

**MONTROSE SCHOOL  
DISTRICT NO 43-2**

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

**JUNE 30, 2020**

MONTROSE SCHOOL DISTRICT NO. 43-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2020

School Board

Brian Smith

Jason McAreavey

Tori Lindstrom

Makenzi Miles

Jill Johnson

Business Manager

Cindy Christensen

Superintendent

Lonny Johnson

MONTROSE SCHOOL DISTRICT NO. 43-2  
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Net Position - Fiduciary Funds	22
Statement of Changes in Net Position - Fiduciary Funds	23
Notes to Financial Statements	24
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
<b>Budgetary Comparison Schedules - Budgetary Basis:</b>	
General Fund	44
Capital Outlay Fund	46
Special Education Fund	47
Physics and Chemistry Fund	48
Library Fund	49
Notes to the Required Supplementary Information - Budgetary	50
Schedule of Changes in Total OPEB Liability	51
Schedule of the Proportionate Share of the Net Pension Liability (Asset)	52
Schedule of the School District Contributions	53
Notes to the Required Supplementary Information - Pension	54
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 <i>Government Auditing Standards</i>	55
Schedule of Audit Findings	57
Corrective Plan of Action	58

# QUAM, BERGLIN & POST, P.C.

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

---  
(605) 356-3374

## INDEPENDENT AUDITOR'S REPORT

School Board  
Montrose School District No. 43-2  
McCook 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 Montrose School District No. 43-2, McCook County, South Dakota (School District), as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

The Montrose 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 Montrose School District No. 43-2 as of June 30, 2020, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 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.  
Certified Public Accountants  
April 28, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Montrose School District 43-2's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The General Fund reported a \$33,789 current year increase.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The only proprietary funds operated by the school are the Food Service Operation and Other Enterprise Fund.
  - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

**Figure A-1  
Required Components of Montrose School's Annual Financial Report**

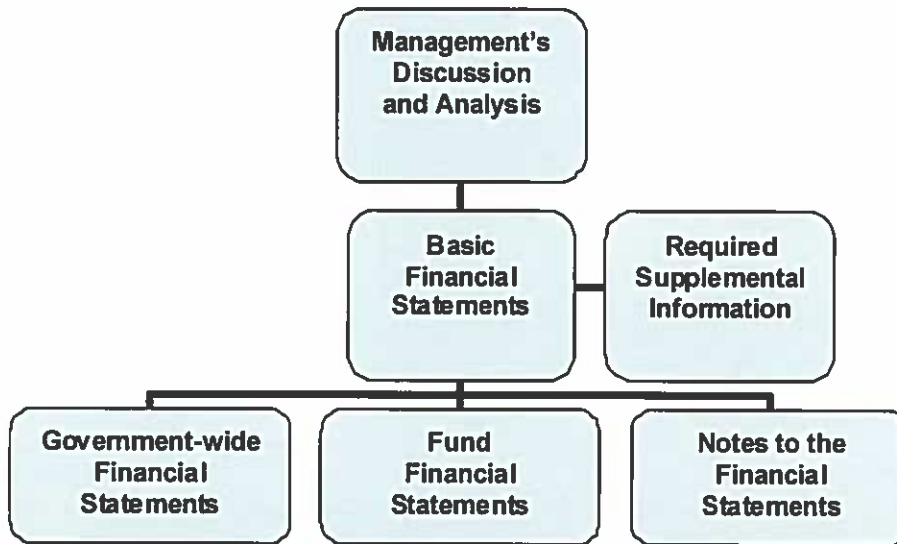


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of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

**Figure A-2  
Major Features of Montrose School District's Government-wide and Fund Financial Statements**

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	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 and internal service fund.	Instances in which the School is the trustee or agent for someone else's resources.
<b>Required Financial Statements</b>	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Net Position *Statement of Changes in Net Position
<b>Accounting Basis and Measurement Focus</b>	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
<b>Type of Asset/Liability Information</b>	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

## **Government-wide Statements**

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

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

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

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

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

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

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

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.



- Proprietary Funds – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information such as cash flows. We use Insurance Internal Service Fund (the other kind of proprietary fund) to report activities that provide services to the School's other programs and activities.
- Fiduciary Funds – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

## Financial Analysis of the School as a Whole

### Net Position

The School's combined net position is as follows:

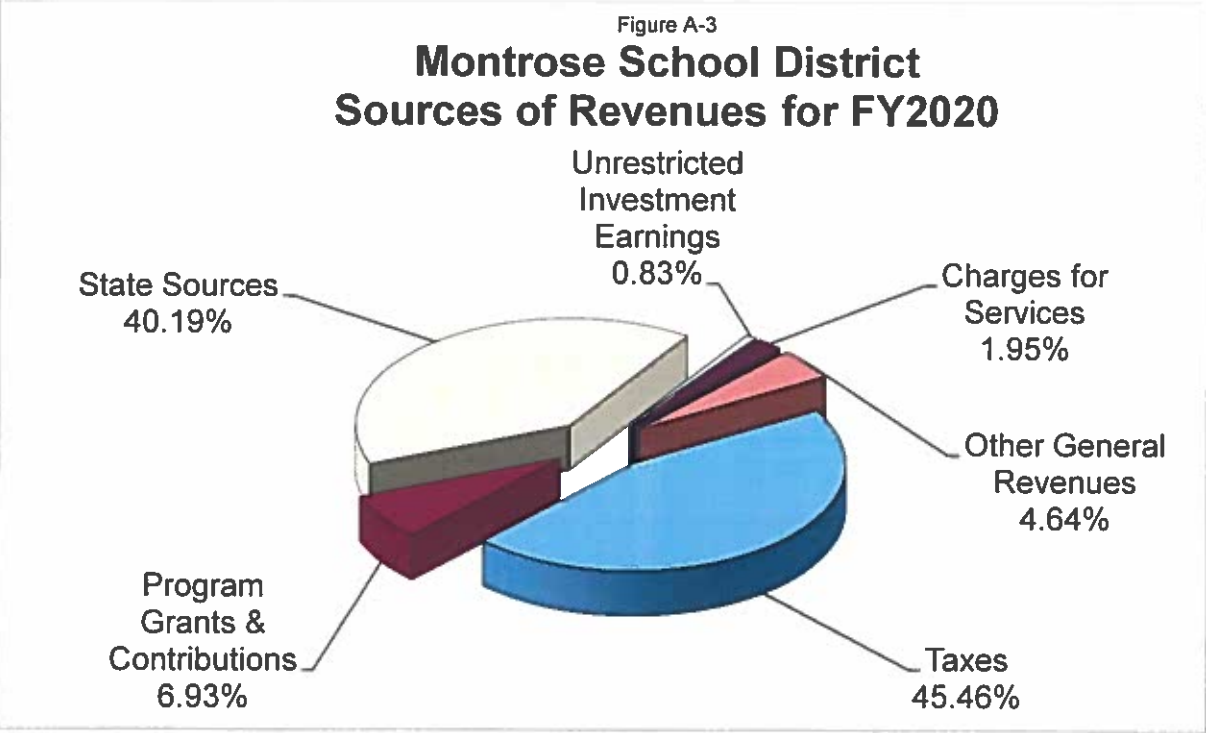
**Table A-1  
Montrose School District 43-2  
Statement of Net Position**

