

**LEOLA SCHOOL DISTRICT NO. 44-2  
LEOLA, SOUTH DAKOTA  
AUDIT REPORT  
FOR THE YEAR THEN ENDED  
JUNE 30, 2021**

**LEOLA SCHOOL DISTRICT NO. 44-2**  
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# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITORS' 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***

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School Board  
Leola School District No. 44-2  
McPherson 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, business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2, South Dakota (School District) as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, items 2021-001, 2021-002, 2021-003, and 2021-004 that we consider to be material weaknesses.

*Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com*

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School Board  
Leola School District No. 44-2  
Page 2  
Report on Internal Control and Compliance

Compliance and Other Matters

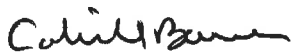
As part of obtaining reasonable assurance about whether the Leola School District No. 44-2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The School District's responses to the findings identified in our audit are 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 them.

Purpose of this Report

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



Mobridge, South Dakota  
November 15, 2021

**LEOLA SCHOOL DISTRICT NO. 44-2  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2021**

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**STATUS OF PRIOR AUDIT FINDINGS**

**Finding Number 2020-001:**

Internal control over financial reporting and compliance is not adequate.

**Current Status**

Condition still exists, see current audit finding number 2021-001.

**Finding Number 2020-002:**

The District's internal control structure does not provide for the preparation of financial statements in accordance with generally accepted accounting principles.

**Current Status**

Condition still exists, see current audit finding number 2021-002.

**Finding Number 2020-003:**

Internal control does not provide for identifying material misstatements.

**Current Status**

Condition still exists, see current audit finding number 2021-003.

**Finding Number 2020-004:**

The District's internal control did not identify the prior year audit report was not published on its website.

**Current Status**

This condition has been corrected.

**LEOLA SCHOOL DISTRICT NO. 44-2  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2021**

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**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

**Finding Number 2021-001:**

**Criteria**

The internal control system of a School can help assist in achieving its performance targets and prevent the loss of resources. It helps to ensure reliable financial reporting and the compliance with laws and regulations.

**Condition Found**

The School District has a limited number of office personnel and, accordingly, does not have adequate internal controls in revenue, expenditures, and payroll functions because of a lack of segregation duties.

**Identification of Repeat Finding**

This has been a repeat finding for several years in a row.

**Cause and Effect**

The School District has one employee who prepares all the accounting records. This condition increases the risk that fraud or errors might occur in the financial reporting process.

**Recommendation**

We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. Compensating controls should be implemented as necessary.

**Views of Responsible Officials**

Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

**LEOLA SCHOOL DISTRICT NO. 44-2  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2021**

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**Finding Number 2021-002:**

**Criteria**

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles.

**Condition Found**

The School does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

**Identification of Repeat Finding**

This has been a repeat finding for several years in a row.

**Cause and Effect**

The control deficiency could result in a misstatement of the financial statements. This condition may affect the School's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Recommendation**

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Views of Responsible Officials**

The business manager, Kayla Casey, is the contact person responsible for this comment. The School is continuing its work on correcting this deficiency.



**LEOLA SCHOOL DISTRICT NO. 44-2  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2021**

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**Finding Number 2021-003:**

**Criteria**

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

**Condition Found**

While conducting our audit, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

**Identification of Repeat Finding**

This has been a repeat finding for several years in a row.

**Cause and Effect**

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

**Recommendation**

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

**Views of Responsible Officials**

The business manager, Kayla Casey, is the contact person responsible for this comment. The School is continuing its work on correcting this deficiency.

**LEOLA SCHOOL DISTRICT NO. 44-2  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2021**

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**Finding Number 2021-004:**

**Criteria**

An organization's internal control structure should ensure that all checks issued except those by designated custodians of custodial funds are signed by the business manager and counter signed by the president of the school board.

**Condition Found**

The School District's internal control system did not ensure that all checks issued were signed by the business manager and counter signed by the school board president pursuant to SDCL 13-18-2.

**Cause and Effect**

A check lacking proper signature from both the business manager and school board president could lead to misuse of school funds.

**Recommendation**

It is the responsibility of management and those charged with governance to make sure that all checks issued have the proper signatures as required by law.

**Views of Responsible Officials**

The business manager, Kayla Casey, is the contact person responsible for this comment. The School will more closely monitor the signing of checks to ensure that all necessary signatures are obtained.



# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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School Board  
Leola School District No. 44-2  
McPherson County, South Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2 (School District), as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards required 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.

*Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com*

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2 as of June 30, 2021, 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 Budgetary Comparison Schedules, Schedule of School District Contributions, and Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) on pages 46 through 56 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.

The School District has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2021 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

*Caill Baur*

Mobridge, South Dakota  
November 15, 2021

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,053,369	\$ 5,460	\$ 2,058,829
Due from other funds	14,801	-	14,801
Investments	160,114	-	160,114
Taxes receivable	1,171,609	-	1,171,609
Inventories	-	14,550	14,550
Other assets	387,911	42,418	430,329
Net pension asset	3,102	89	3,191
Capital assets			
Land, improvements	18,000	-	18,000
Other capital assets, net depreciation	4,685,381	35,039	4,720,420
<b>TOTAL ASSETS</b>	<b>8,494,287</b>	<b>97,556</b>	<b>8,591,843</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	529,523	15,165	544,688
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 529,523</b>	<b>\$ 15,165</b>	<b>\$ 544,688</b>

