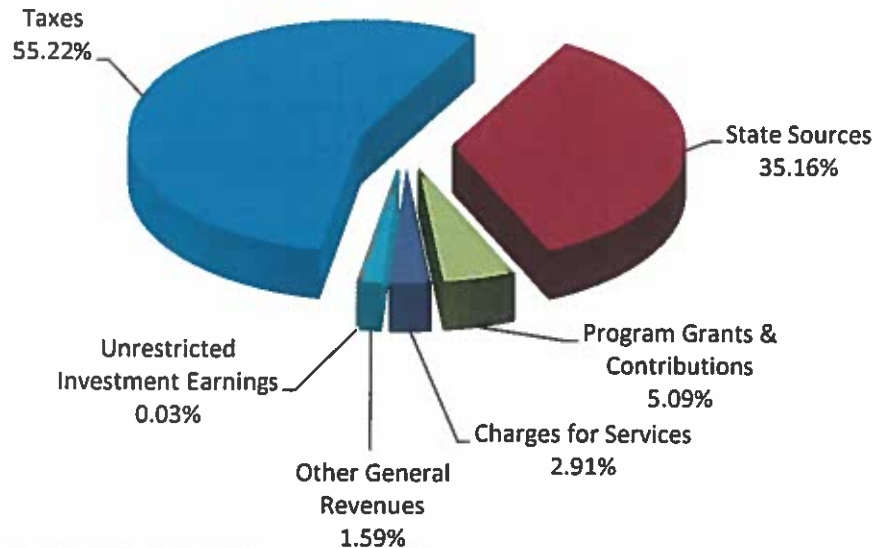
Table A-2 and the narrative that follows consider the operations of the government-wide activities.

TABLE A-2  
TRI-VALLEY SCHOOL DISTRICT NO. 49-6  
Changes in Net Position

	Total Governmental Activities		Total Business- Type Activities		Total	
	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 51,251.51	\$ 48,400.69	\$ 327,813.29	\$ 270,782.42	\$ 379,064.80	\$ 319,183.11
Operating Grants and Contributions	371,456.47	401,569.05	199,290.38	157,201.26	570,746.85	558,770.31
General Revenues						
Taxes	5,403,264.48	6,056,331.79			5,403,264.48	6,056,331.79
Revenue State Sources	3,968,392.89	3,856,568.44			3,968,392.89	3,856,568.44
Other General Revenue	59,769.64	174,349.83	477.74	541.37	60,247.38	174,891.20
Unrestricted Investment Earnings	6,796.56	3,565.54			6,796.56	3,565.54
<b>Total Revenues</b>	<b>9,860,931.55</b>	<b>10,540,785.34</b>	<b>527,581.41</b>	<b>428,525.05</b>	<b>10,388,512.96</b>	<b>10,969,310.39</b>
<b>Expenses</b>						
Instruction	5,531,458.52	6,167,280.89			5,531,458.52	6,167,280.89
Support Services	3,581,404.46	3,571,240.46			3,581,404.46	3,571,240.46
Nonprogrammed Charges	36,451.00	34,803.80			36,451.00	34,803.80
Interest on Long-Term Debt	16,815.00	44,422.12			16,815.00	44,422.12
Cocurricular Activities	321,562.62	317,936.37			321,562.62	317,936.37
Food Service			515,296.31	463,670.75	515,296.31	463,670.75
Driver's Education			10,052.22	114.65	10,052.22	114.65
<b>Total Expenses</b>	<b>9,487,691.60</b>	<b>10,135,683.64</b>	<b>525,348.53</b>	<b>463,785.40</b>	<b>10,013,040.13</b>	<b>10,599,469.04</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 373,239.95</b>	<b>\$ 405,101.70</b>	<b>\$ 2,232.88</b>	<b>\$ (35,260.35)</b>	<b>\$ 375,472.83</b>	<b>\$ 369,841.35</b>
<b>Beginning Net Position</b>	<b>11,929,359.59</b>	<b>12,302,599.54</b>	<b>210,637.31</b>	<b>212,870.19</b>	<b>12,139,996.90</b>	<b>12,515,469.73</b>
<b>Ending Net Position</b>	<b>\$ 12,302,599.54</b>	<b>\$ 12,707,701.24</b>	<b>\$ 212,870.19</b>	<b>\$ 177,609.84</b>	<b>\$ 12,515,469.73</b>	<b>\$ 12,885,311.08</b>
<b>Percentage of Increase (Decrease) in Net Position</b>	<b>3.13%</b>	<b>3.29%</b>	<b>1.06%</b>	<b>-16.56%</b>	<b>3.09%</b>	<b>2.96%</b>

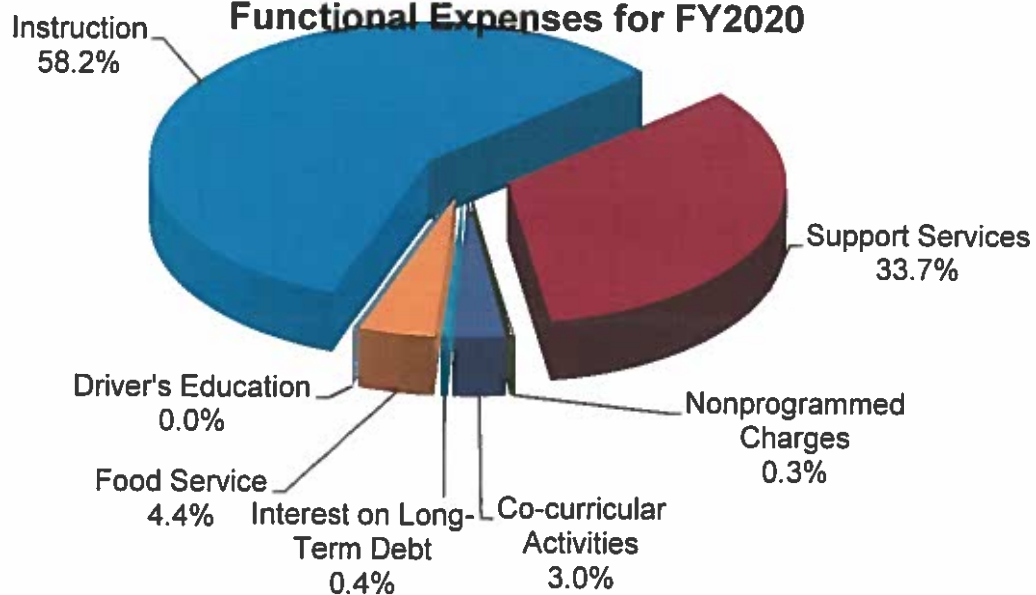
The District's revenues totaled \$10,969,310.39 (See Table A-2). Approximately 55.22% of the District's revenue comes from property taxes and other taxes, 35.16% comes from state aid, and 9.62% from other sources. (See Figure A-3).

**Figure A-2**  
**Tri-Valley School District**  
**Sources of Revenues for FY2020**



The District's expenses totaled \$10,599,469.04 (See Table A-2) and covered a range of services including instruction, support services, debt service, co-curricular activities, and food services. (See Figure A-4).