	<u>Governmental Activities</u>		<u>Primary Government Business-Type Activities</u>		<u>Total</u>	
	<u>FY2019</u>	<u>FY2020</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2019</u>	<u>FY2020</u>
Current and Other Assets	\$ 2,708,787.36	\$ 3,012,019.52	\$ 21,257.09	\$ 38,449.71	\$ 2,730,044.45	\$ 3,050,469.23
Capital Assets	3,788,697.44	3,753,701.22	9,901.14	9,478.74	3,798,598.58	3,763,179.96
<b>Total Assets</b>	<b>6,497,484.80</b>	<b>6,765,720.74</b>	<b>31,158.23</b>	<b>47,928.45</b>	<b>6,528,643.03</b>	<b>6,813,649.19</b>
OPEB Related Deferred Outflow s		2,497.00				2,497.00
Pension Related Deferred Outflow s	615,949.82	405,887.06			615,949.82	405,887.06
<b>Total Deferred Outflows of F</b>	<b>615,949.82</b>	<b>408,384.06</b>			<b>615,949.82</b>	<b>408,384.06</b>
Long-Term Debt Outstanding	76,354.45	64,597.12			76,354.45	64,597.12
Other Liabilities	277,891.55	366,631.30	9,197.27	20,687.81	287,088.82	387,319.11
<b>Total Liabilities</b>	<b>354,246.00</b>	<b>431,228.42</b>	<b>9,197.27</b>	<b>20,687.81</b>	<b>363,443.27</b>	<b>451,916.23</b>
Pension Related Deferred Inflow s	174,471.34	179,047.26			174,471.34	179,047.26
OPEB Related Deferred Inflow s	3,892.00	17,277.00			3,892.00	17,277.00
Taxes Levied for Future Period	564,582.15	579,542.13			564,582.15	579,542.13
<b>Total Inflows of Resources</b>	<b>742,945.49</b>	<b>775,866.39</b>			<b>742,945.49</b>	<b>775,866.39</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	3,777,376.33	3,746,161.28	9,901.14	9,478.74	3,787,277.47	3,755,640.02
Restricted	1,489,492.38	1,448,621.33			1,489,492.38	1,448,621.33
Unrestricted	749,374.42	772,227.38	12,059.82	17,761.90	761,434.24	789,989.28
<b>Total Net Position</b>	<b>\$ 6,016,243.13</b>	<b>\$ 5,967,009.99</b>	<b>\$ 21,960.96</b>	<b>\$ 27,240.64</b>	<b>\$ 6,038,204.09</b>	<b>\$ 5,994,250.63</b>
Beginning Net Position	5,889,480.39	6,016,243.13	20,634.43	21,960.96	5,910,114.82	6,038,204.09
Increase (Decrease) in Net Position	126,762.74	(49,233.14)	1,326.53	\$ 5,279.68	\$ 128,089.27	(\$43,953.46)
Percentage of Increase (Decrease)	2.15%	-0.82%	6.43%	24.04%	2.17%	-0.73%

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 school, consisting of general obligation bonds, early retirement benefits payable, and capital outlay certificates have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

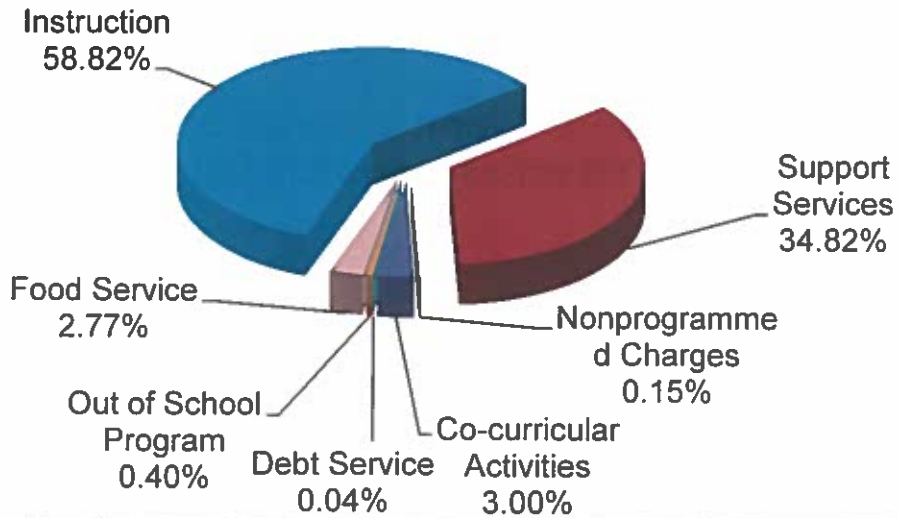
**Changes in Net Position**

The School's revenues totaled \$3,184,558. (See Table A-2). Approximately 45% of the School's revenue comes from property and other taxes, with another 40% coming from state aid.



The total cost of all programs and services was \$3,228,512. The School's expenses cover a range of services, encompassing instruction, support services, and food services. (See Table A-2)

Figure A-4  
**Montrose School District  
 Functional Expenses for FY2020**



**Governmental Activities**

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

**Table A-2  
 Montrose School District 43-2  
 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	\$ 7,232.87	\$ 5,557.00	\$ 76,913.51	\$ 56,407.02	\$ 84,146.38	\$ 61,964.02
Operating Grants and Contributions	292,904.92	172,478.60	48,225.18	48,219.66	341,130.10	220,698.26
General Revenues						
Taxes	1,520,746.29	1,447,857.50			1,520,746.29	1,447,857.50
Revenue State Sources	1,227,999.97	1,279,812.80			1,227,999.97	1,279,812.80
Other General Revenue	97,665.20	147,879.98			97,665.20	147,879.98
Unrestricted Investment Earnings	23,514.59	26,345.53			23,514.59	26,345.53
<b>Total Revenues</b>	<b>\$ 3,170,063.84</b>	<b>\$ 3,079,931.41</b>	<b>\$ 125,138.69</b>	<b>\$ 104,626.68</b>	<b>\$ 3,295,202.53</b>	<b>\$ 3,184,558.09</b>
<b>Expenses</b>						
Instruction	1,772,845.42	1,898,939.46			1,772,845.42	1,898,939.46
Support Services	1,162,897.26	1,124,228.08			1,162,897.26	1,124,228.08
Nonprogrammed Charges	1,635.05	4,811.00			1,635.05	4,811.00
Debt Services	930.11	1,281.94			930.11	1,281.94
Cocurricular Activities	99,352.22	96,870.71			99,352.22	96,870.71
Out of School Program			11,750.43	13,008.88	11,750.43	13,008.88
Food Service			117,702.77	89,371.48	117,702.77	89,371.48
<b>Total Expenses</b>	<b>\$ 3,037,660.06</b>	<b>\$ 3,126,131.19</b>	<b>\$ 129,453.20</b>	<b>\$ 102,380.36</b>	<b>\$ 3,167,113.26</b>	<b>\$ 3,228,511.55</b>
Excess (Deficiency) Before Transfers	132,403.78	(46,199.78)	(4,314.51)	2,246.32	128,089.27	(43,953.46)
Transfers	(5,641.04)	(3,033.36)	5,641.04	3,033.36		
<b>Increase (Decrease) in Net Position</b>	<b>\$ 126,762.74</b>	<b>\$ (49,233.14)</b>	<b>\$ 1,326.53</b>	<b>\$ 5,279.68</b>	<b>\$ 128,089.27</b>	<b>\$ (43,953.46)</b>
<b>NET POSITION -ENDING</b>	<b>\$ 6,018,243.13</b>	<b>\$ 5,967,009.99</b>	<b>\$ 21,960.96</b>	<b>\$ 27,240.64</b>	<b>\$ 6,038,204.09</b>	<b>\$ 5,994,250.63</b>

## Governmental Activities

Revenues for the governmental activities decreased by 3%, mostly contributed by the per pupil revenue decrease in the form of state aid and use of capital outlay transfer to general fund. There was a decrease in tax revenue due to legislative changes.

Expenses Increased marginally due to the district's increased wages.

## Financial Analysis of the School's Funds

Fund balances changed as follows: General Fund increased \$33,789 as a result of revenues exceeding expenditures. Capital Outlay Fund increased \$188,863 as a result of revenues exceeding expenditures. Special Education Fund decreased by \$1,614 as a result of revenue exceeding expenditures revenue.

## General Fund Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

## Capital Asset Administration

By the end of 2020, the School had invested \$3,763,180 in a broad range of capital assets, including land, improvements other than buildings, buildings, various machinery and equipment (See Table A-7).

Table A-7  
MONTROSE SCHOOL DISTRICT #43-2 - Capital Assets  
(net of accumulated depreciation)

	Governmental Activities			Business-Type Activities		
	2019	2020	Increase/ Decrease	2019	2020	Increase/ Decrease
Land	\$ 54,631	\$ 54,631	\$	\$	\$	\$
Construction Work in Progress		10,900	10,900			
Buildings	3,284,935	3,221,615	(63,320)			
Improvements other than Building	114,704	153,190	38,486			
Machinery and Equipment	291,652	273,577	(18,075)	9,901	9,479	(422)
Library Books	42,775	39,788	(2,987)			
Total Capital Assets	\$ 3,788,697	\$ 3,753,701	\$ (34,996)	\$ 9,901	\$ 9,479	\$ (422)

## Long-Term Debt

At year-end the School had \$64,597 in long-term obligations. This is a decrease of 15.4% as shown on Table A-4 below. The School does not expect, in the near future, that they will issue any new long-term bonds or notes.