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	\$ 130,633	\$ 23,744	\$ 154,377
Other current liabilities	174,746	19,144	193,890
Noncurrent liabilities:			
Due within one year	205,000	-	205,000
Due in more than one year	1,939,613	-	1,939,613
<b>TOTAL LIABILITIES</b>	<b>2,449,992</b>	<b>42,888</b>	<b>2,492,880</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	424,278	11,781	436,059
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>424,278</b>	<b>11,781</b>	<b>436,059</b>
<b>NET POSITION</b>			
Net Investment in			
Capital Assets	2,542,556	35,039	2,577,595
Restricted for:			
Capital Outlay	1,096,821	-	1,096,821
Special Education	555,147	-	555,147
SDRS Pension Purposes	108,347	3,473	111,820
Unrestricted	1,846,669	19,540	1,866,209
<b>TOTAL NET POSITION</b>	<b>\$ 6,149,540</b>	<b>\$ 58,052</b>	<b>\$ 6,207,592</b>

**LEOLA SCHOOL DISTRICT NO. 44-2  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
Instruction	\$ 2,066,672	\$ 8,054	\$ 299,445	\$ (1,759,173)	\$ -	\$ (1,759,173)
Support services	1,263,138	15,318	43,142	(1,204,678)	-	(1,204,678)
Cocurricular activities	135,485	11,094	-	(124,391)	-	(124,391)
** Interest on long term debt	46,218	-	-	(46,218)	-	(46,218)
Total governmental activities	3,511,513	34,466	342,587	(3,134,460)	-	(3,134,460)
Business-type activities						
Food services	278,583	18,934	230,516	-	(29,133)	(29,133)
Other enterprise funds	5,360	3,035	-	-	(2,325)	(2,325)
Total business-type activities	283,943	21,969	230,516	-	(31,458)	(31,458)
Total primary government	\$ 3,795,456	\$ 56,435	\$ 573,103	\$ (3,134,460)	\$ (31,458)	\$ (3,165,918)
General Revenues						
Taxes						
Property taxes				2,293,819	-	2,293,819
Utility taxes				71,345	-	71,345
Revenue from state sources:						
State Aid				1,093,088	-	1,093,088
Other				112,650	-	112,650
Revenue from federal sources:						
Unrestricted investments earnings				1,506	-	1,506
Other general revenues				77,236	-	77,236
Total general revenues and transfers				3,649,644	-	3,649,644
Change in net position				515,184	(31,458)	483,726
Net position - beginning				5,634,356	89,510	5,723,866
Net position - ending				\$ 6,149,540	\$ 58,052	\$ 6,207,592

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



**LEOLA SCHOOL DISTRICT NO. 44-2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,032,660
Investments	104,638
Due from other funds	14,801
Taxes-receivables	611,697
Taxes-delinquent	8,427
Accounts receivable	18
Due from state government	71,345
Due from federal government	150,235
Deposits	19,489
<b>TOTAL ASSETS</b>	<b>\$ 2,013,310</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 22,175
Contracts payable	101,719
Payroll deductions and withholdings payable and employer matching payable	13,134
<b>Total Liabilities</b>	<b>137,028</b>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenue - property taxes	610,818
<b>Total Deferred Inflows of Resources</b>	<b>610,818</b>
<b>Fund Balances:</b>	
Nonspendable	
Deposits	19,489
Restricted	
Capital outlay	-
Special education	-
Unassigned	1,245,975
<b>Total Fund Balance</b>	<b>1,265,464</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 2,013,310</b>

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

Capital Outlay Fund	Special Education Fund	Total Governmental Funds
\$ 708,769	\$ 311,940	\$ 2,053,369
-	55,476	160,114
-	-	14,801
343,773	201,028	1,156,498
4,853	1,831	15,111
-	-	18
-	-	71,345
144,774	2,050	297,059
-	-	19,489
<u>\$ 1,202,169</u>	<u>\$ 572,325</u>	<u>\$ 3,787,804</u>
\$ 105,348	\$ 3,110	\$ 130,633
-	12,505	114,224
-	1,563	14,697
<u>105,348</u>	<u>17,178</u>	<u>259,554</u>
<u>343,308</u>	<u>199,752</u>	<u>1,153,878</u>
<u>343,308</u>	<u>199,752</u>	<u>1,153,878</u>
-	-	19,489
753,513	-	753,513
-	355,395	355,395
-	-	1,245,975
<u>753,513</u>	<u>355,395</u>	<u>2,374,372</u>
<u>\$ 1,202,169</u>	<u>\$ 572,325</u>	<u>\$ 3,787,804</u>

**LEOLA SCHOOL DISTRICT NO. 44-2  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total fund balances - governmental funds	\$ 2,374,372
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	3,102
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The capitalized cost of the capital assets is \$6,641,810 and the accumulated depreciation is (\$1,938,429) for a net amount of \$4,703,381.	4,703,381
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	529,523
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of compensated absences of \$29,613, capital outlay certificates of \$2,115,000, unamortized bond premium of \$26,594, and accrued interest of \$19,231.	(2,190,438)
Governmental funds report property tax revenue on the modified accrual basis of accounting recognizing revenue in the period for which the levy was made subject to meeting availability criteria which results in deferral of some revenue recognition while the statement of net position recognizes property tax revenue in the period for which it was levied without regard to availability criteria.	1,153,878
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(424,278)
Total net position - governmental funds	<u>\$ 6,149,540</u>