**Figure A-4**  
**Tri-Valley School District**  
**Functional Expenses for FY2020**



## BUSINESS-TYPE ACTIVITIES

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

There was a decrease in the Business-Type activities revenue and expenditures in FY20 compared to FY19. Prices were increased as required by the paid lunch equity program for FY20. Due to cash on hand limits, allowable expenses were moved to the food service fund. Covid-19 closure, and the SSO lunch delivery program created the loss. Packing and delivering meals cost more than the revenue that came in to cover the program.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial analysis of the District's funds mirror those highlighted in the analysis of governmental and business type activities presented above. The District maintains only two business-type funds – Food Service and Driver's Education Funds.

## CAPITAL ASSET ADMINISTRATION

By the end of 2020, the District had invested \$9,615,432 in a broad range of capital assets, including land, buildings, improvements other than buildings, and various machinery and equipment. (See Table A-3). By the end of 2020, the district was still working on land improvements and moved forward with the project.

Table A-3  
TRI-VALLEY SCHOOL DISTRICT NO. 49-6 - Capital Assets  
Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities			Business-Type Activities		
	FY2019	FY2020	Increase/ (Decrease)	FY2019	FY2020	Increase/ (Decrease)
Land	\$ 561,900	\$ 561,900	\$	\$	\$	\$
Construction Work in Progress		215,898	215,898			
Buildings	6,174,687	5,931,765	(242,922)			
Improvements other than Building	2,619,327	2,563,029	(56,298)			
Machinery and Equipment	262,666	307,511	44,845	44,389	35,329	(9,060)
Total Capital Assets	\$ 9,618,580	\$ 9,580,103	\$ (38,477)	\$ 44,389	\$ 35,329	\$ (9,060)

## LONG-TERM DEBT

At year-end the District had \$11,401,110 in Capital Outlay Certificates and other long-term debt obligations. This represents a \$9,565,633.00 increase in debt from FY19.

**Table A-4**  
**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**Outstanding Debt and Obligations**

	<b>Governmental Activities</b>		<b>Total</b>
	<b>2019</b>	<b>2020</b>	<b>% Change</b>
Capital Outlay Certificates	\$ 575,000	\$ 10,448,556	1717.14%
Financing (Capital Acquisition) Lease	4,779	39,895	734.80%
Note Payable	42,500	21,250	-50.00%
Other Post-Employment Benefits	1,213,198	891,409	-26.52%
<b>Total Long-Term Liabilities</b>	<b>\$ 1,835,477</b>	<b>\$ 11,401,110</b>	<b>521.15%</b>

The School maintains an early retirement plan, which allows those meeting certain qualifications to retire early and receive up to 60% of their last year's salary in 1 payment at the end of the current school year. This plan allows the school to potentially reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

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

One of the primary sources of revenue to the School District is funding from the State. The state aid funding formula changed in FY17 from a per pupil allocation to a funding formula based on enrollment and target teacher compensation. The change in the funding formula resulted in the District receiving an increase in funding. The State's goal with the funding formula was to increase teacher compensation, which the District will have to maintain moving forward. The District's enrollment is projected to increase at a steady pace in future years. Property valuations are expected to continue to increase due to significant growth in the district.

## **CONTACTING THE DISTRICT'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 Tri-Valley School District 49-6 Business Office, 46450 252<sup>nd</sup> St., Colton, SD 57018.

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**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 14,458,925.61	\$ 134,155.86	\$ 14,593,081.47
Taxes Receivable	2,778,209.71		2,778,209.71
Accounts Receivable	133,416.27	17,952.79	151,369.06
Due from Other Governments	431,351.37		431,351.37
Inventories	13,868.22	15,451.60	29,319.82
Net Pension Asset	23,583.76		23,583.76
Capital Assets:			
Land & Construction in Progress	777,798.13		777,798.13
Other Capital Assets, Net of Depreciation	8,802,304.72	35,329.05	8,837,633.77
<b>TOTAL ASSETS</b>	<b>27,419,457.79</b>	<b>202,889.30</b>	<b>27,622,347.09</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	1,219,157.00		1,219,157.00
OPEB Related Deferred Outflows	79,058.00		79,058.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,298,215.00</b>		<b>1,298,215.00</b>
<b>LIABILITIES:</b>			
Accounts Payable	39,061.02		39,061.02
Contracts and Benefits Payable	753,419.95		753,419.95
Deposits Payable		25,279.46	25,279.46
Noncurrent Liabilities:			
Due Within One Year	128,275.64		128,275.64
Due in More than One Year	11,272,834.37		11,272,834.37
<b>TOTAL LIABILITIES</b>	<b>12,193,590.98</b>	<b>25,279.46</b>	<b>12,218,870.44</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
OPEB Related Deferred Inflows	572,216.00		572,216.00
Pension Related Deferred Inflows	522,251.13		522,251.13
Taxes Levied for Future Period	2,721,913.44		2,721,913.44
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,816,380.57</b>		<b>3,816,380.57</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	9,225,675.35	35,329.05	9,261,004.40
Restricted for:			
Capital Outlay	2,295,434.94		2,295,434.94
SDRS Pension Purposes	720,489.63		720,489.63
Unrestricted	466,101.32	142,280.79	608,382.11
<b>TOTAL NET POSITION</b>	<b>\$ 12,707,701.24</b>	<b>\$ 177,609.84</b>	<b>\$ 12,885,311.08</b>

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

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 6,167,280.89	\$	\$ 401,569.05	\$ (5,765,711.84)	\$	\$ (5,765,711.84)
Support Services	3,571,240.46	25,613.62		(3,545,626.84)		(3,545,626.84)
Nonprogrammed Charges	34,803.80			(34,803.80)		(34,803.80)
*Interest on Long-term Debt	44,422.12			(44,422.12)		(44,422.12)
Cocurricular Activities	317,936.37	22,787.07		(295,149.30)		(295,149.30)
Total Governmental Activities	10,135,683.64	48,400.69	401,569.05	(9,685,713.90)		(9,685,713.90)
Business-type Activities:						
Food Service	463,670.75	270,557.42	157,201.26		(35,912.07)	(35,912.07)
Driver's Education	114.65	225.00			110.35	110.35
Total Business-type Activities	463,785.40	270,782.42	157,201.26		(35,801.72)	(35,801.72)
Total Primary Government	\$ 10,599,469.04	\$ 319,183.11	\$ 558,770.31	(9,685,713.90)	(35,801.72)	(9,721,515.62)
*The District does not have interest expense related to the functions pre- sented above. This amount includes indirect interest expense on general long-term debt.		General Revenues:				
		Taxes:				
		Property Taxes			5,734,371.42	5,734,371.42
		Utility Taxes			321,960.37	321,960.37
		Revenue from State Sources:				
		State Aid			3,856,568.44	3,856,568.44
		Unrestricted Investment Earnings			3,565.54	3,565.54
		Other General Revenues			174,349.83	174,891.20
		Total General Revenues			10,090,815.60	10,091,356.97
		Change in Net Position			405,101.70	369,841.35
		Net Position - Beginning			12,302,599.54	12,515,469.73
		NET POSITION - ENDING			\$ 12,707,701.24	\$ 12,885,311.08