**Table A-4**  
**MONTROSE SCHOOL DISTRICT #43-2**  
**Outstanding Debt and Obligations**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2020</b>
Capital Lease Payable	\$ 11,321	\$ 7,540
Compensated Absences	11,636	8,498
Other Postemployment Benefits	53,397	48,559
<b>Total Long-Term Liabilities</b>	<b>\$ 76,354</b>	<b>\$ 64,597</b>
Net Increase (Decrease)		-15.40%

**Economic Factors and Next Year's Budgets and Rates**

One of the primary sources of revenue to the School is based on a per student allocation they receive from the State of South Dakota. The state aid formula for the current year provided \$6,918 per pupil. The School average daily membership (ADM) increased by 3 in 2020.

**Contacting the School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Montrose School District's Business Office, 309 S Church Ave, Montrose, SD 57048.

THIS PAGE DELIBERATELY BLANK

**MONTRQSE SCHOOL DISTRICT NO. 43-2**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,152,110.54	\$ 32,366.66	\$ 1,184,477.20
Investments-Certificates of Deposit	1,175,599.16		1,175,599.16
Taxes Receivable	588,217.27		588,217.27
Inventories		6,083.05	6,083.05
Due from Other Governments	74,626.69		74,626.69
Net Pension Asset	7,706.86		7,706.86
Deposits	13,759.00		13,759.00
Capital Assets:			
Land and Construction in Progress	65,531.00		65,531.00
Other Capital Assets, Net of Depreciation	<u>3,688,170.22</u>	<u>9,478.74</u>	<u>3,697,648.96</u>
<b>TOTAL ASSETS</b>	<u>6,765,720.74</u>	<u>47,928.45</u>	<u>6,813,649.19</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
OPEB Related Deferred Outflows	2,497.00		2,497.00
Pension Related Deferred Outflows	<u>405,887.06</u>		<u>405,887.06</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>408,384.06</u>		<u>408,384.06</u>
<b>LIABILITIES:</b>			
Accounts Payable	110,174.91	94.28	110,269.19
Contracts Payable	155,682.12	4,046.68	159,728.80
Benefits Payable	60,363.27	458.50	60,821.77
Due to Other Government	40,411.00		40,411.00
Unearned Revenue		16,088.35	16,088.35
Noncurrent Liabilities:			
Due Within One Year	11,039.94		11,039.94
Due in More than One Year	<u>53,557.18</u>		<u>53,557.18</u>
<b>TOTAL LIABILITIES</b>	<u>431,228.42</u>	<u>20,687.81</u>	<u>451,916.23</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes Levied for Future Periods	579,542.13		579,542.13
OPEB Related Deferred Inflows	17,277.00		17,277.00
Pension Related Deferred Inflows	<u>179,047.26</u>		<u>179,047.26</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>775,866.39</u>		<u>775,866.39</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,746,161.28	9,478.74	3,755,640.02
Restricted for:			
Capital Outlay	952,675.22		952,675.22
Special Education	49,768.58		49,768.58
Health Insurance	13,759.00		13,759.00
Physics & Chemistry	145,151.16		145,151.16
Library	52,720.71		52,720.71
SDRS Pension Purposes	234,546.66		234,546.66
Unrestricted	<u>772,227.38</u>	<u>17,761.90</u>	<u>789,989.28</u>
<b>TOTAL NET POSITION</b>	<u>\$ 5,967,009.99</u>	<u>\$ 27,240.64</u>	<u>\$ 5,994,250.63</u>

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

**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**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		Governmental Activities	Primary Government	
			Grants and Contributions			Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
Instruction	\$1,898,939.46	\$	\$ 172,478.60	\$	\$ (1,726,460.86)	\$	\$ (1,726,460.86)
Support Services	1,124,228.08				(1,124,228.08)		(1,124,228.08)
Nonprogrammed Charges	4,811.00				(4,811.00)		(4,811.00)
*Interest on Long-term Debt	1,281.94				(1,281.94)		(1,281.94)
Cocurricular Activities	96,870.71	5,557.00			(91,313.71)		(91,313.71)
Total Governmental Activities	<u>3,126,131.19</u>	<u>5,557.00</u>	<u>172,478.60</u>		<u>(2,948,095.59)</u>		<u>(2,948,095.59)</u>
<b>Business-type Activities:</b>							
Food Service	89,371.48	56,407.02	40,648.63			7,684.17	7,684.17
Out of School Program	13,008.88		7,571.03			(5,437.85)	(5,437.85)
Total Business-type Activities	<u>102,380.36</u>	<u>56,407.02</u>	<u>48,219.66</u>			<u>2,246.32</u>	<u>2,246.32</u>
Total Primary Government	<u>\$3,228,511.55</u>	<u>\$ 61,964.02</u>	<u>\$ 220,698.26</u>		<u>(2,948,095.59)</u>	<u>2,246.32</u>	<u>(2,945,849.27)</u>
<b>*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.</b>							
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes					1,303,925.77		1,303,925.77
Utility Taxes					143,931.73		143,931.73
<b>Revenue from State Sources:</b>							
State Aid					1,279,812.80		1,279,812.80
Unrestricted Investment Earnings					26,345.53		26,345.53
Other General Revenues					147,879.98		147,879.98
Transfers					(3,033.36)	3,033.36	0.00
Total General Revenues and Transfers					<u>2,898,862.45</u>	<u>3,033.36</u>	<u>2,901,895.81</u>
Change in Net Position					(49,233.14)	5,279.68	(43,953.46)
Net Position - Beginning					6,016,243.13	21,960.96	6,038,204.09
<b>NET POSITION - ENDING</b>					<u>\$ 5,967,009.99</u>	<u>\$ 27,240.64</u>	<u>\$ 5,994,250.63</u>

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



**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Physics & Chemistry Fund	Library Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 551,867.45	\$ 469,954.76	\$ 130,288.33	\$	\$	\$ 1,152,110.54
Investments-Certificates of Deposit	413,646.11	564,081.18		145,151.16	52,720.71	1,175,599.16
Taxes Receivable--Current	189,188.78	245,936.90	144,416.45			579,542.13
Taxes Receivable--Delinquent	3,615.11	3,424.23	1,635.80			8,675.14
Due from Other Government	74,626.69					74,626.69
Deposits	13,759.00					13,759.00
<b>TOTAL ASSETS</b>	<b>1,246,703.14</b>	<b>1,283,397.07</b>	<b>276,340.58</b>	<b>145,151.16</b>	<b>52,720.71</b>	<b>3,004,312.66</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable	15,203.84	84,784.95	10,186.12			110,174.91
Contracts Payable	139,984.20		15,697.92			155,682.12
Due to Other Government			40,411.00			40,411.00
Payroll Deductions and Withholdings and Employer Matching Payable	44,502.76		15,860.51			60,363.27
Total Liabilities	199,690.80	84,784.95	82,155.55			366,631.30
<b>Deferred Inflows of Resources:</b>						
Taxes Levied for a Future Period	189,188.78	245,936.90	144,416.45			579,542.13
Unavailable Revenue-Property Taxes	3,615.11	3,424.23	1,635.80			8,675.14
Total Deferred Inflows of Resources	192,803.89	249,361.13	146,052.25			588,217.27
<b>Fund Balances:</b>						
Nonspendable	13,759.00					13,759.00
Restricted		949,250.99	48,132.78	145,151.16	52,720.71	1,195,255.64
Assigned	8,180.73					8,180.73
Unassigned	832,268.72					832,268.72
Total Fund Balances	854,208.45	949,250.99	48,132.78	145,151.16	52,720.71	2,049,464.09
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,246,703.14</b>	<b>\$ 1,283,397.07</b>	<b>\$ 276,340.58</b>	<b>\$ 145,151.16</b>	<b>\$ 52,720.71</b>	<b>\$ 3,004,312.66</b>