**LEOLA SCHOOL DISTRICT NO. 44-2  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund
REVENUES:	
Revenue from local sources:	
Taxes:	
Ad valorem taxes	\$ 1,235,118
Prior years' ad valorem taxes	8,330
Utility taxes	71,345
Penalties and interest on taxes	6,359
Tuition and fees:	
Regular Day School Tuition	8,054
Earnings on investments and deposits	1,506
Cocurricular activities:	
Admissions	8,065
Other pupil activity income	3,029
Other revenue from local sources:	
Rentals	3,306
Contributions and donations	11,925
Charges for services	2,641
Other	17,478
Total revenue from local sources	<u>1,377,156</u>
Revenue from intermediate sources	
County sources:	
County appointment	25,177
Total revenue from intermediate sources	<u>25,177</u>
Revenue from state sources:	
Grants-in-aid:	
Unrestricted grants-in-aid	1,093,088
Total revenue from state sources	<u>1,093,088</u>
Revenue from federal sources:	
Grants-in-aid:	
Unrestricted grants-in-aid thru state	97,650
Unrestricted grants-in-aid received from fed govt thru intermediate	3,125
Restricted-grants-in-aid directly from fed govt	8,598
Restricted grants-in-aid thru state	189,215
Total revenue from federal sources	<u>298,588</u>
Total revenues	<u>\$ 2,794,009</u>

(Continued on next page)

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	689,964	\$	370,913	\$	2,295,995
	4,815		2,245		15,390
	-		-		71,345
	3,835		1,857		12,051
	-		-		8,054
	-		-		1,506
	-		-		8,065
	-		-		3,029
	-		-		3,306
	10,000		195		22,120
	-		12,677		15,318
	13,218		-		30,696
	<u>721,832</u>		<u>387,887</u>		<u>2,486,875</u>
	-		-		25,177
	-		-		<u>25,177</u>
	-		-		1,093,088
	-		-		<u>1,093,088</u>
	8,350		-		106,000
	2,224		1,301		6,650
	-		-		8,598
	144,774		-		333,989
	<u>155,348</u>		<u>1,301</u>		<u>455,237</u>
\$	<u>877,180</u>	\$	<u>389,188</u>	\$	<u>4,060,377</u>

**LEOLA SCHOOL DISTRICT NO. 44-2  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund
Expenditures:	
Instruction:	
Regular programs:	
Elementary	\$ 778,223
Middle/junior high	242,839
High school	360,377
Preschool	35,072
Special programs:	
Programs for special education	-
Educationally deprived	64,824
Total instruction	<u>1,481,335</u>
Support services:	
Pupils:	
Guidance	54,445
Health	367
Psychological	-
Speech pathology	-
Student therapy services	-
Instructional staff:	
Improvement of instruction	27,223
Educational media	79,417
General administration:	
Board of education	63,003
Executive administration	45,516
School administration:	
Office of the principal	46,806
Other	9,718
Business:	
Fiscal services	133,393
Operation and maintenance of plant	248,925
Pupil transportation	59,647
Food services	6,892
Central:	
Staff	778
Special education:	
Administrative costs	-
Transportation costs	-
Other	-
Total support services	<u>\$ 776,130</u>

(Continued on next page)

Capital Outlay Fund		Special Education Fund	Total Governmental Funds
\$	49,897	\$ -	\$ 828,120
	20,670	-	263,509
	15,252	-	375,629
	-	-	35,072
	-	335,362	335,362
	1,763	-	66,587
	87,582	335,362	1,904,279
	1,763	-	56,208
	-	-	367
	-	5,237	5,237
	-	13,331	13,331
	-	41,378	41,378
	-	-	27,223
	17,042	-	96,459
	-	-	63,003
	-	-	45,516
	1,763	-	48,569
	-	-	9,718
	6,670	-	140,063
	208,050	-	456,975
	11,743	-	71,390
	9,150	-	16,042
	-	-	778
	-	5,999	5,999
	-	1,058	1,058
	-	22,247	22,247
\$	256,181	\$ 89,250	\$ 1,121,561

**LEOLA SCHOOL DISTRICT NO. 44-2  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund
Debt services	\$ -
Cocurricular activities:	
Male activities	28,904
Female activities	19,763
Transportation	15,576
Combined activities	31,693
Total cocurricular activities	<u>95,936</u>
Capital outlay	-
Total expenditures/expenses	<u>2,353,401</u>
Other financing sources (uses)	
Compensation for loss of school property	380
Sale of surplus property	1,390
Total other financing sources (uses)	<u>1,770</u>
Net change in fund balances	442,378
Fund balance - beginning	823,086
Fund balance - ending	<u>\$ 1,265,464</u>

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



Capital Outlay Fund	Special Education Fund	Total Governmental Funds
\$ 256,120	\$ -	\$ 256,120
5,837	-	34,741
1,570	-	21,333
-	-	15,576
10,249	-	41,942
17,656	-	113,592
210,856	-	210,856
828,395	424,612	3,606,408
21,907	-	22,287
1	-	1,391
21,908	-	23,678
70,693	(35,424)	477,647
682,820	390,819	1,896,725
\$ 753,513	\$ 355,395	\$ 2,374,372

**LEOLA SCHOOL DISTRICT NO. 44-2  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT  
OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balances - total governmental funds	\$ 477,647
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	16,437
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(27,741)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	(29,617)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(1,236)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These expenses consist of the change in accrued interest of \$2,307, amortization of bond premiums of \$2,595, and pension expense of (\$130,208).	(125,306)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	205,000.00
Change in net position of governmental activities	<u>\$ 515,184</u>

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ 5,460	\$ 5,460
Accounts receivable	111	-	111
Due from federal government	42,307	-	42,307
Inventory of supplies	1,891	-	1,891
Inventory of store purchased for resale	2,837	-	2,837
Inventory of donated foods	9,822	-	9,822
Total Current Assets	56,968	5,460	62,428
Noncurrent assets			
Pension asset	89	-	89
Capital assets			
Machinery and equipment	109,275	-	109,275
Accumulated depreciation	(74,236)	-	(74,236)
Total Noncurrent Assets	35,128	-	35,128
TOTAL ASSETS	92,096	5,460	97,556
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	15,165	-	15,165
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,165	-	15,165
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	23,744	-	23,744
Due to other fund	12,105	-	12,105
Contracts payable	3,907	2,095	6,002
Benefits payable	478	286	764
Unearned revenue	273	-	273
Total Current Liabilities	40,507	2,381	42,888
TOTAL LIABILITIES	40,507	2,381	42,888
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	11,781	-	11,781
TOTAL DEFERRED INFLOWS OF RESOURCES	11,781	-	11,781
<b>NET POSITION</b>			
Net investment in capital assets	35,039	-	35,039
Restricted for SDRS	3,473	-	3,473
Unrestricted	16,461	3,079	19,540
TOTAL NET POSITION	\$ 54,973	\$ 3,079	\$ 58,052