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 2,157,626.73	\$ 2,185,920.33	\$	\$10,115,378.55	\$14,458,925.61
Taxes Receivable--Current	1,419,585.70	820,104.15	482,223.59		2,721,913.44
Taxes Receivable--Delinquent	31,816.23	15,993.30	8,486.74		56,296.27
Accounts Receivable		133,416.27			133,416.27
Due From Other Funds	73,658.10				73,658.10
Due From Other Governments	376,022.37		55,329.00		431,351.37
Inventory of Supplies	13,868.22				13,868.22
<b>TOTAL ASSETS</b>	<u>4,072,577.35</u>	<u>3,155,434.05</u>	<u>546,039.33</u>	<u>10,115,378.55</u>	<u>17,889,429.28</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	11,381.58		27,679.44		39,061.02
Due to Other Fund			73,658.10		73,658.10
Contracts Payable	529,617.68		67,863.60		597,481.28
Payroll Deductions and Withholdings and Employer Matching Payable	133,969.85		21,968.82		155,938.67
<b>Total Liabilities</b>	<u>674,969.11</u>		<u>191,169.96</u>		<u>866,139.07</u>
<b>Deferred Inflows of Resources:</b>					
Taxes Levied for a Future Period	1,419,585.70	820,104.15	482,223.59		2,721,913.44
Unavailable Revenue-Property Taxes	31,816.23	15,993.30	8,486.74		56,296.27
<b>Total Deferred Inflows of Resources</b>	<u>1,451,401.93</u>	<u>836,097.45</u>	<u>490,710.33</u>		<u>2,778,209.71</u>
<b>Fund Balances:</b>					
Nonspendable	13,868.22				13,868.22
Restricted		2,319,336.60		10,115,378.55	12,434,715.15
Unassigned	1,932,338.09		(135,840.96)		1,796,497.13
<b>Total Fund Balances</b>	<u>1,946,206.31</u>	<u>2,319,336.60</u>	<u>(135,840.96)</u>	<u>10,115,378.55</u>	<u>14,245,080.50</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,072,577.35</u>	<u>\$ 3,155,434.05</u>	<u>\$ 546,039.33</u>	<u>\$10,115,378.55</u>	<u>\$17,889,429.28</u>

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

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

Total Fund Balances - Governmental Funds	\$ 14,245,080.50
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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.

Total Cost of Capital Assets	\$ 18,588,774.07	
Less Accumulated Depreciation	<u>(9,008,671.22)</u>	9,580,102.85

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:

Other Postemployment Benefits	(891,409.00)	
Financing (Capital Acquisition) Leases	(39,894.96)	
Note Payable	(21,250.00)	
Capital Outlay Certificates Payable	<u>(10,448,556.05)</u>	(11,401,110.01)

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

23,583.76

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

1,298,215.00

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

(1,094,467.13)

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

56,296.27

Net Position - Governmental Funds	<u>\$12,707,701.24</u>
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The notes to the financial statements are an integral part of this statement.

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 2,933,260.41	\$ 1,737,702.43	\$ 996,639.82	\$	\$	\$ 5,667,602.66
Prior Years' Ad Valorem Taxes	23,333.00	11,962.94	6,404.73			41,700.67
Utility Taxes	321,960.37					321,960.37
Penalties and Interest on Taxes	5,549.08	1,863.31	1,001.98			8,414.37
Earnings on Investments and Deposits	3,565.54					3,565.54
Cocurricular Activities:						
Admissions	22,787.07					22,787.07
Other Revenue from Local Sources:						
Charges for Services	10,751.53		14,862.09			25,613.62
Comp for Loss of Fixed Assets		133,416.27	1,000.00			133,416.27
Other	9,785.02					10,785.02
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	30,148.54					30,148.54
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	3,556,320.64					3,556,320.64
Restricted Grants-in-Aid	17,730.80		282,517.00			300,247.80
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	3,622.78					3,622.78
Restricted Grants-in-Aid Received from Federal Government Through the State	202,242.00					397,946.27
Total Revenue	7,141,056.78	1,884,944.95	195,704.27			10,524,131.62
			1,498,129.89			

## Expenditures:

### Instruction:

#### Regular Programs:

Elementary

Middle/Junior High

High School

Other Regular Programs

#### Special Programs:

Gifted and Talented

Programs for Special Education

Programs for Educationally Deprived

#### Support Services:

Pupils:

Guidance

Health

Psychology

Speech Pathology

Student Therapy

Support Services - Instructional Staff:

Improvement of Instruction

Educational Media

Support Services - General Administration:

Board of Education

Executive Administration

Support Services - School Administration:

Office of the Principal

Other

Support Services - Business:

Fiscal Services

Operation and Maintenance of Plant

Pupil Transportation

Internal Services

Support Services - Special Education:

Administrative Costs

Other Transportation Costs

Other Special Education Costs

Residential Services

	1,334,831.99	135,054.65	1,469,886.64
	1,021,944.33	88,817.02	1,110,761.35
	1,057,853.05	79,633.73	1,137,486.78
	168,735.52		168,735.52
	66,141.16		66,141.16
	191,261.86	1,014,840.62	1,014,840.62
			191,261.86
	139,603.87		139,603.87
	58,441.60		58,441.60
		53,732.98	53,732.98
		105,836.02	105,836.02
		123,858.25	123,858.25
	80,897.63		80,897.63
	226,820.24	9,314.05	236,134.29
	86,067.35		86,067.35
	217,634.11		217,634.11
	356,888.72		356,888.72
	1,227.26		1,227.26
	191,907.53		191,907.53
	705,618.24	153,760.47	859,378.71
	682,698.51		682,698.51
	4,303.40		4,303.40
		88,068.76	88,068.76
		81,646.57	81,646.57
		8,515.08	8,515.08
		2,415.82	2,415.82