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

**MONTROSE SCHOOL DISTRICT NO. 43-2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

Total Fund Balances - Governmental Funds		\$ 2,049,464.09
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Capital Assets:	\$ 5,567,034.76	
Accumulated Depreciation:	<u>(1,813,333.54)</u>	3,753,701.22
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 are:		
Compensated Absences Payable	(8,498.18)	
Capital Lease Payable	(7,539.94)	
Other Postemployment Benefits Payable	<u>(48,559.00)</u>	(64,597.12)
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		
		7,706.86
Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds.		
		408,384.06
Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		
		(196,324.26)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.		
		<u>8,675.14</u>
Net Position - Governmental Activities		<u>\$ 5,967,009.99</u>

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

**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Physics & Chemistry Fund	Library Fund	Total Governmental Funds
<b>Revenues:</b>						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 424,572.49	\$ 543,691.63	\$ 317,882.07	\$	\$	\$ 1,286,146.19
Prior Years' Ad Valorem Taxes	11,409.39	17,870.70	6,865.23			36,145.32
Utility Taxes	143,931.73					143,931.73
Penalties and Interest on Taxes	4,392.79	3,759.37	1,417.78			9,569.94
Earnings on Investments and Deposits	16,325.68	8,322.12		842.20	855.53	26,345.53
Co-curricular Activities:						
Admissions	5,557.00					5,557.00
Other Revenue from Local Sources:						
Rentals	11,729.94					11,729.94
LEAs Within the State	50,594.19					50,594.19
Medicaid	3,077.73		43,987.87			47,065.60
Other	27,909.65					27,909.65
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	12,526.60					12,526.60
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	1,279,812.80					1,279,812.80
Restricted Grants-in-Aid	5,357.07		109,000.00			114,357.07
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid Received from Federal Government Through Intermediate Source	2,258.74	1,385.76	810.03			4,454.53
Restricted Grants-in-Aid Received from Federal Government Through the State	35,128.00					35,128.00
Other Federal Revenue	5,000.00	13,539.00				18,539.00
<b>Total Revenue</b>	<b>2,039,583.80</b>	<b>588,568.58</b>	<b>479,962.98</b>	<b>842.20</b>	<b>855.53</b>	<b>3,109,813.09</b>

<b>Expenditures:</b>					
Instruction:					
Regular Programs:					
Elementary	590,392.23	1,279.00			591,671.23
Middle School	215,286.72				215,286.72
High School	340,566.51	38,944.27		1,179.46	380,690.24
Special Programs:					
Programs for Special Education	92,445.41		374,225.61		374,225.61
Programs for Educationally Deprived					92,445.41
Support Services:					
Pupils:					
Guidance	59,413.88				59,413.88
Health	344.10				344.10
Psychological			1,759.84		1,759.84
Speech Pathology			30,281.12		30,281.12
Support Services - Instructional Staff:					
Improvement of Instruction	4,775.14				4,775.14
Educational Media	124,592.55	11,592.00			136,184.55
Support Services - General Administration:					
Board of Education	10,051.75		3,233.84		13,285.59
Executive Administration	81,019.52				81,019.52
Support Services - School Administration:					
Office of the Principal	123,190.28				123,190.28
Other	347.89				347.89
Support Services - Business:					
Fiscal Services	122,582.09		5,901.72		128,483.81
Operation and Maintenance of Plant	223,872.59	61,896.06			285,768.65
Pupil Transportation	91,885.80				91,885.80
Support Services - Special Education:					
Administrative Costs			55,367.29		55,367.29
Other Special Education Costs			10,808.00		10,808.00
Nonprogrammed Charges:					
Payments to State - Unemployment	4,811.00				4,811.00
Debt Services					
Cocurricular Activities:		5,063.11			5,063.11
Male Activities	37,206.22				37,206.22
Female Activities	15,313.11				15,313.11

**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Physics & Chemistry Fund	Library Fund	Total Governmental Funds
Combined Activities	32,512.30	10,012.41				42,524.71
Capital Outlay	924.00	102,298.00				103,222.00
Total Expenditures	<u>2,171,533.09</u>	<u>231,084.85</u>	<u>481,577.42</u>	<u>1,179.46</u>		<u>2,885,374.82</u>
Excess of Revenue Over (Under) Expenditures	(131,949.29)	357,483.73	(1,614.44)	(337.26)	855.53	224,438.27
Other Financing Sources (Uses):						
Transfer In	168,621.16					168,621.16
Transfer Out	(3,033.36)	(168,621.16)				(171,654.52)
Sale of Surplus Property	150.00					150.00
Total Other Financing Sources/(Uses)	<u>165,737.80</u>	<u>(168,621.16)</u>				<u>(2,883.36)</u>
Net Change in Fund Balances	33,788.51	188,862.57	(1,614.44)	(337.26)	855.53	221,554.91
Beginning Fund Balance	820,419.94	760,388.42	49,747.22	145,488.42	51,865.18	1,827,909.18
FUND BALANCE - JUNE 30, 2020	<u>\$ 854,208.45</u>	<u>\$ 949,250.99</u>	<u>\$ 48,132.78</u>	<u>\$ 145,151.16</u>	<u>\$ 52,720.71</u>	<u>\$ 2,049,464.09</u>

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

**MONTROSE SCHOOL DISTRICT NO. 43-2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 221,554.91

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation exceeds capital outlays expenditures by:

Capital Outlays	\$ 103,222.00	
Depreciation Expense	<u>(136,122.22)</u>	(32,900.22)

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

Capital (Financing) Leases	3,781.17
----------------------------	----------

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.

(27,935.68)

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

(208,725.48)

Certain operating expenses reported on the Statement of Activities are measured by the amounts earned and paid during the year. In the governmental funds however expenditures for these items are the amount of financial resources used. These are the amounts by which these liabilities changed:

Compensated Absences	3,138.16	
Other Postemployment Benefits	<u>(6,050.00)</u>	(2,911.84)

In the statement of activities, losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a loss is recognized. The loss on disposal of capital assets is:

(2,096.00)

Change in Net Position of Governmental Activities	<u>\$ (49,233.14)</u>
---	-----------------------

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

**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 21,301.25	\$ 11,065.41	\$ 32,366.66
Inventory of Supplies	221.46		221.46
Inventory of Stores Purchased for Resale	2,068.36		2,068.36
Inventory of Donated Food	<u>3,793.23</u>		<u>3,793.23</u>
Total Current Assets	<u>27,384.30</u>	<u>11,065.41</u>	<u>38,449.71</u>
Capital Assets:			
Machinery and Equipment	100,130.00		100,130.00
Less: Accumulated Depreciation	<u>(90,651.26)</u>		<u>(90,651.26)</u>
Total Noncurrent Assets	<u>9,478.74</u>		<u>9,478.74</u>
<b>TOTAL ASSETS</b>	<u><b>36,863.04</b></u>	<u><b>11,065.41</b></u>	<u><b>47,928.45</b></u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	94.28		94.28
Contracts Payable	4,046.68		4,046.68
Payroll Deductions and Withholdings and Employer Matching Payable	458.50		458.50
Unearned Revenue	<u>16,088.35</u>		<u>16,088.35</u>
Total Current Liabilities	<u>20,687.81</u>		<u>20,687.81</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	9,478.74		9,478.74
Unrestricted Net Position	<u>6,696.49</u>	<u>11,065.41</u>	<u>17,761.90</u>
Total Net Position	<u><b>\$ 16,175.23</b></u>	<u><b>\$ 11,065.41</b></u>	<u><b>\$ 27,240.64</b></u>

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

**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>Operating Revenue:</b>			
Sales:			
To Pupils	\$ 53,663.97	\$	\$ 53,663.97
To Adults	2,722.35		2,722.35
Other Charges for Goods and Services	<u>20.70</u>	<u>7,571.03</u>	<u>7,591.73</u>
<b>Total Operating Revenue</b>	<u>56,407.02</u>	<u>7,571.03</u>	<u>63,978.05</u>
<b>Operating Expenses:</b>			
Salaries	34,520.42	11,751.37	46,271.79
Employee Benefits	5,641.72	899.05	6,540.77
Supplies	561.03	358.46	919.49
Cost of Sales-Purchased Food	40,087.57		40,087.57
Cost of Sales-Donated Food	8,138.34		8,138.34
Depreciation-Local Funds	<u>422.40</u>		<u>422.40</u>
<b>Total Operating Expenses</b>	<u>89,371.48</u>	<u>13,008.88</u>	<u>102,380.36</u>
<b>Operating Income (Loss)</b>	<u>(32,964.46)</u>	<u>(5,437.85)</u>	<u>(38,402.31)</u>
<b>Nonoperating Revenue (Expense):</b>			
State Sources:			
Cash Reimbursements	467.61		467.61
Federal Sources:			
Cash Reimbursements	30,845.66		30,845.66
Donated Food	<u>9,335.36</u>		<u>9,335.36</u>
<b>Total Nonoperating Revenue (Expense)</b>	<u>40,648.63</u>		<u>40,648.63</u>
<b>Income (Loss) Before Transfers</b>	7,684.17	(5,437.85)	2,246.32
<b>Transfers In</b>		<u>3,033.36</u>	<u>3,033.36</u>
<b>Change in Net Position</b>	7,684.17	(2,404.49)	5,279.68
<b>Net Position - Beginning</b>	<u>8,491.06</u>	<u>13,469.90</u>	<u>21,960.96</u>
<b>NET POSITION - ENDING</b>	<u>\$ 16,175.23</u>	<u>\$ 11,065.41</u>	<u>\$ 27,240.64</u>

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



**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Enterprise Funds</u>		
	<u>Food Service</u>	<u>Other</u>	
	<u>Fund</u>	<u>Enterprise</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 67,539.97	\$ 7,571.03	\$ 75,111.00
Payments to Suppliers	(42,548.82)	(366.47)	(42,915.29)
Payments to Employees	(39,890.82)	(12,650.42)	(52,541.24)
Net Cash Provided (Used) by Operating Activities	<u>(14,899.67)</u>	<u>(5,445.86)</u>	<u>(20,345.53)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from Other Funds		3,033.36	3,033.36
Operating Grants/Contributions	<u>31,313.27</u>		<u>31,313.27</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>31,313.27</u>	<u>3,033.36</u>	<u>34,346.63</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 16,413.60</u>	<u>\$ (2,412.50)</u>	<u>\$ 14,001.10</u>
Cash and Cash Equivalents at Beginning of Year	\$ 4,887.65	\$ 13,477.91	\$ 18,365.56
Cash and Cash Equivalents at End of Year	<u>21,301.25</u>	<u>11,065.41</u>	<u>32,366.66</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 16,413.60</u>	<u>\$ (2,412.50)</u>	<u>\$ 14,001.10</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (32,964.46)	\$ (5,437.85)	\$ (38,402.31)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	422.40		422.40
Value of Commodities Used	8,138.34		8,138.34
Change in Assets and Liabilities:			
Inventories	(1,994.50)		(1,994.50)
Contracts and Benefits Payable	271.32		271.32
Unearned Revenue	11,132.95		11,132.95
Accounts Payables	<u>94.28</u>	<u>(8.01)</u>	<u>86.27</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (14,899.67)</u>	<u>\$ (5,445.86)</u>	<u>\$ (20,345.53)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 9,335.36		

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

**MONTROSE SCHOOL DISTRICT NO. 43-2  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	<b>Agency Funds</b>	<b>Private-Purpose Trust Fund</b>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 55,835.54	\$
Investments-Certificates of Deposit		33,013.76
Accounts Receivable	1,948.55	
<b>TOTAL ASSETS</b>	<b>57,784.09</b>	<b>33,013.76</b>
<b>LIABILITIES:</b>		
Amounts Held for Others	57,784.09	
<b>TOTAL LIABILITIES</b>	<b>\$ 57,784.09</b>	
<b>NET POSITION:</b>		
Held in Trust for Scholarships		<b>\$ 33,013.76</b>

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

**MONTROSE SCHOOL DISTRICT NO. 43-2  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Interest Earned	\$ 710.68
Total Additions	<u>710.68</u>
<b>DEDUCTIONS:</b>	
Other deductions	<u>3,000.00</u>
Total Deductions	<u>3,000.00</u>
Change in Net Position	(2,289.32)
Net Position - Beginning	<u>35,303.08</u>
<b>NET POSITION - ENDING</b>	<u><b>\$ 33,013.76</b></u>

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

MONTROSE SCHOOL DISTRICT NO. 43-2  
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 Montrose School District No. 43-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. **Basis of Presentation**

*Government-wide Financial Statements:*

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

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

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

*Fund Financial Statements:*

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

expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

#### **Governmental Funds:**

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

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

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

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

*Physics & Chemistry Fund - A fund established for the purpose of acquisition of equipment for the physics and chemistry laboratories which the school might not otherwise be able to acquire. This is a major fund.*

*Library Fund - A fund established for the purpose of library costs over and above the normal costs of library operations. This is a major fund.*

#### **Proprietary Funds:**

*Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any 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 Funds -** A fund used to record financial transactions related to driver's education instruction and out of school program. This fund is financed by user charges. This is a major fund.

### **Fiduciary Funds:**

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

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

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

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

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

### **Measurement Focus:**

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

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

#### *Fund Financial Statements:*

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

## **Basis of Accounting:**

### *Government-wide Financial Statements:*

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

### *Fund Financial Statements:*

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

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

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

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

#### **d. 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 Financial 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.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2020 balance of capital assets for governmental activities includes approximately 1.41% 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 all valued at the original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Improvements	\$ 5,000.00	Straight Line	20 yrs
Buildings	5,000.00	Straight Line	45-75 yrs
Machinery and Equipment	5,000.00	Straight Line	5-25 yrs
Food Service Machinery and Equipment	500.00	Straight Line	12 yrs

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

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



#### g. Long-Term Liabilities

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

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

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

#### h. Program Revenues

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

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

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

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

#### j. Cash and Cash Equivalents

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

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

1. Net investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding

balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. **Restricted Net Position** – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. **Unrestricted Net Position** – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

#### *Fund Financial Statements:*

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

#### **l. Application of Net Position**

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

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

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

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

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

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

- **Nonspendable** – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- **Restricted** – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- **Assigned** – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

The School District does not have a formal minimum fund balance policy. A schedule of fund balances is provided as follows:

**MONTROSE SCHOOL DISTRICT NO. 43-2  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Physics &amp; Chemistry Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>						
<i>Nonspendable:</i>						
Long Term Note	\$ 13,759.00	\$	\$	\$	\$	\$ 13,759.00
<i>Restricted for:</i>						
Capital Outlay		949,250.99				949,250.99
Special Education			48,132.78			48,132.78
Physics & Chemistry				145,151.16		145,151.16
Library Fund					52,720.71	52,720.71
<i>Assigned to:</i>						
Unemployment	8,180.73					8,180.73
<i>Unassigned</i>	<u>832,268.72</u>					<u>832,268.72</u>
<b>Total Fund Balances</b>	<u>\$ 854,208.45</u>	<u>\$ 949,250.99</u>	<u>\$ 48,132.78</u>	<u>\$ 145,151.16</u>	<u>\$ 52,720.71</u>	<u>\$ 2,049,464.09</u>

**o. Pensions:**

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

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

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

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

public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

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.

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 Physics and Chemistry, Library, Bond Redemption and private purpose trust funds which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Interest earned was immaterial to the individual governmental funds and proprietary funds and was recorded directly in the General Fund.

### 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 and no allowance has been provided for uncollectible amounts.

### NOTE 4 – INVENTORY

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

In the government-wide and proprietary fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the governmental fund financial statements, inventories in the General and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time items are consumed. No material inventories were on hand as of June 30, 2020 in the governmental funds.

## NOTE 5 – PROPERTY TAXES

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

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

**NOTE 6 – CHANGES IN CAPITAL ASSETS**

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

<i>Primary Government</i>	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
<b>Governmental Activities:</b>				
Capital Assets, not depreciated:				
Land	\$ 54,631.00	\$	\$	\$ 54,631.00
Construction Work in Progress		10,900.00		10,900.00
<b>Total Capital Assets, not Depreciated</b>	<b>54,631.00</b>	<b>10,900.00</b>		<b>65,531.00</b>
Capital Assets, being depreciated:				
Buildings	4,510,735.27			4,510,735.27
Improvements	206,559.26	49,800.00	5,500.00	250,859.26
Library Books	78,019.04	924.00	718.00	78,225.04
Machinery and Equipment	633,186.19	41,598.00	13,100.00	661,684.19
<b>Totals</b>	<b>5,428,499.76</b>	<b>92,322.00</b>	<b>19,318.00</b>	<b>5,501,503.76</b>
Less Accumulated Depreciation:				
Buildings	1,225,800.19	63,320.12		1,289,120.31
Improvements	91,854.77	11,314.00	5,500.00	97,668.77
Library Books	35,243.91	3,910.97	718.00	38,436.88
Machinery and Equipment	341,534.45	57,577.13	11,004.00	388,107.58
<b>Totals</b>	<b>1,694,433.32</b>	<b>136,122.22</b>	<b>17,222.00</b>	<b>1,813,333.54</b>
Capital Assets being depreciated, net	3,734,066.44	(43,800.22)	2,096.00	3,688,170.22
<b>Total Governmental Activities, net</b>	<b>\$ 3,788,697.44</b>	<b>\$ (32,900.22)</b>	<b>\$ 2,096.00</b>	<b>\$ 3,753,701.22</b>

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

<b>Governmental Activities:</b>	
Instruction	\$ 39,032.93
Support Services	95,262.62
Co-Curricular	1,826.67
<b>Total depreciation expense - governmental activities:</b>	<b>\$ 136,122.22</b>

**Business-type Activities:**

Capital Assets, being depreciated:				
Machinery and Equipment	\$ 100,130.00	\$	\$	\$ 100,130.00
Less Accumulated Depreciation:				
Machinery and Equipment	90,228.86	422.40		90,651.26
<b>Total Business-type Activities, net</b>	<b>\$ 9,901.14</b>	<b>\$ (422.40)</b>	<b>\$</b>	<b>\$ 9,478.74</b>

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

<b>Business-type Activities</b>	
Food Service	\$ 422.40

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

Project Name	Expended through		
	Project Authorization	06/30/20	Committed
Playground Fencing	\$ 16,369.85	\$ 10,900.00	\$ 5,469.85 +

## NOTE 7 – LONG-TERM LIABILITIES

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

<i>Primary Government</i>	Capital Leases	Compensated Absences	Other Post- employment Benefits	Totals
Governmental Activities:				
Liabilities Payable, July 1, 2019	\$ 11,321.11	\$ 11,636.34	\$ 53,397.00	\$ 76,354.45
New Additions		4,920.33	12,493.00	17,413.33
Retired Amounts	<u>3,781.17</u>	<u>8,058.49</u>	<u>17,331.00</u>	<u>29,170.66</u>
Liabilities Payable, June 30, 2020	<u>\$ 7,539.94</u>	<u>\$ 8,498.18</u>	<u>\$ 48,559.00</u>	<u>\$ 64,597.12</u>
Due within One Year	<u>\$ 7,539.94</u>	<u>\$ 3,500.00</u>	<u>\$</u>	<u>\$ 11,039.94</u>

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

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

### *PRIMARY GOVERNMENT*

#### Capital (Financing) Lease:

Capital Lease is due monthly through April 14, 2022. Interest imputed at 1% per annum. Payments are to be made from the Capital Outlay Fund. \$ 7,539.94

#### Compensated Absences:

Vested sick leave, payable from the General Fund and Special Education Fund. 8,498.18

#### Other Postemployment Benefits:

Obligations to individuals who are retired or will retire from the School District and who will receive postemployment benefits. Payments are to be made from the General Fund. 48,559.00

The annual debt service requirement to maturity for all debt outstanding, except for compensated absences, and postemployment benefits, as of June 30, 2020, is as follows:

Year Ending June 30,	Capital Lease	
	Principal	Interest
2021	\$ 7,539.94	\$ 76.92

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

	Copier Machines
Principal	\$ 19,385.10
Interest	<u>509.18</u>
TOTAL	<u>\$ 19,894.28</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	\$ 952,675.22
Special Education Purposes	Law	49,768.58
Health Insurance Purposes	Law	13,759.00
SDRS Pension Purposes	Law	234,546.66
Physics & Chemistry Purposes	Donor Stipulation	145,151.16
Library Purposes	Donor Stipulation	<u>52,720.71</u>
Total Restricted Net Position		<u>\$ 1,448,621.33</u>

#### NOTE 9 – PENSION PLAN

##### Plan Information:

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

##### Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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



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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019, and 2018 were \$93,073.60, \$92,776.96, and \$95,930.04, 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 share of the components of the net pension asset of the South Dakota Retirement System, for the School District as of June 30, 2020 are as follows:

Proportionate share of pension benefits	\$	9,063,136.69
Less proportionate share of net pension retracted for pension benefits		9,070,843.55
Proportionate share of net pension asset	\$	(7,706.86)

At June 30, 2020, the School District reported a liability (asset) of \$(7,706.86) 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 .07272500%, which is a decrease of (.0041825)% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense (a reduction of pension expense) of \$208,725.48. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 30,231.00	\$ 3,488.26
Changes in assumption	266,174.78	109,118.74
Net difference between projected and actual earnings on pension plan investments		44,397.81
Changes in proportion and difference between District contributions and proportionate share of contributions	16,407.68	22,042.44
District contributions subsequent to the measurement date	<u>93,073.60</u>	
TOTAL	<u>\$ 405,887.06</u>	<u>\$ 179,047.26</u>

\$93,073.60 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2021	\$ 168,499.11
2022	(26,113.74)
2023	(17,767.81)
2024	<u>14,783.40</u>
TOTAL	<u>\$ 139,400.96</u>

**Actuarial Assumptions:**

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the

percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

**Discount Rate:**

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.5 percent 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)	\$ 1,279,187.68	\$ (7,706.86)	\$ (1,056,293.37)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 10 – JOINT VENTURES**

The School District participates in the Cornbelt Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing pupil support services to the member school districts.

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

Bridgewater/Emery Distric	11.88%
Canistota School District	6.82%
Ethan School District	9.50%
Freeman School District	13.67%
Hanson School District	14.15%
Marion School District	5.79%
McCook Central District	14.46%
<b>Montrose School Distric</b>	<b>8.40%</b>
Parker School District	15.33%

The Cornbelt Educational Cooperative'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 does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Cornbelt Educational Cooperative.

At June 30, 2020, this joint venture had total assets of \$940,355.32, total liabilities of \$154,182.65, and net position of \$786,172.67.

#### NOTE 11 – RISK MANAGEMENT

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

##### Employee Health Insurance

The School District joined the Northern Plains Insurance Pool. This is a Joint Power Authority authorized by SDCL. To be eligible for membership, an applicant must be a governmental unit and a member of the pool. The objective of the pool is to formulate, develop, and administer on behalf of the member organizations, a program of health coverage through pooling risks, self-insurance and joint purchases of insurance.

The pool's contract with its members requires that the members meet an annual participation requirement of seventy five percent of total eligible employees as defined by the benefits plan or plans. A member may voluntarily terminate participation in a plan funded through the pool effective as the close of any plan year following completion of the member's initial participation period as defined by the Joint Powers Agreement.

The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The coverage offered is on the occurrence basis which provides for the payment of claims that occur during the period of coverage regardless of when the claim is reported.

##### Liability Insurance

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

##### Worker's Compensation

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

### Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The School District has assigned equity in the General Fund for the payment of future unemployment benefits in the amount of \$8,180.73.

During the year ended June 30, 2020, one claim was filed in the amount of \$4,811.00 for unemployment benefits. As of June 30, 2020, there are three future expected claims totaling estimated payments of \$7,162.00.

### NOTE 12 – OTHER POST EMPLOYMENT BENEFITS

*Plan Description:* Montrose School District has a single-employer defined benefit medical plan administered by 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 Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Montrose School District, 309 S Church Ave, Montrose, SD 57058 or by calling (605) 363-5025.

*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:

Active employees	35
------------------	----

*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, 2017 Actuarial Valuation Report. See Note 10 – Pension Note.

### Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 53,397
Service Cost	7,345
Interest	2,321
Effect of assumptions changes or inputs	(12,988)
Benefit payments	<u>(1,516)</u>
End of Year Balances	<u>\$ 48,559</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	\$ 53,569	\$ 48,559	\$ 43,996

For the year ended June 30, 2020, the School District recognized OPEB expense of \$7,566. 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 of Resources</u>	<u>Deferred Inflows of Resources</u>
\$ 2,497	\$ 17,277

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	\$ (2,100.00)
2022	(2,100.00)
2023	(2,100.00)
2024	(2,100.00)
2025	(2,100.00)
Thereafter	<u>(4,280.00)</u>
TOTAL	<u>\$ (14,780.00)</u>

NOTE 13 – INTERFUND TRANSFERS

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

<u>Transfer To:</u>	Transfer From:		
	<u>General Fund</u>	<u>Capital Outlay</u>	<u>Totals</u>
General Fund	\$	\$ 168,621.16	\$ 168,621.16
Other Enterprise	<u>3,033.36</u>	<u>                    </u>	<u>3,033.36</u>
Totals	<u>\$ 3,033.36</u>	<u>\$ 168,621.16</u>	<u>\$ 171,654.52</u>

The General Fund transferred funds to the Other Enterprise Fund to cover cash shortage needs. Capital Outlay Fund transferred funds to the General Fund to cover utility and other costs per legislation.

NOTE 14 – LITIGATION

The Montrose School District was not involved in any litigation as of June 30, 2020.

## NOTE 15 – SUBSEQUENT EVENT

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

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

**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	Positive (Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 450,399.00	\$ 450,399.00	\$ 424,572.49	\$ (25,826.51)
Prior Years' Ad Valorem Taxes			11,409.39	11,409.39
Utility Taxes	64,029.00	64,029.00	143,931.73	79,902.73
Penalties and Interest on Taxes	2,500.00	2,500.00	4,392.79	1,892.79
Earnings on Investments/Deposits	20,000.00	20,000.00	16,325.68	(3,674.32)
Cocurricular Activities:				
Admissions	7,500.00	7,500.00	5,557.00	(1,943.00)
Other Revenue from Local Sources:				
Rentals	11,000.00	11,000.00	11,729.94	729.94
Lea's Within the State	50,447.00	50,447.00	50,594.19	147.19
Medicaid	2,500.00	2,500.00	3,077.73	577.73
Other	6,000.00	6,000.00	27,909.65	21,909.65
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	15,000.00	15,000.00	12,526.60	(2,473.40)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,281,857.00	1,281,857.00	1,279,812.80	(2,044.20)
Restricted Grants-in-Aid			5,357.07	5,357.07
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received From Fed Government Through Intermediate Source			2,258.74	2,258.74
Restricted Grants-in-Aid Received from Federal Government through the State	35,000.00	35,000.00	35,128.00	128.00
Other Federal Revenue			5,000.00	5,000.00
<b>Total Revenues</b>	<u>1,946,232.00</u>	<u>1,946,232.00</u>	<u>2,039,583.80</u>	<u>93,351.80</u>



**MONTROSE SCHOOL DISTRICT NO. 43-2**  
**BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary School	549,796.00	596,726.46	590,392.23	6,334.23
Middle School	237,401.00	239,002.36	215,286.72	23,715.64
High School	306,412.00	308,869.78	340,566.51	(31,696.73)
Special Programs:				
Educationally Deprived	100,697.00	103,154.78	92,445.41	10,709.37
Support Services:				
Pupils:				
Guidance	61,042.00	61,665.74	59,413.88	2,251.86
Health	1,000.00	1,000.00	344.10	655.90
Support Services - Instructional Staff:				
Improvement of Instruction		4,670.09	4,775.14	(105.05)
Educational Media	108,352.00	130,612.56	125,516.55	5,096.01
Support Services - General Administration:				
Board of Education	16,418.00	16,418.00	10,051.75	6,366.25
Executive Administration	105,439.00	106,927.44	81,019.52	25,907.92
Support Services - School Administration:				
Office of the Principal	81,006.00	81,006.00	123,190.28	(42,184.28)
Other	44,113.00	44,460.89	347.89	44,113.00
Support Services - Business:				
Fiscal Services	125,598.00	132,489.96	122,582.09	9,907.87
Operation/Maintenance of Plant	266,749.00	266,749.00	223,872.59	42,876.41
Pupil Transportation	96,000.00	96,000.00	91,885.80	4,114.20
Nonprogrammed Charges:				
Payments to State - Unemployment		4,811.00	4,811.00	
Cocurricular Activities:				
Male Activities	36,616.00	37,206.32	37,206.22	0.10
Female Activities	22,080.00	22,080.00	15,313.11	6,766.89
Combined Activities	46,464.04	46,885.31	32,512.30	14,373.01
Contingencies	20,000.00	20,000.00		20,000.00
<b>Total Expenditures</b>	<u>2,225,183.04</u>	<u>2,320,735.69</u>	<u>2,171,533.09</u>	<u>149,202.60</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(278,951.04)</u>	<u>(374,503.69)</u>	<u>(131,949.29)</u>	<u>242,554.40</u>
Other Financing Sources:				
Transfers In	257,490.00	257,490.00	168,621.16	(88,868.84)
Transfers (Out)			(3,033.36)	(3,033.36)
Sale of Surplus Property			150.00	150.00
<b>Total Other Financing Sources / (Uses)</b>	<u>257,490.00</u>	<u>257,490.00</u>	<u>165,737.80</u>	<u>(91,752.20)</u>
<b>Net Change in Fund Balance</b>	(21,461.04)	(117,013.69)	33,788.51	150,802.20
<b>Beginning Fund Balance</b>	<u>820,419.94</u>	<u>820,419.94</u>	<u>820,419.94</u>	
<b>FUND BALANCE - JUNE 30, 2020</b>	<u>\$ 798,958.90</u>	<u>\$ 703,406.25</u>	<u>\$ 854,208.45</u>	<u>\$ 150,802.20</u>

**MONTROSE SCHOOL DISTRICT NO. 43-2  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$572,199.00	\$572,199.00	\$543,691.63	\$ (28,507.37)
Prior Years' Ad Valorem Taxes			17,870.70	17,870.70
Penalties and Interest on Taxes			3,759.37	3,759.37
Earnings on Investments and				
Deposits			8,322.12	8,322.12
Revenue from Federal Sources:				
Restricted Grants-in-Aid Rec'd Directly from Federal Government			1,385.76	1,385.76
Other Federal Revenue			13,539.00	13,539.00
<b>Total Revenue</b>	<u>572,199.00</u>	<u>572,199.00</u>	<u>588,568.58</u>	<u>16,369.58</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary School	20,000.00	20,000.00	1,279.00	18,721.00
Middle School	5,000.00	5,000.00		5,000.00
High School	10,000.00	10,000.00	38,944.27	(28,944.27)
Support Services - Instructional Staff:				
Educational Media	66,150.00	66,150.00	11,592.00	54,558.00
Support Services - Business:				
Fiscal Services	5,000.00	5,000.00		5,000.00
Facilities Acquisition and Construction	7,500.00	7,500.00		7,500.00
Operation and Maintenance of Plant	187,183.00	187,183.00	164,194.06	22,988.94
Debt Services		5,063.11	5,063.11	
Cocurricular Activities:				
Combined Activities	13,876.00	13,876.00	10,012.41	3,863.59
<b>Total Expenditures</b>	<u>314,709.00</u>	<u>319,772.11</u>	<u>231,084.85</u>	<u>88,687.26</u>
Excess of Revenue Over (Under)				
Expenditures	<u>257,490.00</u>	<u>252,426.89</u>	<u>357,483.73</u>	<u>105,056.84</u>
Other Financing Sources/(Uses)				
Transfers (Out)	<u>(257,490.00)</u>	<u>(257,490.00)</u>	<u>(168,621.16)</u>	<u>88,868.84</u>
<b>Total Other Financing Sources / (Uses)</b>	<u>(257,490.00)</u>	<u>(257,490.00)</u>	<u>(168,621.16)</u>	<u>88,868.84</u>
Net Change in Fund Balance	0.00	(5,063.11)	188,862.57	193,925.68
Beginning Fund Balance	<u>760,388.42</u>	<u>760,388.42</u>	<u>760,388.42</u>	
<b>FUND BALANCE - JUNE 30, 2020</b>	<u>\$760,388.42</u>	<u>\$755,325.31</u>	<u>\$949,250.99</u>	<u>\$ 193,925.68</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
MONTROSE SCHOOL DISTRICT NO. 43-2  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 322,292.00	\$ 322,292.00	\$ 317,882.07	\$ (4,409.93)
Prior Years' Ad Valorem Taxes			6,865.23	6,865.23
Penalties and Interest on Taxes			1,417.78	1,417.78
Other Revenue from Local Sources:				
Medicaid	20,500.00	20,500.00	43,987.87	23,487.87
Revenue from State Sources:				
Restricted Grants-in-Aid	195,851.00	195,851.00	109,000.00	(86,851.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government through Intermediate Source			810.03	810.03
<b>Total Revenues</b>	<u>538,643.00</u>	<u>538,643.00</u>	<u>479,962.98</u>	<u>(58,680.02)</u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	437,893.00	437,893.00	374,225.61	63,667.39
Support Services - Pupils:				
Psychological	1,747.00	1,747.02	1,759.84	(12.82)
Speech Pathology	30,056.00	30,069.11	30,281.12	(212.01)
Support Services - General Administration:				
Board of Education	3,234.00	3,234.04	3,233.84	0.20
Support Services - Business:				
Fiscal Services	5,902.00	5,902.00	5,901.72	0.28
Support Services - Special Education:				
Administrative Costs	51,811.00	52,036.49	55,367.29	(3,330.80)
Transportation Costs	8,000.00	8,000.00	10,808.00	(2,808.00)
<b>Total Expenditures</b>	<u>538,643.00</u>	<u>538,881.66</u>	<u>481,577.42</u>	<u>57,304.24</u>
Net Change in Fund Balance	0.00	(238.66)	(1,614.44)	(1,375.78)
Beginning Fund Balance	<u>49,747.22</u>	<u>49,747.22</u>	<u>49,747.22</u>	
<b>FUND BALANCE - JUNE 30, 2020</b>	<u>\$ 49,747.22</u>	<u>\$ 49,508.56</u>	<u>\$ 48,132.78</u>	<u>\$ (1,375.78)</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
MONTROSE SCHOOL DISTRICT NO. 43-2  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
PHYSICS AND CHEMISTRY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Earnings on Investments/Deposits	\$ _____	\$ _____	\$ 842.20	\$ 842.20
Total Revenues	<u>_____</u>	<u>_____</u>	<u>842.20</u>	<u>842.20</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs				
Middle School	2,500.00	2,500.00		2,500.00
High School	<u>2,500.00</u>	<u>2,500.00</u>	1,179.46	<u>1,320.54</u>
Total Expenditures	<u>5,000.00</u>	<u>5,000.00</u>	<u>1,179.46</u>	<u>3,820.54</u>
Net Change in Fund Balance	(5,000.00)	(5,000.00)	(337.26)	4,662.74
Beginning Fund Balance	<u>145,488.42</u>	<u>145,488.42</u>	<u>145,488.42</u>	<u>_____</u>
FUND BALANCE - JUNE 30, 2020	<u>\$ 140,488.42</u>	<u>\$ 140,488.42</u>	<u>\$ 145,151.16</u>	<u>\$ 4,662.74</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
MONTROSE SCHOOL DISTRICT NO. 43-2  
BUDGETARY COMPARISON SCHEDULE-BUDGETARY BASIS  
LIBRARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Earnings on Investments/Deposits	\$ _____	\$ _____	\$ 855.53	\$ 855.53
Total Revenues	_____	_____	855.53	855.53
<b>Expenditures:</b>				
No Expenditures	_____	_____	_____	_____
Net Change in Fund Balance	0.00	0.00	855.53	855.53
Beginning Fund Balance	51,865.18	51,865.18	51,865.18	_____
<b>FUND BALANCE - JUNE 30, 2020</b>	<b><u>\$ 51,865.18</u></b>	<b><u>\$ 51,865.18</u></b>	<b><u>\$ 52,720.71</u></b>	<b><u>\$ 855.53</u></b>

MONTROSE SCHOOL DISTRICT NO. 43-2  
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.
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  
MONTROSE SCHOOL DISTRICT NO. 43-2  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020**

**TOTAL OPEB LIABILITY**

Service Cost	\$ 7,345
Interest on Total OPEB Liability	2,321
Effect of assumption changes or inputs	(12,988)
Benefit payments	<u>(1,516)</u>
Net change in total OPEB liability	(4,838)
Total OPEB liability, beginning	<u>53,397</u>
Total OPEB liability, ending	<u>\$ 48,559</u>

Schedule of Required Supplementary Information  
**MONTROSE SCHOOL DISTRICT NO. 43-2**

**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)	0.0600132%	0.0607652%	0.0656897%	0.0741660%	0.0769075%	0.0727250%
District's proportionate share of net pension liability (asset)	\$ (432,371)	\$ (257,723)	\$ 221,893	\$ (6,731)	\$ (1,794)	\$ (7,707)
District's covered-employee payroll	\$ 1,047,281	\$ 1,109,279	\$ 1,248,936	\$ 1,506,896	\$ 1,598,829	\$ 1,546,831
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.29%	-23.23%	17.77%	-0.45%	-0.11%	-0.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.89%	100.1%	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

MONTROSE SCHOOL DISTRICT NO. 43-2

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 62,837	\$ 66,564	\$ 74,951	\$ 90,414	\$ 95,930	\$ 92,777	\$ 93,074
Contributions in relation to the contractually required contribution	\$ 62,837	\$ 66,564	\$ 74,951	\$ 90,414	\$ 95,930	\$ 92,777	\$ 93,074
Contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
District's covered-employee payroll	\$1,047,281	\$1,109,279	\$1,248,936	\$1,506,896	\$1,598,829	\$1,546,831	\$1,551,595
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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.

MONTROSE SCHOOL DISTRICT NO. 43-2  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
Schedules of the Proportional Share of the Net Pension Liability (Asset) and  
Schedule of Contributions

CHANGES OF BENEFIT TERMS

No significant changes

CHANGES OF ASSUMPTIONS

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

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

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

# QUAM, BERGLIN & POST, P.C.

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

---  
(605) 356-3374

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

School Board  
Montrose School District No. 43-2  
McCook 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 Montrose School District No. 43-2, McCook 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 Montrose School District's basic financial statements and have issued our report thereon dated April 28, 2021.

### Internal Control Over Financial Reporting

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

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

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

## **Compliance and Other Matters**

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

## **School District's Response to Findings**

Montrose School District's response to the findings identified in our audit is described in the accompanying Schedule of Current Audit Findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Montrose School District's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



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

April 28, 2021

**MONTROSE SCHOOL DISTRICT NO. 43-2  
SCHEDULE OF AUDIT FINDINGS  
JUNE 30, 2020**

**PRIOR AUDIT FINDINGS:**

**Audit Finding Number 2019-001:**

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

**Audit Finding Number 2019-002:**

A material weakness resulting from expenditures exceeding the total means of finance and the available fund balance for the Special Education Fund and Pension Fund was reported. This finding has been corrected.

**CURRENT AUDIT FINDING:**

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

**Audit Finding Number 2020-001:**

There is a material weakness resulting from 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 Montrose School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls whenever and wherever, practical.



# Montrose School District #43-2

309 South Church Avenue  
Montrose, SD 57048  
Phone (605) 363-5025 Fax (605) 363-3513



Lonny Johnson, Superintendent/High School Principal  
Shawnya McGregor, K-8 Principal/Activities Director

Cindy Christensen, Business Manager  
LaDonna Marlette, Counselor

---

## CORRECTIVE PLAN OF ACTION 6/30/20

Montrose School District No. 43-2 has considered the lack of segregation of duties for the revenues function. At this time it is not cost effective for Montrose School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Montrose School District to decrease the likelihood that financial data is adversely affected.

The Montrose 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

*Home of the Irish*