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

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>			
Sales			
To pupils	\$ 3,221	\$ -	\$ 3,221
To adults	7,065	-	7,065
A la carte	8,122	-	8,122
Other charges for goods and services	526	3,035	3,561
Total operating revenues	<u>18,934</u>	<u>3,035</u>	<u>21,969</u>
<b>OPERATING EXPENSES</b>			
Salaries	72,094	4,716	76,810
Employee benefits	12,600	644	13,244
Purchased services	103,545	-	103,545
Supplies	8,035	-	8,035
Cost of sales - purchased food	69,008	-	69,008
Cost of sales - donated food	7,623	-	7,623
Other	1,335	-	1,335
Depreciation	4,343	-	4,343
Total operating expenses	<u>278,583</u>	<u>5,360</u>	<u>283,943</u>
Operating income/(loss)	<u>(259,649)</u>	<u>(2,325)</u>	<u>(261,974)</u>
<b>NONOPERATING REVENUES</b>			
State sources			
State grants	1,019	-	1,019
Federal sources			
Cash reimbursements	218,058	-	218,058
Donated food	11,439	-	11,439
Total nonoperating revenues	<u>230,516</u>	<u>-</u>	<u>230,516</u>
Change in net position	<u>(29,133)</u>	<u>(2,325)</u>	<u>(31,458)</u>
Total net position - July 1, 2020	<u>84,106</u>	<u>5,404</u>	<u>89,510</u>
Total net position - June 30, 2021	<u>\$ 54,973</u>	<u>\$ 3,079</u>	<u>\$ 58,052</u>

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

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 18,919	\$ 3,035	\$ 21,954
Payments to employees for services	(69,014)	(2,979)	(71,993)
Payments to suppliers of goods and services	(187,565)	-	(187,565)
Net cash provided/(used) by operating activities	<u>(237,660)</u>	<u>56</u>	<u>(237,604)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants	226,694	-	226,694
Net cash provided by noncapital financing activities	<u>226,694</u>	<u>-</u>	<u>226,694</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(10,966)	56	(10,910)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>10,966</u>	<u>5,404</u>	<u>16,370</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,460</u>	<u>\$ 5,460</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating income/(loss)	\$ (259,649)	\$ (2,325)	\$ (261,974)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>			
Depreciation expense	4,343	-	4,343
Value of donated commodities used	7,623	-	7,623
Change in assets and liabilities			
Receivables	(15)	-	(15)
Inventories	(230)	-	(230)
Accounts and other payables	6,964	2,381	9,345
Change in pension asset/(liability)	<u>3,304</u>	<u>-</u>	<u>3,304</u>
Net cash provided/(used) by operating activities	<u>\$ (237,660)</u>	<u>\$ 56</u>	<u>\$ (237,604)</u>
Noncash investing, capital and financing activities:			
Value of commodities received	<u>\$ 11,439</u>	<u>\$ -</u>	<u>\$ 11,439</u>

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

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2021**

	Private-Purpose Trust Funds	Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,008	\$ 23,481
<b>TOTAL ASSETS</b>	<b>2,008</b>	<b>23,481</b>
<b>LIABILITIES</b>		
Due to other fund	-	2,696
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>2,696</b>
<b>NET POSITION</b>		
Restricted for student activities	-	20,785
Restricted for scholarships	2,008	-
<b>TOTAL NET POSITION</b>	<b>\$ 2,008</b>	<b>\$ 20,785</b>

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2021**

	Private-Purpose Trust Funds	Custodial Funds
<b>ADDITIONS</b>		
Collections for student activities	\$ -	\$ 39,045
Other additions	666	-
<b>Total additions</b>	<b>666</b>	<b>39,045</b>
<b>DEDUCTIONS</b>		
Payments for student activities	-	41,378
Other deductions	750	-
<b>Total deductions</b>	<b>750</b>	<b>41,378</b>
Change in net position	(84)	(2,333)
Total net position - July 1, 2020	2,092	-
Restatement - Implementation of GASB 84 (Note 15)	-	23,118
<b>Total net position - June 30, 2021</b>	<b>\$ 2,008</b>	<b>\$ 20,785</b>

**LEOLA SCHOOL DISTRICT NO. 44-2  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021  
(See Independent Auditors' Report)**

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

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

*a. Financial Reporting Entity*

The reporting entity of the Leola School District No. 44-2, 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; those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

*b. Basis of Presentation*

Government-wide Financial Statements

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

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



**NOTES TO FINANCIAL STATEMENTS - Page 2**  
**(See Independent Auditors' Report)**

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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 and those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as 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, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and;
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or;
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

**Governmental Funds**

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

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

**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.

**NOTES TO FINANCIAL STATEMENTS - Page 3**  
**(See Independent Auditors' Report)**

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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.

**Proprietary Funds**

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not 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 services), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

The Driver's Education Fund is an enterprise fund maintained by the School District. This is a not major fund.

**Fiduciary Funds**

*Fiduciary funds consist of the following sub-categories and are never considered to be a 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 only the following private-purpose trust funds: Jean Scholarship Fund.

**NOTES TO FINANCIAL STATEMENTS - Page 4**  
**(See Independent Auditors' Report)**

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

*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 type funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and similar fiduciary funds.