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Capital Projects Fund	Total Governmental Funds
<b>Nonprogrammed Charges:</b>						
Unemployment Insurance	3,560.00					3,560.00
Early Retirement Payments	31,243.80					31,243.80
Debt Services		528,421.86			128,427.50	656,849.36
<b>Cocurricular Activities:</b>						
Male Activities	76,046.36	9,856.62				85,902.98
Female Activities	53,731.76	5,328.95				59,060.71
Transportation	38,142.98					38,142.98
Combined Activities	132,589.70	2,240.00				134,829.70
Capital Outlay		250,875.28			204,750.00	455,625.28
<b>Total Expenditures</b>	<u>6,928,190.97</u>	<u>1,263,302.63</u>	<u>1,478,914.10</u>		<u>333,177.50</u>	<u>10,003,585.20</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>212,865.81</u>	<u>621,642.32</u>	<u>19,215.79</u>		<u>(333,177.50)</u>	<u>520,546.42</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In	5,889.91					5,889.91
Transfers Out				(5,889.91)		(5,889.91)
Proceeds from Long Term Debt Issued		51,293.52			8,650,000.00	8,701,293.52
Premium on Debt Issued					1,798,556.05	1,798,556.05
<b>Total Other Financing Sources (Uses)</b>	<u>5,889.91</u>	<u>51,293.52</u>		<u>(5,889.91)</u>	<u>10,448,556.05</u>	<u>10,499,849.57</u>
<b>Net Change in Fund Balances</b>	218,755.72	672,935.84	19,215.79	(5,889.91)	10,115,378.55	11,020,395.99
<b>FUND BALANCE - BEGINNING</b>	<u>1,727,450.59</u>	<u>1,646,400.76</u>	<u>(155,056.75)</u>	<u>5,889.91</u>		<u>3,224,684.51</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,946,206.31</u>	<u>\$ 2,319,336.60</u>	<u>\$ (135,840.96)</u>	<u>\$</u>	<u>\$ 10,115,378.55</u>	<u>\$ 14,245,080.50</u>

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

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 11,020,395.99

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

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. 16,653.72

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

Capital Outlays	\$ 455,625.28	
Depreciation Expense	<u>(494,102.45)</u>	(38,477.17)

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (10,499,849.57)

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. (635,418.51)

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

Other Postemployment Benefits (70,630.00)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 612,427.24

Change in Net Position of Governmental Activities \$ 405,101.70

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



**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	<b>Enterprise Funds</b>		
	<b>Food Service</b>	<b>Other</b>	
	<b>Fund</b>	<b>Enterprise</b>	<b>Total</b>
		<b>Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 133,339.57	\$ 816.29	\$134,155.86
Accounts Receivable	17,952.79		17,952.79
Inventory of Stores Purchased for Resale	5,590.27		5,590.27
Inventory of Donated Food	9,861.33		9,861.33
	<u>166,743.96</u>	<u>816.29</u>	<u>167,560.25</u>
Total Current Assets			
Capital Assets:			
Machinery and Equipment	169,751.04		169,751.04
Less: Accumulated Depreciation	(134,421.99)		(134,421.99)
Total Noncurrent Assets	<u>35,329.05</u>		<u>35,329.05</u>
TOTAL ASSETS	<u>202,073.01</u>	<u>816.29</u>	<u>202,889.30</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Deposits Payable	25,279.46		25,279.46
Total Current Liabilities	<u>25,279.46</u>		<u>25,279.46</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	35,329.05		35,329.05
Unrestricted Net Position	<u>141,464.50</u>	<u>816.29</u>	<u>142,280.79</u>
TOTAL NET POSITION	<u>\$ 176,793.55</u>	<u>\$ 816.29</u>	<u>\$177,609.84</u>

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

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	<b>Enterprise Funds</b>		
	<b>Food Service</b>	<b>Other</b>	
	<b>Fund</b>	<b>Enterprise</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	
<b>Operating Revenue:</b>			
<b>Sales:</b>			
To Pupils	\$ 270,557.42	\$	\$ 270,557.42
Other	541.37	225.00	766.37
<b>Total Operating Revenue</b>	<u>271,098.79</u>	<u>225.00</u>	<u>271,323.79</u>
<b>Operating Expenses:</b>			
Salaries	164,129.42		164,129.42
Employee Benefits	65,125.03		65,125.03
Purchased Services	18,919.97		18,919.97
Supplies	17,537.39	114.65	17,652.04
Cost of Sales-Purchased Food	175,772.43		175,772.43
Cost of Sales-Donated Food	13,126.82		13,126.82
Depreciation-Local Funds	9,059.69		9,059.69
<b>Total Operating Expenses</b>	<u>463,670.75</u>	<u>114.65</u>	<u>463,785.40</u>
<b>Operating Income (Loss)</b>	<u>(192,571.96)</u>	<u>110.35</u>	<u>(192,461.61)</u>
<b>Nonoperating Revenue (Expense):</b>			
<b>State Sources:</b>			
Cash Reimbursements	1,960.48		1,960.48
<b>Federal Sources:</b>			
Cash Reimbursements	132,785.34		132,785.34
Donated Food	22,455.44		22,455.44
<b>Total Nonoperating Revenue (Expense)</b>	<u>157,201.26</u>		<u>157,201.26</u>
<b>Change in Net Position</b>	<u>(35,370.70)</u>	<u>110.35</u>	<u>(35,260.35)</u>
<b>NET POSITION - BEGINNING</b>	<u>212,164.25</u>	<u>705.94</u>	<u>212,870.19</u>
<b>NET POSITION - ENDING</b>	<u>\$ 176,793.55</u>	<u>\$ 816.29</u>	<u>\$ 177,609.84</u>

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

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	<b>Enterprise Funds</b>		
		<b>Other</b>	
	<b>Food Service</b>	<b>Enterprise</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 288,326.20	\$ 225.00	\$ 288,551.20
Payments to Suppliers	(214,814.05)	(455.29)	(215,269.34)
Payments to Employees	(230,268.57)	(7,266.38)	(237,534.95)
Net Cash Provided (Used) by Operating Activities	(156,756.42)	(7,496.67)	(164,253.09)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Subsidies	134,745.82		134,745.82
Net Cash Provided (Used) By Noncapital Financing Activities	134,745.82		134,745.82
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of Capital Assets			
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (22,010.60)	\$ (7,496.67)	\$ (29,507.27)
Cash and Cash Equivalents at Beginning of Year	\$ 155,350.17	\$ 8,312.96	\$ 163,663.13
Cash and Cash Equivalents at End of Year	133,339.57	816.29	134,155.86
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (22,010.60)	\$ (7,496.67)	\$ (29,507.27)
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>			
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (192,571.96)	\$ 110.35	\$ (192,461.61)
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	9,059.69		9,059.69
Value of Donated Commodities Used	13,126.82		13,126.82
Change in Assets and Liabilities:			
Accounts Receivable	4,771.11		4,771.11
Inventories	(2,456.50)		(2,456.50)
Accounts Payable	(127.76)	(340.64)	(468.40)
Contracts Payable	(1,014.12)	(7,266.38)	(8,280.50)
Advance Payments from Customers	12,456.30		12,456.30
Net Cash Provided (Used) by Operating Activities	\$ (156,756.42)	\$ (7,496.67)	\$ (164,253.09)
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 22,455.44		

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

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 209,889.97	\$ 177,776.00
Investments-CDs	25,274.16	
Accounts Receivable	<u>                    </u>	<u>23,891.82</u>
 TOTAL ASSETS	 <u>235,164.13</u>	 <u>201,667.82</u>
 <b>LIABILITIES:</b>		
Amounts Held for Others	<u>                    </u>	<u>201,667.82</u>
Total Liabilities	<u>                    </u>	<u>\$ 201,667.82</u>
 <b>NET POSITION</b>		
Held in Trust for Scholarships	<u>\$ 235,164.13</u>	

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

TRI-VALLEY SCHOOL DISTRICT NO. 49-6  
NOTES TO THE FINANCIAL STATEMENTS

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

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

**a. Financial Reporting Entity**

The reporting entity of Tri-Valley School District No. 49-6 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 component units; however, they are discussed in these notes because 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 are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

*Fund Financial Statements:*

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

proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

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

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

#### **Governmental Funds:**

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

*Special Revenue Funds* - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

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

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

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

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

#### **Proprietary Funds:**

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

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

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

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

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

**Other Enterprise Fund** - A fund used to record financial transactions related to driver's education instruction. 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, and other governments. The School District maintains a private-purpose trust fund for scholarships.