**Basis of Accounting**

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Leola School District No. 44-2, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2021 are expected state reimbursements, utility taxes, federal reimbursements, and miscellaneous reimbursements.

**NOTES TO FINANCIAL STATEMENTS - Page 5**  
**(See Independent Auditors' Report)**

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

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

All Proprietary Funds and Fiduciary 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 (primarily) 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.

**NOTES TO FINANCIAL STATEMENTS - Page 6**  
**(See Independent Auditors' Report)**

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*f. Capital Assets*

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

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

Government-Wide Statements

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

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

The total June 30, 2021 balance of capital assets for governmental activities includes approximately 10 percent for which the costs were determined by estimates of the original costs. The total June 30, 2021 balance of capital assets for business-type activities includes approximately 8 percent for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets were determined by reviewing applicable historical costs and basing the estimations thereon.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which assets 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:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land	\$ 1,000	N/A	N/A
Improvements, other than buildings	15,000	Straight-line	12-50 years
Buildings	50,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5-20 years
Food service equipment	1,000	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

**NOTES TO FINANCIAL STATEMENTS - Page 7**  
**(See Independent Auditors' Report)**

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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 governmental-wide or fund financial statements.

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

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

*h. Program Revenues*

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

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

**NOTES TO FINANCIAL STATEMENTS - Page 8**  
**(See Independent Auditors' Report)**

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*i. Proprietary Funds Revenue and Expense Classifications*

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

*j. Cash and Cash Equivalents*

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

*k. Equity Classifications*

*Government-wide Financial Statements*

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

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

*Fund Financial Statements*

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

*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.

**NOTES TO FINANCIAL STATEMENTS - Page 9**  
**(See Independent Auditors' Report)**

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*m. Fund Balance Classification Policies and Procedures*

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

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

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

The Government does not have a formal minimum fund balance policy.

*n. Pensions*

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions/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 asset are recognized on an accrual basis of accounting.

**NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

In 2021, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.



**NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

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

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

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

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

As of June 30, 2021, all of the School District's investments were in certificates of deposit and SDFIT. The School District's investments total of \$1,454,580 in the SDFIT pool was unrated.

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

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

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

**NOTE 4 - RECEIVABLES AND PAYABLES**

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

**NOTE 5 - INVENTORY**

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

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

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

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before April 30 and October 31 of the following year. 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 and not susceptible to accrual has been reported as deferred revenue in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, have been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

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**(See Independent Auditors' Report)**

**NOTE 7 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for year ended June 30, 2021 is as follows:

	Balance 07/01/2020	Increases	Decreases	Balance 06/30/2021
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Total capital assets, not being depreciated	18,000	-	-	18,000
Capital assets, being depreciated				
Buildings	4,471,022	-	-	4,471,022
Improvements other than buildings	1,184,407	94,258	-	1,278,665
Machinery and equipment	1,118,287	116,598	(360,762)	874,123
Total capital assets, being depreciated	6,773,716	210,856	(360,762)	6,623,810
Less accumulated depreciation for				
Buildings	999,018	79,748	-	1,078,766
Improvements other than buildings	378,565	44,112	-	422,677
Machinery and equipment	699,448	70,559	(333,021)	436,986
Total accumulated depreciation	2,077,031	194,419	(333,021)	1,938,429
Total capital assets, being depreciated, net	4,696,685	16,437	(27,741)	4,685,381
Governmental activity capital assets, net	\$ 4,714,685	\$ 16,437	\$ (27,741)	\$ 4,703,381

Depreciation expense was charged to functions as follows:

	6/30/2021
Governmental activities	
Instructional	\$ 60,883
Support Services	114,918
Cocurricular	18,618
Total depreciation expense - governmental activities	\$ 194,419

**NOTES TO FINANCIAL STATEMENTS - Page 13**  
**(See Independent Auditors' Report)**

	Balance 07/01/2020	Increases	Decreases	Balance 06/30/2021
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	109,275	-	\$ -	\$ 109,275
Total capital assets, being depreciated	109,275	-	-	109,275
Less accumulated depreciation for				
Machinery and equipment	69,893	4,343	-	74,236
Total accumulated depreciation	69,893	4,343	-	74,236
 Total business-type activities, capital assets, being depreciated, net	 39,382	 (4,343)	 -	 35,039
 Business-type activities capital assets, net	 \$ 39,382	 \$ (4,343)	 \$ -	 \$ 35,039

Depreciation expense was charged to functions as follows:

	6/30/2021
Business-type activities	
Food Service	\$ 4,343

**NOTE 8 - LONG-TERM DEBT**

A summary of the changes in long-term debt for the year ended June 30, 2021 is as follows:

	Beginning Balance 07/01/2020	Additions	Deletions	Ending Balance 06/30/2021	Due Within One Year
Primary government					
Governmental activities					
Capital outlay certificates 2017	\$ 2,320,000	\$ -	\$ (205,000)	\$ 2,115,000	\$ 205,000
Compensated absences	28,377	9,470	(8,234)	29,613	-
Total governmental activities	\$ 2,348,377	\$ 9,470	\$ (213,234)	\$ 2,144,613	\$ 205,000

**NOTES TO FINANCIAL STATEMENTS - Page 14**  
**(See Independent Auditors' Report)**

Long-term debt payable at June 30, 2021, is comprised of the following:

Capital Outlay Certificates, Series 2017, maturing August 2031, 2.20% interest, semi annual interest payments and annual principal payments, made from the Capital Outlay Fund.	\$2,115,000
Compensated Absences, payments to be made by the fund that the payroll expenditures are charged within.	<u>29,613</u>
Total long-term debt	<u><u>\$2,144,613</u></u>

Annual requirements to Maturity for Long-Term Debt as of June 30, 2021:

**Capital Outlay  
Certificates**

Year Ending June 30, 2021	Principal	Interest
2022	\$ 205,000	\$ 47,590
2023	210,000	44,055
2024	205,000	39,905
2025	200,000	35,855
2026	180,000	32,055
2027-2031	920,000	93,307
2032	195,000	2,925
	<u>\$2,115,000</u>	<u>\$ 295,692</u>

**NOTE 9 - RESTRICTED NET POSITION**

<u>Fund</u>	<u>Restricted By</u>	<u>6/30/2021</u>
Special Education	Law	\$ 555,147
Capital Outlay	Law	1,096,821
SDRS Pension Purposes	Law	111,820
Total Restricted Net Position		<u><u>\$1,763,788</u></u>

These balances are restricted due to statutory requirements.

**NOTE 10 - PENSION PLAN**

**Plan Information:**

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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://sdrs.sd.gov/publications.aspx> 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.

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**(See Independent Auditors' Report)**

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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% of salary; Class B Judiciary Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2021, 2020, and 2019 was \$109,137, \$96,757, and \$86,616, respectively, equal to the required contributions each year.

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

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2020 and reported by the School District as of June 30, 2021 are as follows:

Proportionate share of pension liability	\$ 9,032,635
Less proportionate share of net position restricted for pension benefits	<u>9,035,826</u>
Proportionate share of net pension asset	<u>\$ (3,191)</u>

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**(See Independent Auditors' Report)**

At June 30 2021, the School District reported an asset of \$3,191 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension asset used to calculate the net pension 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, 2020, the School District's proportion was .07347790% which is an increase of .0055827% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized a pension expense of \$133,834. At June 30, 2021 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	\$ 12,208	\$ 2,500
Changes in assumption	102,789	414,553
Net difference between projected and actual earnings on	296,600	-
Changes in proportion and difference between District contributions and proportionate share of contributions	23,955	19,006
School district contributions subsequent to the measurement date	109,136	-
Total	<u>\$ 544,688</u>	<u>\$ 436,059</u>

\$109,136 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, 2022. 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:	
2022	(38,021)
2023	(23,099)
2024	6,204
2025	54,409
TOTAL	<u>\$ (507)</u>



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**(See Independent Auditors' Report)**

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**Actuarial Assumptions:**

The total pension asset in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.5% net of plan investment expense
Future COLAs	1.41%

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, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 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, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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**(See Independent Auditors' Report)**

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
<b>Total</b>	<b>100.0%</b>	

**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.5%. 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%, as well as what the School District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate share of the net pension liability/(asset)	\$ 1,237,947	\$ (3,191)	\$ (1,018,418)

**Pension Plan Fiduciary Net Position:**

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

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**(See Independent Auditors' Report)**

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**NOTE 11 - JOINT VENTURES**

The School District participates in the North Central Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing Special Education Services to the member School Districts. Each member district has an equal interest in the cooperative.

The members of the co-op are as follows:

Doland School District No. 56-2	12.5%
Frederick Area School District No. 6-2	12.5%
Groton Area School District No. 6-6	12.5%
Hitchcock Tulare School District No. 56-6	12.5%
Langford Area School District No. 45-5	12.5%
Leola School District No. 44-2	12.5%
Northwestern Area School District No. 56-7	12.5%
Warner School District No. 6-5	12.5%

The North Central Special Education Cooperative governing board is composed of one representative from each member School District, who is elected by the local School Board. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the North Central Special Education Cooperative.

At June 30, 2021, this joint venture had total assets of \$321,651, net position of \$321,651 (unaudited), and no long-term debt outstanding.

The School District also participates in the joint venture known as Northern High Technology Module Consortium formed for the purpose of providing technological equipment to the member School Districts. Each member district has an equal interest in the consortium (unaudited).

**NOTES TO FINANCIAL STATEMENTS - Page 21**  
**(See Independent Auditors' Report)**

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The members of the co-op are as follows:

Edmunds Central School District No. 22-5	14.3%
Eureka School District No. 44-1	14.3%
Groton School District No. 6-3	14.3%
Leola School District No. 44-2	14.3%
Warner School District No.6-5	14.3%
Selby Area School District No. 62-5	14.3%
Ipswich School District No. 22-3	14.3%

The Northern High Technology Module Consortium governing board is composed of the superintendents from each member School District. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

Angie Vetter performs the recordkeeping for this consortium.

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

Separate financial statements for this joint venture are available from Angie Vetter.

At June 30, 2021 this joint venture had total assets of \$7,488 and net position of \$6,488 and no reported long-term debt outstanding.

**NOTE 12 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the School District managed its risks as follows:

*Employee Health Insurance*

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

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**(See Independent Auditors' Report)**

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*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.

During the year ended June 30, 2021, no claims for these matters were paid. At June 30, 2021 no claims had been filed for these matters and none are anticipated.

*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 appropriates an amount each year in the General Fund to provide resources for potential claims for unemployment benefits.

During the fiscal year ended June 30, 2021, no unemployment claims were paid. At June 30, 2021, the School District does not anticipate that any substantive additional claims will be paid in the subsequent fiscal year.

*Workmen's Compensation*

The School District participates with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool, which provides workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident. The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

**NOTES TO FINANCIAL STATEMENTS - Page 23**  
**(See Independent Auditors' Report)**

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**NOTE 13 - LITIGATION**

At June 30, 2021, the School District was not involved in any litigation.

**NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

**NOTE 15 - IMPLEMENTATION OF NEW STANDARD AND RESTATE**

As of June 30, 2021, the School District implemented GASB Statement No. 84, *Fiduciary Activities*. Certain agency funds previously accounted for activities that are not considered fiduciary in nature and are now reported in the General Fund. The School District restated the net position of the Custodial Fund to appropriately reflect the July 1, 2020 balance as follows:

Net Position at June 30, 2020, as previously stated	\$ -
Restatement - Implementation of GASB 84	<u>23,118</u>
Net Position at July 1, 2020, as restated	<u><u>\$ 23,118</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 1,303,964	\$ 1,303,964	\$ 1,235,118	\$ (68,846)
1120	Prior Years' Ad Valorem Taxes	3,500	3,500	8,330	4,830
1140	Utility Taxes	113,000	113,000	71,345	(41,655)
1190	Penalties and Interest on Taxes	3,000	3,000	6,359	3,359
1300	Tuition and Fees				
1310	Regular Day School Tuition	8,000	8,000	8,054	54
1510	Interest	8,000	8,000	1,506	(6,494)
1700	Cocurricular Activities:				
1710	Admissions	8,000	8,000	8,065	65
1790	Other			3,029	3,029
1900	Other Revenue from Local Sources:				
1910	Rentals	1,000	1,000	3,306	2,306
1920	Contributions and Donations	-	-	11,925	11,925
1970	Charges for Services	2,000	2,000	2,641	641
1990	Other	3,500	3,500	17,478	13,978
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2110	County Apportionment	11,500	11,500	25,177	13,677
3000	Revenue from State Sources:				
3110	Unrestricted Grants-in-Aid	970,898	970,898	1,093,088	122,190
4000	Revenue from Federal Sources:				
4120	Unrestricted Grants-in-Aid Received Directly from Federal Government Through the State	-	-	97,650	97,650
4130	Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	3,000	3,000	3,125	125
4140	Restricted Grants-in-Aid Received Directly from Federal Government Through the State	7,489	7,489	8,598	1,109
4199	Restricted Grants-in-Aid Received Directly from Federal Government Through the State	97,307	97,307	189,215	91,908
Total Revenue		\$ 2,544,158	\$ 2,544,158	\$ 2,794,009	\$ 249,851

(Continued on next page)



**LEOLA SCHOOL DISTRICT NO. 44-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES:</b>				
1000	Instruction:			
1100	Regular Programs:			
1111	Elementary	\$ 783,016	\$ 783,016	\$ 778,223 \$ 4,793
1120	Middle/Junior High	230,089	230,089	242,839 (12,750)
1130	High School	354,239	354,239	360,377 (6,138)
1140	Preschool	39,626	39,626	35,072 4,554
1200	Special Programs:			
1270	Educationally Deprived	66,470	66,470	64,824 1,646
2000	Support Services:			
2100	Pupils:			
2120	Guidance	56,740	56,740	54,445 2,295
2130	Health Services	500	500	367 133
2200	Support Services-Instructional Staff:			
2210	Improvement of Instruction	6,000	6,000	27,223 (21,223)
2220	Educational Media	73,103	73,103	79,417 (6,314)
2300	Support Services-General Administration:			
2310	Board of Education	70,717	70,717	63,003 7,714
2321	Executive Administration	47,196	47,196	45,516 1,680
2400	Support Services - School Administration:			
2410	Office of the Principal	47,646	47,646	46,806 840
2490	Other	9,692	9,692	9,718 (26)
2500	Support Services-Business:			
2520	Fiscal Services	120,386	120,386	133,393 (13,007)
2540	Operation & Maintenance of Plant	341,585	341,585	248,925 92,660
2550	Pupil Transportation	71,857	71,857	59,647 12,210
2560	Food Service	6,312	6,312	6,892 (580)
2600	Support Services-Central:			
2640	Staff	500	500	778 (278)
6000	Cocurricular Activities			
6100	Male Activities	26,939	26,939	28,904 (1,965)
6200	Female Activities	23,246	23,246	19,763 3,483
6500	Transportation	17,047	17,047	15,576 1,471
6900	Combined Activities	31,905	31,905	31,693 212
7000	Contingencies	119,347	119,347	- 119,347
	Total Expenditures	\$ 2,544,158	\$ 2,544,158	\$ 2,353,401 \$ 190,757

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**LEOLA SCHOOL DISTRICT NO. 44-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Excess Revenue Over/Under Expenditures	\$ -	\$ -	\$ 440,608	\$ 440,608
Other Financing Sources				
5130 Sale of Surplus Property	-	-	1,390	1,390
5140 Compensation for Loss of General Capital Assets			380	380
Total Other Financing Sources	-	-	1,770	1,770
Net Change in Fund Balances	-	-	442,378	442,378
Fund Balance - Beginning	823,086	823,086	823,086	-
Fund Balance - Ending	\$ 823,086	\$ 823,086	\$ 1,265,464	\$ 442,378

**LEOLA SCHOOL DISTRICT NO. 44-2  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 CAPITAL OUTLAY FUND  
 FOR THE YEAR ENDED JUNE 30, 2021**

Data	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 674,414	\$ 674,414	\$ 689,964	\$ 15,550
1120	Prior Years' Ad Valorem Taxes	5,000	5,000	4,815	(185)
1190	Penalties and Interest on Taxes	5,000	5,000	3,835	(1,165)
1900	Other Revenue from Local Sources:				
1920	Contributions and Donations	-	12,000	10,000	(2,000)
1990	Other	-	-	13,218	13,218
4000	Revenue from Federal Sources:				
4120	Unrestricted Grants-in-Aid Received from Federal Government Through the State	-	-	8,350	8,350
4130	Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	-	-	2,224	2,224
4150	Restricted Grants-in-Aid Received from Federal Government Through the State	-	135,624	144,774	9,150
	Total Revenue	\$ 684,414	\$ 832,038	\$ 877,180	\$ 45,142