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

### c. Measurement Focus and Basis of Accounting

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

### **Measurement Focus:**

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

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

#### *Fund Financial Statements:*

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

### **Basis of Accounting:**

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

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

*Fund Financial Statements:*

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Tri-Valley School District is 60 days. The revenues that were accrued at June 30, 2020 are amounts due from other governments.

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

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 conditions 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 0.93 percent for which the costs were determined by estimates of the original costs. The total June 30, 2020 balance of capital assets for business-type activities are valued at original costs. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	NA	NA
Improvements	\$ 5,000.00	Straight Line	15-25 yrs
Buildings	5,000.00	Straight Line	50 yrs
Machinery and Equipment	5,000.00	Straight Line	5-20 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	5-20 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 capital outlay certificates payable, financing (capital lease) acquisition, and other postemployment benefits 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 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 fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

#### **k. Equity Classifications**

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

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (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 District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**m. Deferred Inflows and Deferred Outflows of Resources:**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

**n. Fund Balance Classification Policies and Procedures**

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

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. 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.
3. 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.
4. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
5. 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 School District would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

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

A schedule of fund balances is provided as follows:

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
<b><u>Nonspendable:</u></b>					
Inventory	\$ 13,868.22	\$	\$	\$	\$ 13,868.22
<b><u>Restricted for:</u></b>					
Capital Outlay		2,319,336.60			2,319,336.60
Capital Projects				10115378.55	10,115,378.55
<b><u>Unassigned for:</u></b>					
General Fund	1,932,338.09				1,932,338.09
Special Education			(135,840.96)		(135,840.96)
<b>Total Fund Balances</b>	<b>\$ 1,946,206.31</b>	<b>\$ 2,319,336.60</b>	<b>\$ (135,840.96)</b>	<b>\$ 10,115,378.55</b>	<b>\$ 14,245,080.50</b>

#### **o. Pensions**

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

### **NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

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

**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.

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

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

**Assignment of Investment Income** - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust fund(s) which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income.

### **NOTE 3 - RECEIVABLES AND PAYABLES**

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible amounts have not been established.

### **NOTE 4 - INVENTORY**

Inventory held for consumption is stated at cost.

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure when the individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

### **NOTE 5 - PROPERTY TAXES**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property 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 statement 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 "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:

	Balance 06/30/19	Increase	Decrease	Balance 06/30/20
Primary Government				
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 561,900.00	\$	\$	\$ 561,900.00
Construction Work in Progress		215,898.13		215,898.13
Total not being depreciated	561,900.00	215,898.13		777,798.13
Capital Assets, depreciated:				
Buildings	11,717,374.00			11,717,374.00
Improvements	4,837,886.10	136,804.73		4,974,690.83
Library Books	171,511.23	2,910.00	692.25	173,728.98
Machinery and Equipment	845,169.71	100,012.42		945,182.13
Total being depreciated	17,571,941.04	239,727.15	692.25	17,810,975.94
Less Accumulated Depreciation:				
Buildings	5,542,687.00	242,922.00		5,785,609.00
Improvements	2,218,559.00	193,103.00		2,411,662.00
Library Books	160,147.04	8,686.45	692.25	168,141.24
Machinery and Equipment	593,867.98	49,391.00		643,258.98
Total Accumulated Depreciation	8,515,261.02	494,102.45	692.25	9,008,671.22
Total Capital Assets, being depreciated, net	9,056,680.02	(254,375.30)		8,802,304.72
Governmental activities capital assets, net	\$ 9,618,580.02	\$ (38,477.17)	\$	\$ 9,580,102.85

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

Governmental Activities:	
Instruction	\$ 372,748.45
Support Services	121,354.00
Total Depreciation expense-Governmental Activities	\$ 494,102.45

#### Business-type Activities:

	Balance 6/30/19	Increases	Decreases	Balance 6/30/20
Business-type activity capital assets, net				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 169,751.04	\$	\$	\$ 169,751.04
Less: Accumulated Depreciation	125,362.30	9,059.69		134,421.99
Business-type activity capital assets, net	\$ 44,388.74	\$ (9,059.69)	\$	\$ 35,329.05

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

Business-type Activity	
Food Service	\$ 9,059.69

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

Project Name	Project Authorization	Expended through	
		06/30/20	Committed
Lagoon Redesign	\$ 67,430.10	\$ 11,148.13	\$ 56,281.97
Elementary School	1,023,750.00	204,750.00	819,000.00
Total	\$ 1,091,180.10	\$ 215,898.13	\$ 875,281.97

#### NOTE 7 - LONG-TERM LIABILITIES

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

##### Primary Government

	Capital Outlay Certificates	Financing (Capital Acquisition) Lease	Note Payable (Land Purchase)	Other Post Employment Benefits	Capital Outlay Certificates Premium	Totals
Governmental Activities:						
Liabilities Payable, 7/1/19	\$ 575,000.00	\$ 4,778.68	\$ 42,500.00	\$ 1,213,198.00	\$	\$ 1,835,476.68
New Issues	8,650,000.00	51,293.52		253,509.00	1,798,556.05	10,753,358.57
Retired Amounts	(575,000.00)	(16,177.24)	(21,250.00)	(575,298.00)		(1,187,725.24)
Liabilities Payable, 6/30/20	\$ 8,650,000.00	\$ 39,894.96	\$ 21,250.00	\$ 891,409.00	\$ 1,798,556.05	\$ 11,401,110.01
Due within One Year	\$	\$ 17,097.84	\$ 21,250.00	\$	\$ 89,927.80	\$ 128,275.64

Other Postemployment Benefits have been liquidated from the General Fund.

##### Governmental Activities

Liabilities payable at June 30, 2020, not including premiums, are comprised of the following:

##### Capital Outlay Certificates:

2020 Capital Outlay Refunding Certificates; issued June 18, 2020 at the interest rate of 4 to 5%, dependent on the length of maturity of the loan; maturing August 1, 2039. Payments made from the Capital Outlay Fund. \$ 8,650,000.00

##### Other Postemployment Benefits:

Obligation to individuals who are retired or will retire from the School District and will receive postemployment benefits. Payments are made from the General Fund. 891,409.00

##### Financing (Capital Acquisition) Lease:

Financing Lease with Elite Business Systems for the lease of a copier matures August 15, 2023, with 0% interest. Payments to be made from the Capital Outlay Fund. 39,894.96

##### Note Payable:

Represents obligations to Stageberg Irrevocable Trust for a Contract for Deed for seven (7) acres of land. Payments will be made from the Capital Outlay Fund. 21,250.00

The annual debt service requirements to maturity for all debt outstanding, excluding premiums and other post-employment benefits, as of June 30, 2020 are as follows:

Year Ending June 30,	Capital Outlay Certificates		Financing (Capital Acquisition) Lease	Note Payable	Total	
	Principal	Interest	Principal	Principal	Principal	Interest
2021	\$	\$ 236,906.53	\$ 17,097.84	\$ 21,250.00	\$ 38,347.84	\$ 236,906.53
2022	290,000.00	375,200.00	17,097.84		307,097.84	375,200.00
2023	300,000.00	360,450.00	5,699.28		305,699.28	360,450.00
2024	320,000.00	344,950.00			320,000.00	344,950.00
2025	335,000.00	328,575.00			335,000.00	328,575.00
2026-2030	1,950,000.00	1,367,250.00			1,950,000.00	1,367,250.00
2031-2035	2,450,000.00	856,250.00			2,450,000.00	856,250.00
2036-2040	3,005,000.00	310,100.00			3,005,000.00	310,100.00
Total	<u>\$ 8,650,000.00</u>	<u>\$ 4,179,681.53</u>	<u>\$ 39,894.96</u>	<u>\$ 21,250.00</u>	<u>\$ 8,711,144.96</u>	<u>\$ 4,179,681.53</u>

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

	<u>Copiers</u>
Principal	\$ 51,293.52
Interest	
Total	<u>\$ 51,293.52</u>

#### 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	\$ 2,295,434.94
SDRS Pension Purposes	Law	720,489.63
	Total	<u>\$ 3,015,924.57</u>

#### NOTE 9 – OPERATING LEASES

The school has a copier lease that requires monthly payments from the Capital Outlay Fund. The following are the minimum payments on the existing operating leases:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 17,097.84
2022	17,097.84
2023	5,699.28



## **NOTE 10 - PENSION PLAN**

### **Plan Information:**

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

### **Benefits Provided:**

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation 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 each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> 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 \$294,755.17, \$281,216.25, and \$262,751.79, 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 the measurement period ending June 30, 2019 and reported by the School District as of June 30, 2020 are as follows:

Proportionate share of pension benefits	\$ 27,734,108.02
Less proportionate share of net pension restricted for pension benefits	<u>27,757,691.78</u>
Proportionate share of net pension benefits	<u>\$ (23,583.76)</u>

At June 30, 2019, the School District reported a liability (asset) of \$(23,583.76) 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 0.22254580%, which is an increase (decrease) of (0.0044279%) from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense (reduction of pension expense) of \$635,418.51. 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	\$ 92,509.89	\$ 10,674.43
Changes in assumption	814,521.57	333,914.31
Net difference between projected and actual earnings on pension plan investments		135,861.77
Changes in proportion and difference between School District contributions and proportionate share of contributions	17,370.37	41,800.62
School District contributions subsequent to the measurement date	<u>294,755.17</u>	<u></u>
<b>TOTAL</b>	<b><u>\$ 1,219,157.00</u></b>	<b><u>\$ 522,251.13</u></b>

\$294,755.17 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2021	\$ 515,624.20
2022	(79,910.67)
2023	(54,371.27)
2024	<u>45,238.70</u>
<b>TOTAL</b>	<b><u>\$ 426,580.96</u></b>

**Actuarial Assumptions:**

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

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

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	58.00%	4.70%
Fixed Income	30.00%	1.70%
Real Estate	10.00%	4.30%
Cash	2.00%	0.90%
Total	100.00%	

#### **Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 3,914,442.71	\$ (23,583.76)	\$ (3,232,363.75)

#### **Pension Plan Fiduciary Net Position:**

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

#### **NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS - MEDICAL PLAN**

*Plan Description:* Tri-Valley School District has a pooled defined benefit medical plan administered by either DakotaCare or Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Tri-Valley School District, 46450 252<sup>nd</sup> Street, Colton, SD 57018-5712 or by calling 605-446-3538.

*Funding Policy:* The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

*Employees covered by benefit terms:* At June 30, 2020, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	1
Active employees	<u>116</u>
	<u>117</u>

**Actuarial Methods and Assumptions:** Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS) as provided in the June 30, 2019 Actuarial Valuation Report. See Note 10 – Pension Note.

**Changes in the Total OPEB Liability:**

Beginning of Year Balances	\$ 1,213,198
Service Cost	114,731
Interest	50,695
Effect of economic/demographic gains or losses	88,083
Effect of assumptions changes or inputs	(538,986)
Benefit payments	<u>(36,312)</u>
End of Year Balances	<u>\$ 891,409</u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.50%:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	\$ 986,650.00	\$ 891,409.00	\$ 808,963.00

For the year ended June 30, 2020, the School District recognized OPEB expense of \$106,942. At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Changes in assumption	<u>\$ 79,058.00</u>	<u>\$ 572,216.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

**Year Ended June 30:**

2021	\$ (58,484.00)
2022	(58,484.00)
2023	(58,484.00)
2024	(58,484.00)
2025	(58,484.00)
Thereafter	<u>(200,738.00)</u>
TOTAL	<u>\$ (493,158.00)</u>

**NOTE 12 - JOINT VENTURES**

The School District participates in the joint venture known as Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing administrative

services to member School Districts.

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

Baltic School District 49-1	7.9%	Garretson School District 49-4	6.9%
Chester School District 39-1	5.5%	Howard School District 48-3	7.9%
Colman-Egan School District 50-5	7.2%	Madison Central School District 39-2	15.3%
Dell Rapids School District 49-3	15.5%	Oldham-Ramona School District 39-5	3.8%
Flandreau School District 50-3	11.5%	Rutland School District 39-4	3.4%
		Tri-Valley School District 49-6	15.1%

The co-op's governing board is composed of one school board member representative from each member School District. 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 has 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 the Prairie Lakes Educational Cooperative.

At June 30, 2020, this joint venture had total assets of \$112,245.12, total deferred outflows of resources of \$56,031.02, total liabilities of \$54,908.38, total deferred inflows of resources of \$24,708.43, and net position of \$88,659.33.

#### NOTE 13 - RISK MANAGEMENT

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

##### Liability Insurance:

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

##### Worker's Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier.

##### 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 for unemployment benefits were filed. These claims resulted in the payment of benefits in the amount of \$3,711. At June 30, 2020, one claim had been filed and is outstanding. It is estimated, based upon historical trends, that this claim will result in the future payment of unemployment benefits in the amount of approximately \$11. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

#### NOTE 14 - SIGNIFICANT CONTINGENCIES - LITIGATION

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

#### NOTE 15 – INTERFUND TRANSFERS

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

<u>Transfer From:</u>	<u>Transfer To:</u>
	<u>General Fund</u>
Pension fund	\$ 5,889.91

The Pension Fund was closed out and funds were transferred to General Fund per SDCL.

#### NOTE 16 – INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 73,658.10	\$
Special Education Fund		73,658.10
Totals	<u>\$ 73,658.10</u>	<u>\$ 73,658.10</u>

The General Fund loaned money to the Special Education Fund to cover cash shortages.

#### NOTE 17 – 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**  
**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**GENERAL FUND**  
**JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Basis)</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,856,700.00	\$ 2,856,700.00	\$ 2,933,260.41	\$ 76,560.41
Prior Years' Ad Valorem Taxes	12,000.00	12,000.00	23,333.00	11,333.00
Utility Taxes	310,000.00	310,000.00	321,960.37	11,960.37
Penalties and Interest on Taxes	4,000.00	4,000.00	5,549.08	1,549.08
Earnings on Investments/Deposits	5,000.00	5,000.00	3,565.54	(1,434.46)
Cocurricular Activities:				
Admissions	27,000.00	27,000.00	22,787.07	(4,212.93)
Other Revenue from Local Sources:				
Charges for Services	9,000.00	9,000.00	10,751.53	1,751.53
Other	5,000.00	5,000.00	9,785.02	4,785.02
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	32,000.00	32,000.00	30,148.54	(1,851.46)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	3,591,997.00	3,591,997.00	3,556,320.64	(35,676.36)
Restricted Grants-in-Aid			17,730.80	17,730.80
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received from Federal Government through an Intermediate Source			3,622.78	3,622.78
Restricted Grants-in-Aid Received from Federal Government through the State	187,247.00	187,247.00	202,242.00	14,995.00
<b>Total Revenue</b>	<b>7,039,944.00</b>	<b>7,039,944.00</b>	<b>7,141,056.78</b>	<b>101,112.78</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary School	1,491,195.00	1,491,195.00	1,334,831.99	156,363.01
Middle/Junior High	1,001,030.00	1,021,945.00	1,021,944.33	0.67
High School	1,104,425.00	1,104,425.00	1,057,853.05	46,571.95
Other Regular Programs	158,547.00	169,460.00	168,735.52	724.48
Special Programs:				
Gifted and Talented	67,825.00	67,825.00	66,141.16	1,683.84
Educationally Deprived	185,520.00	191,262.00	191,261.86	0.14



**REQUIRED SUPPLEMENTARY INFORMATION**  
**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**GENERAL FUND**  
**JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services:				
Pupils:				
Guidance	146,605.00	146,605.00	139,603.87	7,001.13
Health	62,416.00	62,416.00	58,441.60	3,974.40
Support Services - Instructional Staff:				
Improvement of Instruction	69,510.00	80,898.00	80,897.63	0.37
Educational Media	238,962.00	238,962.00	226,820.24	12,141.76
Support Services - General Administration:				
Board of Education	134,400.00	136,170.00	86,067.35	50,102.65
Executive Administration	231,350.00	231,350.00	217,634.11	13,715.89
Support Services - School Administration:				
Office of the Principal	349,192.00	359,818.00	356,888.72	2,929.28
Other	2,000.00	2,000.00	1,227.26	772.74
Support Services - Business:				
Fiscal Services	212,525.00	212,525.00	191,907.53	20,617.47
Operation/ Maintenance of Plant	848,600.00	848,600.00	705,618.24	142,981.76
Pupil Transportation	734,910.00	734,910.00	682,698.51	52,211.49
Internal Services	20,500.00	20,500.00	4,303.40	16,196.60
Unemployment Insurance	5,000.00	5,000.00	3,560.00	1,440.00
Early Retirement	34,448.00	34,448.00	31,243.80	3,204.20
Cocurricular Activities:				
Male Activities	91,350.00	91,350.00	76,046.36	15,303.64
Female Activities	56,300.00	57,633.00	53,731.76	3,901.24
Transportation	79,000.00	79,000.00	38,142.98	40,857.02
Combined Activities	146,202.00	159,663.00	132,589.70	27,073.30
Total Expenditures	<u>7,471,812.00</u>	<u>7,547,960.00</u>	<u>6,928,190.97</u>	<u>619,769.03</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(431,868.00)</u>	<u>(508,016.00)</u>	<u>212,865.81</u>	<u>720,881.81</u>
Other Financing Sources (Uses)				
Transfers In	<u>431,868.00</u>	<u>431,868.00</u>	<u>5,889.91</u>	<u>(425,978.09)</u>
Net Change in Fund Balances		(76,148.00)	218,755.72	294,903.72
Fund Balance - Beginning	<u>1,727,450.59</u>	<u>1,727,450.59</u>	<u>1,727,450.59</u>	
FUND BALANCE - ENDING	<u>\$ 1,727,450.59</u>	<u>\$ 1,651,302.59</u>	<u>\$ 1,946,206.31</u>	<u>\$ 294,903.72</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**JUNE 30, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,708,207.00	\$ 1,708,207.00	\$ 1,737,702.43	\$ 29,495.43
Prior Years' Ad Valorem Taxes	7,000.00	7,000.00	11,962.94	4,962.94
Penalties and Interest on Taxes	1,500.00	1,500.00	1,863.31	363.31
Earnings on Investments and Deposits				
Other Revenue from Local Sources:				
Comp for Loss of Fixed Assets			133,416.27	133,416.27
Other	500.00	500.00		(500.00)
<b>Total Revenue</b>	<b>1,717,207.00</b>	<b>1,717,207.00</b>	<b>1,884,944.95</b>	<b>167,737.95</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary School	125,000.00	125,000.00	135,054.65	(10,054.65)
Middle/Junior High	74,500.00	74,500.00	88,817.02	(14,317.02)
High School	69,500.00	69,500.00	79,633.73	(10,133.73)
Other Regular Programs	6,000.00	6,000.00		6,000.00
Support Services - Instructional Staff:				
Educational Media	32,000.00	42,225.00	42,224.05	0.95
Support Services - Business:				
Fiscal Services	2,000.00	2,000.00		2,000.00
Operation and Maintenance	470,671.50	470,671.50	371,725.75	98,945.75
Pupil Transportation	35,000.00	35,000.00		35,000.00
Service Lease	25,000.00	25,000.00		25,000.00
Cocurricular Activities				
Male Activities	12,000.00	14,744.00	9,856.62	4,887.38
Female Activities	2,000.00	5,829.00	5,328.95	500.05
Combined Activities		2,240.00	2,240.00	
Debt Services	581,667.50	630,797.50	528,421.86	102,375.64
<b>Total Expenditures</b>	<b>1,435,339.00</b>	<b>1,503,507.00</b>	<b>1,263,302.63</b>	<b>240,204.37</b>
<b>Excess of Revenue Over (Under)</b>				
Expenditures	281,868.00	213,700.00	621,642.32	407,942.32
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	(281,868.00)	(10,065,623.00)		10,065,623.00
Proceeds from debt			51,293.52	51,293.52
<b>Total Other Financing Sources</b>	<b>(281,868.00)</b>	<b>(10,065,623.00)</b>	<b>51,293.52</b>	<b>10,116,916.52</b>
<b>Net Change in Fund Balance</b>		<b>(9,851,923.00)</b>	<b>672,935.84</b>	<b>10,524,858.84</b>
<b>Fund Balance - Beginning</b>	<b>1,646,400.76</b>	<b>1,646,400.76</b>	<b>1,646,400.76</b>	
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,646,400.76</b>	<b>\$ (8,205,522.24)</b>	<b>\$ 2,319,336.60</b>	<b>\$ 10,524,858.84</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**JUNE 30, 2020**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Positive (Negative)</b>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 975,845.00	\$ 975,845.00	\$ 996,639.82	\$ 20,794.82
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	6,404.73	3,404.73
Penalties and Interest on Taxes	800.00	800.00	1,001.98	201.98
Other Revenue from Local Sources:				
Charges for Services	12,500.00	12,500.00	14,862.09	2,362.09
Other			1,000.00	1,000.00
Revenue from State Sources:				
Restricted Grants-in-Aid	287,835.00	287,835.00	282,517.00	(5,318.00)
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through the State	193,350.00	193,350.00	195,704.27	2,354.27
<b>Total Revenue</b>	<b>1,473,330.00</b>	<b>1,473,330.00</b>	<b>1,498,129.89</b>	<b>24,799.89</b>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	750,585.00	1,001,391.00	1,014,840.62	(13,449.62)
Support Services:				
Pupils:				
Psychological	55,000.00	55,000.00	53,732.98	1,267.02
Speech Pathology	105,950.00	105,950.00	105,836.02	113.98
Student Therapy Services	129,000.00	129,000.00	123,858.25	5,141.75
Support Services - Special Education:				
Administrative Costs	94,295.00	94,295.00	88,068.76	6,226.24
Other Profession & Tech Serv	10,000.00	10,000.00		10,000.00
Transportation Costs	1,000.00	1,000.00		1,000.00
Other Transportation Costs	98,500.00	98,500.00	81,646.57	16,853.43
Other Special Education Costs	188,000.00	188,000.00	8,515.08	179,484.92
Residential Services	41,000.00	41,000.00	2,415.82	38,584.18
<b>Total Expenditures</b>	<b>1,473,330.00</b>	<b>1,724,136.00</b>	<b>1,478,914.10</b>	<b>245,221.90</b>
Excess of Revenue Over (Under)				
Expenditures		(250,806.00)	19,215.79	270,021.79
Other Financing Sources (Uses)				
Transfers In	421,742.00	421,742.00		(421,742.00)
<b>Net Change in Fund Balances</b>	<b>421,742.00</b>	<b>170,936.00</b>	<b>19,215.79</b>	<b>(151,720.21)</b>
<b>Fund Balance - Beginning</b>	<b>(155,056.75)</b>	<b>(155,056.75)</b>	<b>(155,056.75)</b>	
<b>FUND BALANCE - ENDING</b>	<b>\$ 266,685.25</b>	<b>\$ 15,879.25</b>	<b>\$ (135,840.96)</b>	<b>\$ (151,720.21)</b>

TRI-VALLEY SCHOOL DISTRICT NO. 49-6  
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 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).

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

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

**REQUIRED SUPPLEMENTARY INFORMATION  
TRI-VALLEY SCHOOL DISTRICT NO. 49-6  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
JUNE 30, 2020**

**TOTAL OPEB LIABILITY**

Service Cost	\$ 114,731
Interest on Total OPEB Liability	50,695
Effect of economic/demographic gains or losses	88,083
Effect of assumption changes or inputs	(538,986)
Benefit payments	<u>(36,312)</u>
Net change in total OPEB liability	(321,789)
Total OPEB liability, beginning	<u>1,213,198</u>
Total OPEB liability, ending	<u><u>\$ 891,409</u></u>

**Schedule of Required Supplementary Information**  
**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**

**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)	0.1955178%	0.1957816%	0.2069730%	0.2214873%	0.2269737%	0.2225458%
District's proportionate share of net pension liability (asset)	\$ (1,408,626)	\$ (830,366)	\$ 877,832	\$ (20,100)	\$ (5,294)	\$ (23,584)
District's covered-employee payroll	\$ 3,419,178	\$ 3,574,800	\$ 3,946,197	\$ 4,500,167	\$ 4,746,779	\$ 4,686,933
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%	-23.23%	22.25%	-0.45%	-0.11%	-0.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%

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

**Schedule of Required Supplementary Information**

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6**

**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**

**South Dakota Retirement System**

	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 205,151	\$ 214,489	\$ 236,136	\$ 269,968	\$ 262,752	\$ 281,216	\$ 294,755
Contributions in relation to the contractually required contribution	\$ 205,151	\$ 214,489	\$ 236,136	\$ 269,968	\$ 262,752	\$ 281,216	\$ 294,755
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
District's covered-employee payroll	\$3,419,178	\$3,574,800	\$3,946,197	\$4,500,167	\$4,746,779	\$4,686,933	\$4,921,662
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	5.98%	6.00%	5.54%	6.00%	5.99%

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

TRI-VALLEY SCHOOL DISTRICT NO. 49-6  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
And Schedule of Pension Contributions

**CHANGES OF BENEFIT TERMS**

No significant changes

**CHANGES OF ASSUMPTIONS**

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

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

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



# QUAM, BERGLIN & POST, P.C.

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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  
Tri-Valley School District No. 49-6  
Minnehaha County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tri-Valley School District No. 49-6, Minnehaha 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 April 7, 2021.

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

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-Valley 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 Prior and Current Audit Findings 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## School District's Response to Findings

The Tri-Valley 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

April 7, 2021

**TRI-VALLEY SCHOOL DISTRICT NO. 49-6  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**PRIOR AUDIT FINDINGS**

**Audit Finding Number 2019-001:**

A significant deficiency was reported for a lack of segregation of duties over the revenue function. 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 finding has not been corrected and is being restated as a significant deficiency under current audit finding number 2020-001.

**Audit Finding Number 2019-002:**

There was a material weakness resulting from expenditures exceeding the total amounts budgeted for the Special Education Fund. This finding has since been corrected.

**CURRENT AUDIT FINDINGS:**

***Internal Control-Related Finding-Significant Deficiency:***

**Audit Finding Number 2020-001:** There is a significant deficiency resulting from the lack of segregation of duties for revenues.

**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 the 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, Cause and Effect:**

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

**Recommendation:**

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.

**Corrective Action Plan:**

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. The School District is aware of this problem and has prepared a response to this finding found in the Corrective Action Plan on following page.



## TRI-VALLEY SCHOOL DISTRICT 49-6

"Home Of The Mustangs"

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### CORRECTIVE PLAN OF ACTION

June 30, 2020

Tri-Valley School District has considered the lack of segregation of duties for the revenues. At this time, it is not cost effective for Tri-Valley School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Tri-Valley School District to decrease the likelihood that financial data is adversely affected.

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

  
Business Manager

  
Superintendent