**LEOLA SCHOOL DISTRICT NO. 44-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

Data	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
1000	Instruction:			
1100	Regular Programs:			
1111	\$ 37,090	\$ 37,090	\$ 49,897	\$ (12,807)
1120	14,850	14,850	20,670	(5,820)
1130	26,200	26,200	15,252	10,948
1200	Special Programs:			
1270	1,350	1,350	1,763	(413)
2000	Support Services:			
2100	Pupils:			
2120	1,350	1,350	1,763	(413)
2200	Support Services-Instructional Staff:			
2220	18,000	18,000	17,042	958
2300	Support Services-General Administration:			
2321	250	250	-	250
2410	1,850	1,850	1,763	87
2500	Support Services-Business			
2520	20,000	20,000	6,670	13,330
2530	50,000	50,000	-	50,000
2540	252,661	340,011	352,420	(12,409)
2550	17,000	77,274	72,017	5,257
2560	-	-	9,150	(9,150)
5000	230,863	230,863	256,120	(25,257)
6000	Cocurricular Activities			
6100	5,550	5,550	5,837	(287)
6200	1,900	1,900	1,570	330
6900	5,500	5,500	16,461	(10,961)
	<u>684,414</u>	<u>832,038</u>	<u>828,395</u>	<u>3,643</u>
	Excess Revenue Over/Under Expenditures			
	<u>-</u>	<u>-</u>	<u>48,785</u>	<u>48,785</u>
	Other Financing Sources			
5130	Sale of Surplus Property		1	1
5140	Compensation for Loss of General Capital Assets		21,907	21,907
	<u>-</u>	<u>-</u>	<u>21,908</u>	<u>21,908</u>
	Net Change in Fund Balances			
	<u>-</u>	<u>-</u>	<u>70,693</u>	<u>70,693</u>
	Fund Balance - Beginning			
	<u>682,820</u>	<u>682,820</u>	<u>682,820</u>	<u>-</u>
	<u>\$ 682,820</u>	<u>\$ 682,820</u>	<u>\$ 753,513</u>	<u>\$ 70,693</u>

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 363,191	\$ 363,191	\$ 370,913	\$ 7,722
1120	Prior Years' Ad Valorem Taxes	5,000	5,000	2,245	(2,755)
1190	Penalties and Interest on Taxes	2,000	2,000	1,857	(143)
1900	Other Revenue from Local Sources:				
1920	Contributions and Donations	-	-	195	195
1970	Charges for Services	500	500	12,677	12,177
4000	Revenue from Federal Sources:				
4130	Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	-	-	1,301	1,301
	Total Revenue	\$ 370,691	\$ 370,691	\$ 389,188	\$ 18,497
EXPENDITURES:					
1200	Special Programs:				
1220	Programs for Special Education	\$ 350,722	\$ 350,722	\$ 335,362	\$ 15,360
2000	Support Services:				
2100	Pupils:				
2140	Psychological Services	5,000	5,000	5,237	(237)
2150	Speech	13,500	13,500	13,331	169
2170	Student Therapy Services	41,445	41,445	41,378	67
2700	Special Education:				
2710	Administrative Costs	-	-	5,999	(5,999)
2730	Transportation Costs	-	-	1,058	(1,058)
2750	Other Special Education Costs	25,024	25,024	22,247	2,777
	Total Expenditures	435,691	435,691	424,612	11,079
	Excess Revenue Over/Under Expenditures	(65,000)	(65,000)	(35,424)	29,576
	Net Change in Fund Balances	(65,000)	(65,000)	(35,424)	29,576
	Fund Balance - Beginning	390,819	390,819	390,819	-
	Fund Balance - Ending	\$ 325,819	\$ 325,819	\$ 355,395	\$ 29,576

**LEOLA SCHOOL DISTRICT NO. 44-2  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

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Schedules of Budgetary Comparisons for the General Fund and for each major Special Revenue Fund with a legally required budget.

**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

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

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

**LEOLA SCHOOL DISTRICT NO. 44-2**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**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/Pupils Transportation function of the government, along with all other current Pupil Transportation related expenditures.

**LEOLA SCHOOL DISTRICT NO. 44-2  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (ASSET)  
SOUTH DAKOTA RETIREMENT SYSTEM**

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0734779%	0.0678952%	0.0765042%	0.0726197%	0.0665721%	0.0644733%	0.0743679%
District's proportionate share of net pension liability (asset)	\$ (3,191)	\$ (7,195)	\$ (1,784)	\$ (6,590)	\$ 224,874	\$ (273,450)	\$ (535,790)
District's covered-employee payroll	\$ 1,607,257	\$ 1,443,857	\$ 1,590,457	\$ 1,447,824	\$ 1,253,353	\$ 1,152,405	\$ 1,300,490
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.20%	-0.50%	-0.11%	-0.46%	17.94%	-23.73%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.29%

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



**LEOLA SCHOOL DISTRICT NO. 44-2  
 SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS  
 SOUTH DAKOTA RETIREMENT SYSTEM**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 109,137	\$ 96,757	\$ 86,616	\$ 95,427	\$ 88,529	\$ 75,201	\$ 69,144
Contributions in relation to the contractually required contribution	\$ 109,137	\$ 96,757	\$ 86,616	\$ 95,427	\$ 88,529	\$ 75,201	\$ 69,144
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,818,945	\$ 1,612,617	\$ 1,443,857	\$ 1,590,457	\$ 1,475,483	\$ 1,253,353	\$ 1,152,405
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

**LEOLA SCHOOL DISTRICT NO. 44-2  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS**

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**Changes from prior valuation**

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

**Benefit Provision Changes**

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020 and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62 and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

**Actuarial Assumption Changes**

The SDRS COLA equals 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, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

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.

**Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation.