

BOWDLE SCHOOL DISTRICT NO. 22-1
BOWDLE, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2019

BOWDLE SCHOOL DISTRICT NO. 22-1
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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***

School Board
Bowdle School District No. 22-1
Bowdle, 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 Bowdle School District No. 22-1, South Dakota as of June 30, 2019 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 October 25, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings, items 2019-001, 2019-002, 2019-003, and 2019-004 to be material weaknesses.

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School Board
Bowdle School District No. 22-1
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Report on Internal Control and Compliance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bowdle School District No. 22-1'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 responses were 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
October 25, 2019

BOWDLE SCHOOL DISTRICT NO. 22-1
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2019

STATUS OF PRIOR AUDIT FINDINGS

Finding Number 2018-001:

Internal control over financial reporting and compliance is not adequate.

Current Status

Condition still exists, see current audit finding number 2019-001.

Finding Number 2018-002:

Internal control does not provide for preparation of the financial statements.

Current Status

Condition still exists, see current audit finding 2019-002.

Finding Number 2018-003:

Internal control does not provide for identifying material misstatements.

Current Status

Condition still exists, see current audit finding 2019-003.

Finding Number 2018-004:

The School District's internal control system allowed miscalculations in processing of paychecks to occur.

Current Status

Condition still exists, see current audit finding 2019-004.

BOWDLE SCHOOL DISTRICT NO. 22-1
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2019

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Finding Number 2019-001

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 accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties.

Identification of Repeat Finding:

This is the 11th consecutive audit report in which this finding has appeared.

Cause and Effect

A lack of segregation of duties over revenues and expenditures exists which could result in errors not being found in a timely manner.

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 and Planned Corrective Actions

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.

Finding Number 2019-002

Criteria

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

BOWDLE SCHOOL DISTRICT NO. 22-1
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2019

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 is the 11th consecutive audit report in which this finding has appeared.

Cause and Effect

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 and Planned Corrective Actions

The business manager, Carolynn Nelson, is the contact person responsible for the corrective action plan for this comment. The School is continuing its work on correcting this deficiency.

Finding Number 2019-003

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting record 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 is the 7th consecutive audit report in which this finding has appeared.

BOWDLE SCHOOL DISTRICT NO. 22-1
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2019

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 and Planned Corrective Actions

The business manager, Carolynn Nelson, is the contact person responsible for the corrective action plan for this comment. The School is continuing its work on correcting this deficiency.

Finding Number 2019-004

Criteria

A School District is required to properly calculate payroll deductions based on the appropriate compensation as defined by law.

Condition Found

The School District did not properly calculate payroll deductions correctly on an employee's check throughout the year.

Identification of Repeat Finding:

This is the 3rd consecutive audit report in which this finding has appeared.

Cause and Effect

The School District does not have an internal control system in place to identify deficiencies in its payroll process that could lead to errors and/or miscalculations.

Recommendation

The School District should implement a review process for payroll that can identify errors and/or miscalculations in payroll.

Views of Responsible Officials and Planned Corrective Actions

The business manager, Carolynn Nelson, is the contact person responsible for the corrective action plan for this comment. The School is continuing its work on correcting this deficiency.



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

School Board
Bowdle School District No. 22-1
Bowdle, 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 Bowdle School District No. 22-1, as of June 30, 2019 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.

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 Bowdle School District No. 22-1 as of June 30, 2019, 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 42 through 52 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 October 25, 2019 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.

Cathie Bauer

Mobridge, South Dakota
October 25, 2019

BOWDLE SCHOOL DISTRICT NO. 22-1
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,811,258	\$ 2,167	\$ 1,813,425
Taxes receivable	634,441	-	634,441
Inventories	-	2,637	2,637
Other assets	79,365	-	79,365
Net pension asset	987	28	1,015
Capital assets			
Land, improvements	14,500	-	14,500
Other capital assets, net depreciation	818,727	20,045	838,772
TOTAL ASSETS	3,359,278	24,877	3,384,155
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	341,973	10,394	352,367
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 341,973	\$ 10,394	\$ 352,367

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

	Governmental Activities	Primary Government Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 2,023	\$ 94	\$ 2,117
Other current liabilities	110,985	5,608	116,593
Noncurrent liabilities:			
Due in more than one year	6,696	-	6,696
TOTAL LIABILITIES	119,704	5,702	125,406
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	625,131	-	625,131
Pension related deferred inflows	83,565	2,142	85,707
TOTAL DEFERRED INFLOWS OF RESOURCES	708,696	2,142	710,838
Net Investment in			
Net investment in capital assets	833,227	20,045	853,272
Restricted for:			
Capital outlay	599,149	-	599,149
Special education	876,599	-	876,599
SDRS pension purposes	259,395	8,280	267,675
Unrestricted	304,481	(898)	303,583
TOTAL NET POSITION	\$ 2,872,851	\$ 27,427	\$ 2,900,278

**BOWDLE SCHOOL DISTRICT NO. 22-1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
Instruction	\$ 1,103,047	\$ -	\$ 105,178	\$ 10,332	\$ (987,537)	\$ -	\$ (987,537)
Support services	718,025	4,266	8,234	-	(705,525)	-	(705,525)
Cocurricular activities	114,811	4,838	-	-	(109,973)	-	(109,973)
Total governmental activities	1,935,883	9,104	113,412	10,332	(1,803,035)	-	(1,803,035)
Business-type activities							
Food services	78,780	31,464	20,019	-	-	(27,297)	(27,297)
Total business-type activities	78,780	31,464	20,019	-	-	(27,297)	(27,297)
Total primary government	\$ 2,014,663	\$ 40,568	\$ 133,431	\$ 10,332	\$ (1,803,035)	\$ (27,297)	\$ (1,830,332)
General Revenues							
Taxes							
Property taxes					1,540,855	-	1,540,855
Utility taxes					58,478	-	58,478
Revenue from state sources							
State aid					234,670	-	234,670
Unrestricted investments earnings					6,308	-	6,308
Other general revenues					39,150	-	39,150
Transfers					(17,700)	17,700	-
Total general revenues and transfers					1,861,761	17,700	1,879,461
Change in net position					58,726	(9,597)	49,129
Net position - beginning					2,814,125	37,024	2,851,149
Net position - ending					\$ 2,872,851	\$ 27,427	\$ 2,900,278

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

BOWDLE SCHOOL DISTRICT NO. 22-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund
ASSETS	
Cash and cash equivalents	\$ 340,389
Taxes-receivables	392,955
Taxes-delinquent	5,521
Due from state government	61,627
Deposits	15,506
TOTAL ASSETS	\$ 815,998
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 1,068
Contracts payable	97,873
Payroll deductions and withholdings payable and employer matching payable	13,112
Total Liabilities	112,053
Deferred Inflows of Resources:	
Unavailable revenue - property taxes	5,521
Taxes levied for future period	392,768
Total Deferred Inflows of Resources	398,289
Fund Balances:	
Nonspendable	15,506
Restricted	
Capital outlay	-
Special education	-
Assigned	
Unemployment	13,135
Unassigned	277,015
Total Fund Balance	305,656
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 815,998

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

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	596,149	\$	874,720	\$	1,811,258
	221,467		11,044		625,466
	1,688		1,766		8,975
	2,126		106		63,859
	-		-		15,506
\$	821,430	\$	887,636	\$	2,525,064
\$	955	\$	-	\$	2,023
	-		-		97,873
	-		-		13,112
	955		-		113,008
	1,688		1,766		8,975
	221,326		11,037		625,131
	223,014		12,803		634,106
	-		-		15,506
	597,461		-		597,461
	-		874,833		874,833
	-		-		13,135
	-		-		277,015
	597,461		874,833		1,777,950
\$	821,430	\$	887,636	\$	2,525,064

BOWDLE SCHOOL DISTRICT NO. 22-1
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds	\$	1,777,950
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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.	987
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The cost of the capital assets is \$1,886,257 and the accumulated depreciation is (\$1,053,030) for a net amount of \$833,227.	833,227
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Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	341,973
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Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.	8,975
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Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consists of compensated absences of \$6,696.	(6,696)
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(83,565)
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Total net position - governmental funds	\$	<u>2,872,851</u>
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BOWDLE SCHOOL DISTRICT NO. 22-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund
REVENUES:	
Revenue from local sources:	
Taxes:	
Ad valorem taxes	\$ 869,690
Prior years' ad valorem taxes	2,656
Utility taxes	58,478
Penalties and interest on taxes	1,400
Earnings on investments and deposits	883
Cocurricular activities:	
Admissions	4,838
Other revenue from local sources:	
Rentals	277
Contributions and donations	175
Charges for Services	2,099
Other	9,942
Total revenue from local sources	950,438
Revenue from intermediate sources	
County sources:	
County appointment	8,276
Revenue in lieu of taxes	3,150
Total revenue from intermediate sources	11,426
Revenue from state sources:	
Grants-in-aid:	
Unrestricted grants-in-aid	234,670
Restricted grants-in-aid	594
Total revenue from state sources	235,264
Revenue from federal sources:	
Grants-in-aid:	
Restricted grants-in-aid directly from federal govt	-
Restricted grants-in-aid thru state	60,046
Other federal revenue	1,603
Total revenue from federal sources	61,649
Total revenues	\$ 1,258,777

(Continued on next page)

Capital Outlay Fund	Special Education Fund	Total Governmental Funds
\$ 476,689	\$ 184,356	\$ 1,530,735
1,006	983	4,645
-	-	58,478
697	608	2,705
2,145	3,280	6,308
-	-	4,838
-	-	277
-	132	307
-	2,167	4,266
-	-	9,942
480,537	191,526	1,622,501
-	-	8,276
2,126	106	5,382
2,126	106	13,658
-	-	234,670
-	-	594
-	-	235,264
34,977	-	34,977
-	26,524	86,570
-	-	1,603
34,977	26,524	123,150
\$ 517,640	\$ 218,156	\$ 1,994,573

BOWDLE SCHOOL DISTRICT NO. 22-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund
Expenditures:	
Instruction:	
Regular programs:	
Elementary	\$ 409,983
Middle/junior high	78,747
High school	206,021
Preschool services	9,613
Other regular programs	104,402
Special programs:	
Programs for special education	-
Educationally deprived	57,663
Total instruction	866,429
Support services:	
Pupils:	
Guidance	55
Psychological	-
Speech pathology	-
Student therapy services	-
Instructional staff:	
Improvement of instruction	1,249
Educational media	3,807
General administration:	
Board of education	28,397
Executive administration	53,353
School administration:	
Office of the principal	46,233
Other support services	210
Business:	
Fiscal services	83,598
Operation and maintenance of plant	153,449
Pupil transportation	96,446
Food services	2,384
Special education:	
Administrative costs	-
Transportation costs	-
Total support services	\$ 469,181

(Continued on next page)

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	6,141	\$	-	\$	416,124
	-		-		78,747
	2,867		-		208,888
	-		-		9,613
	-		-		104,402
	-		162,138		162,138
	-		-		57,663
	9,008		162,138		1,037,575
	-		-		55
	-		13,832		13,832
	-		26,623		26,623
	-		8,118		8,118
	43,747		-		44,996
	-		-		3,807
	-		-		28,397
	-		-		53,353
	-		-		46,233
	-		-		210
	4,000		-		87,598
	65,897		-		219,346
	-		-		96,446
	-		-		2,384
	-		23,673		23,673
	-		330		330
\$	113,644	\$	72,576	\$	655,401

BOWDLE SCHOOL DISTRICT NO. 22-1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund
Cocurricular activities:	
Combined activities	\$ 107,681
Total cocurricular activities	107,681
Capital outlay	-
Total expenditures/expenses	1,443,291
Excess of revenue over (under) expenditures	(184,514)
Other financing sources (uses)	
Transfers in	218,557
Transfers out	(17,700)
Sale of surplus property	-
Compensation for loss of school property	10,152
Total other financing sources (uses)	246,409
Net change in fund balances	26,495
Fund balance - beginning	279,161
Fund balance - ending	\$ 305,656

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

Capital Outlay Fund	Special Education Fund	Total Governmental Funds
\$ 955	\$ -	\$ 108,636
955	-	108,636
128,367	-	128,367
251,974	234,714	1,929,979
265,666	(16,558)	64,594
-	-	218,557
(215,277)	(3,280)	(236,257)
1,500	-	1,500
3,314	-	13,466
220,091	3,280	(2,734)
55,203	(19,838)	61,860
542,258	894,671	1,716,090
\$ 597,461	\$ 874,833	\$ 1,777,950

BOWDLE SCHOOL DISTRICT NO. 22-1
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$	61,860
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(64,408)
This amount represents capital asset purchases which are expenditures on the fund financial statements but increase assets on the government wide statements.		128,367
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".		2,770
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.		(824)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This consists of pension expense in the amount of \$69,039.		(69,039)
Change in net position of governmental activities	\$	58,726

BOWDLE SCHOOL DISTRICT NO. 22-1
BALANCE SHEET
PROPRIETARY FUND
JUNE 30, 2019

	<u>Food Service Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 2,167
Inventory of Store Purchased for Resale	1,423
Inventory of Donated Foods	1,214
Total Current Assets	<u>4,804</u>
Noncurrent Assets	
Pension Asset	28
Capital Assets	
Machinery and Equipment	48,734
Accumulated Depreciation	<u>(28,689)</u>
Total Noncurrent Assets	<u>20,073</u>
TOTAL ASSETS	<u>24,877</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferred Outflows	<u>10,394</u>
Total Deferred Outflows of Resources	<u>10,394</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	94
Contracts Payable	3,117
Benefits Payable	419
Unearned Revenues	<u>2,072</u>
Total Current Liabilities	<u>5,702</u>
TOTAL LIABILITIES	<u>5,702</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferred Inflows	<u>2,142</u>
Total Deferred Inflows of Resources	<u>2,142</u>
NET POSITION	
Net Investment in Capital Assets	20,045
SDRS pension purposes	8,280
Unrestricted	<u>(898)</u>
TOTAL NET POSITION	<u>\$ 27,427</u>

BOWDLE SCHOOL DISTRICT NO. 22-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	<u>Food Service Fund</u>
OPERATING REVENUES	
Sales	
To Pupils	\$ 28,614
To Adults	2,850
Total Operating Revenues	<u>31,464</u>
OPERATING EXPENSES	
Food Service	
Salaries	28,631
Employee Benefits	20,843
Purchased Services	325
Supplies	2,076
Cost of Sales - Purchased Food	19,221
Cost of Sales - Donated Food	5,159
Depreciation - Local Funds	2,525
Total Operating Expenses	<u>78,780</u>
Operating Loss	<u>(47,316)</u>
NONOPERATING REVENUES	
State Sources	
State Grants	261
Federal Sources	
Cash Reimbursements	15,284
Donated Food	4,474
Total Nonoperating Revenues	<u>20,019</u>
Income before contributions, special items, extraordinary items and transfers	(27,297)
Transfers In	<u>17,700</u>
Change in Net Position	(9,597)
Total Net Position - July 1, 2018	<u>37,024</u>
Total Net Position - June 30, 2019	<u>\$ 27,427</u>

BOWDLE SCHOOL DISTRICT NO. 22-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Fund</u>	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	33,536
Payments to employees for services		(46,496)
Payments to suppliers of goods and services		(20,363)
Net cash used by operating activities		<u>(33,323)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from general fund		17,700
Operating grants		15,545
Net cash provided by noncapital financing activities		<u>33,245</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		(78)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,245</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>2,167</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss		(47,316)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation expense		2,525
Value of donated commodities used		5,159
Change in assets and liabilities		
Inventories		1,165
Accounts and other payables		950
Customer deposits		2,072
Change in pension asset		<u>2,122</u>
Net cash used by operating activities		<u>(33,323)</u>
Noncash investing, capital and financing activities:		
Value of commodities received		<u>4,474</u>
Total noncash investing, capital, and financial activities	\$	<u><u>4,474</u></u>

BOWDLE SCHOOL DISTRICT NO. 22-1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2019

	Agency Funds
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$ 53,700
	<hr/>
TOTAL ASSETS	53,700
	<hr/>
LIABILITIES	
Amount Held for Others	53,700
	<hr/>
TOTAL LIABILITIES	\$ 53,700
	<hr/>

**BOWDLE SCHOOL DISTRICT NO. 22-1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(See Independent Auditors' Report)**

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 Bowdle School District No. 22-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

Government-wide Financial Statements

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets 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)

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 Fund Types - 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)

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.

1. 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.)
2. 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.
3. 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.

Fiduciary Funds

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

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

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

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 Bowdle School District No. 22-1, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2019 are county taxes and utility taxes.

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

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, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund so that expenses are reported only in the function to which they relate.

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.

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

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, which 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, 2019 balance of capital assets for governmental activities includes approximately 20 percent for which the costs were determined by estimates of the original costs. The total June 30, 2019 balance of capital assets for business-type activities are all valued at original cost.

Depreciation of all exhaustible fixed 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	Any Amount	N/A	N/A
Improvements, other than buildings	\$ 10,000	Straight-line	20 years
Buildings	25,000	Straight-line	60 years
Machinery and equipment	5,000	Straight-line	Various
Food service equipment	500	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

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

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 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)

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 fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications

Government-wide Statements

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

1. Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (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 may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

l. Application of Net Position

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

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

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

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

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

The 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 - 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.

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

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

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 fund making the investment.

NOTE 3 - RECEIVABLES AND PAYABLES

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

NOTES TO FINANCIAL STATEMENTS - Page 11
(See Independent Auditors' Report)

NOTE 4 - 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 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 asset at the time individual inventory items are purchased. They are expensed when consumed. Reported inventories are equally offset by a Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 5 - PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, 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 both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	Balance 07/01/2018	Increases	Decreases	Balance 06/30/2019
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 14,500	\$ -	\$ -	\$ 14,500
Total capital assets, not being depreciated	14,500	-	-	14,500

NOTES TO FINANCIAL STATEMENTS - Page 12
(See Independent Auditors' Report)

	Balance 07/01/2018	Increases	Decreases	Balance 06/30/2019
Capital assets, being depreciated				
Buildings	\$ 1,170,615	\$ 37,442	\$ -	\$ 1,208,057
Improvements other than buildings	258,866	-	-	258,866
Machinery and equipment	313,909	90,925	-	404,834
Total capital assets, being depreciated	1,743,390	128,367	-	1,871,757
Less accumulated depreciation for				
Buildings	787,906	21,200	-	809,106
Improvements other than buildings	91,573	9,982	-	101,555
Machinery and equipment	109,143	33,226	-	142,369
Total accumulated depreciation	988,622	64,408	-	1,053,030
 Total capital assets, being depreciated, net	 754,768	 63,959	 -	 818,727
 Governmental activity capital assets, net	 \$ 769,268	 \$ 63,959	 \$ -	 \$ 833,227

Depreciation expense was charged to functions as follows:

	6/30/2019
Governmental activities	
Instructional	\$ 16,618
Support Services	46,909
Cocurricular	881
 Total depreciation expense - governmental activities	 \$ 64,408

	Balance 07/01/2018	Increases	Decreases	Balance 06/30/2019
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	\$ 48,734	\$ -	\$ -	\$ 48,734
Total capital assets, being depreciated	48,734	-	-	48,734
Less accumulated depreciation for				
Machinery and equipment	26,164	2,525	-	28,689
Total business-type activities, capital assets, being depreciated, net	22,570	(2,525)	-	20,045
 Business-type activities capital assets, net	 \$ 22,570	 \$ (2,525)	 \$ -	 \$ 20,045

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

Depreciation expense was charged to functions as follows:

	6/30/2019
Business-type activities	
Food Service	\$ 2,525

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Beginning Balance 07/01/2018	Additions	Deletions	Ending Balance 06/30/2019
Primary government Governmental activities				
Compensated absences	\$ 5,872	\$ 2,691	\$ (1,867)	\$ 6,696
Total governmental activities	\$ 5,872	\$ 2,691	\$ (1,867)	\$ 6,696
Compensated Absences: Sick pay, payment to be made by the fund that the payroll expenditures are charged within.				6,696
Total long term-liabilities				\$ 6,696

NOTE 8 - INTERFUND TRANSFERS

2019	In	Transfers Out	Total
General Fund	\$ 218,557	\$ (17,700)	\$ 200,857
Capital Outlay Fund	-	(215,277)	(215,277)
Special Education Fund	-	(3,280)	(3,280)
Food Service Fund	17,700	-	17,700
Total	\$ 236,257	\$ (236,257)	\$ -

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

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. Transfers from Capital Outlay to the General Fund are allowed up to 45% of tax revenue of the fund. Transfers to the Food Service Fund are due to service revenue being insufficient to satisfy the expenditures of the fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 9 - RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2019 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>6/30/2019</u>
Special Education	Law	876,599
Capital Outlay	Law	599,149
SDRS Pension Purposes	Law	259,395
Total Restricted Net Position		<u>\$ 1,735,143</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.

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Benefits Provided:

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

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

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

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

Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.

If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%

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

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

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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, 2019, 2018, and 2017 were \$56,160, \$54,313, and \$51,418, 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, 2018, SDRS is 100.02% 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, 2018 and reported by the School District as of June 30, 2019 are as follows:

Proportionate share of pension liability	\$ 5,326,784
Less proportionate share of net position restricted for pension benefits	<u>5,327,799</u>
Proportionate share of net pension liability	<u>\$ (1,015)</u>

At June 30 2019, the School District reported an asset of \$1,015 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018 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, 2018, the School District's proportion was .0435430%, which is an increase of .0013652% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized a pension expense of \$71,160. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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(See Independent Auditors' Report)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 38,383	\$ -
Changes in assumption	257,824	-
Net difference between projected and actual earnings on pension plan investments	-	76,750
Changes in proportion and difference between District contributions and proportionate share of contributions	-	8,957
District contributions subsequent to the measurement date	56,160	-
Total	<u>\$ 352,367</u>	<u>\$ 85,707</u>

\$56,160 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2020	134,866
2021	100,543
2022	(15,723)
2023	(9,186)
TOTAL	<u>\$ 210,500</u>

Actuarial Assumptions:

The total pension asset in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

A detailed experience analysis covering the period from June 30, 2011 to June 30, 2016, was conducted and appropriate modifications in the economic and demographic assumptions were made effective with the June 30, 2017 actuarial valuation.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	100.0%	

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).

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Sensitivity of 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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
School District's Proportionate share of the net pension liability	\$ 767,005	\$ (1,015)	\$ (625,759)

Pension Plan Fiduciary Net Position:

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

NOTE 11 - JOINT VENTURES

The School District participates in the Oahe Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing Special Education Services to the member School Districts.

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

Bowdle School District No. 22-1	14.3%
Edmunds Central School District No. 22-5	14.3%
Eureka School District No. 44-1	14.3%
Herreid School District No. 10-1	14.3%
Hoven School District No. 53-2	14.3%
Selby Area School District No. 62-5	14.3%
Smee School District No. 15-3	14.2%

The Oahe Special Education Cooperatives 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 Oahe Special Education Cooperative, 4501 5th Ave, Java, SD 57452, 605-649-6296.

At June 30, 2019, this joint venture had total fund equity of \$402,808 (unaudited), and no 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, 2019, the School District managed its risks as follows:

Employee Health Insurance

The School District purchases health insurance for employees only from Sanford or Dakotacare. The plan is a PPO with \$2,500 deductible, 80% coinsurance and a \$25 co-pay per office visit. The School District is responsible for paying the monthly premiums for employees. Rate changes are based on claims of the group and the overall claims of the company. The Board of Education has eliminated the self insurance portion of the health insurance plan, due to cost cutting measures.

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.

The School District does not carry any additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Workmen's Compensation

The School District purchases workers compensation coverage from Continental Western Group. The School District is responsible for payment of a premium to the insurance company. Rates are determined by the company based on claims and experience factors. Policies are on file in the business office.

Unemployment Benefits

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

The School District has equity in the general fund of \$13,135 for the payment of future unemployment benefits.

During the fiscal year ended June 30, 2019, no claims for unemployment benefits were paid. At June 30, 2019 no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 13 - LITIGATION

At June 30, 2019, 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.

REQUIRED SUPPLEMENTARY INFORMATION

BOWDLE SCHOOL DISTRICT NO. 22-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 800,000	\$ 800,000	\$ 869,690	\$ 69,690
1120	Prior Years' Ad Valorem Taxes	4,500	4,500	2,656	(1,844)
1140	Utility Taxes	45,000	45,000	58,478	13,478
1190	Penalties and Interest on Taxes	7,500	7,500	1,400	(6,100)
1510	Interest	1,600	1,600	883	(717)
1700	Cocurricular Activities:				
1710	Admissions	6,000	6,000	4,838	(1,162)
1900	Other Revenue from Local Sources:				
1910	Rentals	500	500	277	(223)
1920	Contributions and Donations	-	-	175	175
1970	Charges for Services	1,500	1,500	2,099	599
1990	Other	8,500	8,500	9,942	1,442
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2110	County Apportionment	12,500	12,500	8,276	(4,224)
2111	Revenue in Lieu of taxes	3,000	3,000	3,150	150
3000	Revenue from State Sources:				
3110	Unrestricted Grants-in-Aid	345,000	345,000	234,670	(110,330)
3120	Restricted Grants-in-Aid	-	-	594	594
4000	Revenue from Federal Sources:				
4199	Received Directly from Federal Government				
	Through the State	72,225	72,225	60,046	(12,179)
4900	Other Federal Revenue	-	-	1,603	1,603
Total Revenue		\$ 1,307,825	\$ 1,307,825	\$ 1,258,777	\$ (49,048)

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BOWDLE SCHOOL DISTRICT NO. 22-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 458,961	\$ 458,961	\$ 409,983	\$ 48,978
1120	Middle/Junior High	61,075	82,075	78,747	3,328
1130	High School	242,975	253,075	206,021	47,054
1140	Preschool Services	36,950	36,950	9,613	27,337
1190	Other Regular Programs	110,667	110,667	104,402	6,265
1200	Special Programs:				
1270	Educationally Deprived	66,005	78,985	57,663	21,322
2000	Support Services:				
2100	Pupils:				
2120	Guidance	6,290	6,290	55	6,235
2200	Support Services-Instructional Staff:				
2210	Improvement of Instruction	-	1,750	1,249	501
2220	Educational Media	6,110	6,110	3,807	2,303
2300	Support Services-General Administration:				
2310	Board of Education	25,850	28,350	28,397	(47)
2321	Executive Administration	52,870	53,820	53,353	467
2410	Office of the Principal	46,370	46,370	46,233	137
2490	Other	500	500	210	290
2500	Support Services-Business				
2529	Fiscal Services	86,015	86,015	83,598	2,417
2540	Operation & Maintenance of Plant	164,670	165,870	153,449	12,421
2550	Pupil Transportation	108,450	115,450	96,446	19,004
2560	Food Service	4,025	4,025	2,384	1,641
6000	Cocurricular Activities				
6900	Combined Activities	117,850	117,900	107,681	10,219
7000	Contingencies	40,000	40,000	-	40,000
Total Expenditures		1,635,633	1,693,163	1,443,291	249,872
Excess Revenue Over/Under Expenditures		\$ (327,808)	\$ (385,338)	\$ (184,514)	\$ 200,824

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BOWDLE SCHOOL DISTRICT NO. 22-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Other Financing Sources (Uses)				
5110 Transfer In	\$ -	\$ 225,000	\$ 218,557	\$ (6,443)
8110 Transfer Out	-	-	(17,700)	(17,700)
5140 Compensation for loss of school property	-	-	10,152	10,152
Total Other Financing Sources (Uses)	-	225,000	211,009	(13,991)
Net Change in Fund Balances	(327,808)	(160,338)	26,495	186,833
Fund Balance - Beginning	279,161	279,161	279,161	-
Fund Balance - Ending	\$ (48,647)	\$ 118,823	\$ 305,656	\$ 186,833

BOWDLE SCHOOL DISTRICT NO. 22-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data	Budgeted Amounts		Actual Amounts (Budgetary	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 630,000	\$ 630,000	\$ 476,689	\$ (153,311)
1120	Prior Years' Ad Valorem Taxes	500	500	1,006	506
1190	Penalties and Interest on Taxes	500	500	697	197
1510	Interest	-	-	2,145	2,145
2000	Revenue from Intermediate Sources:				
2111	Revenue in Lieu of taxes	1,500	1,500	2,126	626
4000	Revenue from Federal Sources:				
4140	Restricted Grants in Aid Received Directly from Federal Government	15,000	52,000	34,977	(17,023)
Total Revenue		647,500	684,500	517,640	(166,860)
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	33,000	33,000	6,141	26,859
1130	High School	26,000	26,000	2,867	23,133
1200	Special Programs:				
1270	Educationally Deprived	8,800	8,800	-	8,800
2200	Support Services-Instructional Staff:				
2210	Improvement of Instruction	15,000	45,000	43,747	1,253
2500	Support Services-Business				
2529	Fiscal Services	4,000	4,000	4,000	-
2540	Operation & Maintenance of Plant	440,700	440,700	103,339	337,361
2550	Pupil Transportation	120,000	120,000	90,925	29,075
6000	Cocurricular Activities				
6900	Combined Activities	-	-	955	(955)
10	Total Expenditures	647,500	677,500	251,974	425,526
Excess Revenue Over/Under Expenditures		\$ -	\$ 7,000	\$ 265,666	\$ 258,666

BOWDLE SCHOOL DISTRICT NO. 22-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2019

Data	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget
	Original	Final		
Other Financing Sources (Uses)				
8110 Transfer Out	\$ -	\$ -	\$ (215,277)	\$ (215,277)
5130 Sale of Surplus Property	-	-	1,500	1,500
5140 Compensation for loss of school property	-	-	3,314	3,314
Total Other Financing Sources (Uses)	-	-	(210,463)	(210,463)
Net Change in Fund Balances	-	7,000	55,203	48,203
Fund Balance - Beginning	542,258	542,258	542,258	-
Fund Balance - Ending	\$ 542,258	\$ 549,258	\$ 597,461	\$ 48,203

BOWDLE SCHOOL DISTRICT NO. 22-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 25,000	\$ 25,000	\$ 184,356	\$ 159,356
1120	Prior Years' Ad Valorem Taxes	875	875	983	108
1190	Penalties and Interest on Taxes	635	635	608	(27)
1510	Interest	-	-	3,280	3,280
1900	Other Revenue from Local Sources:				
1920	Contributions and Donations	-	-	132	132
1970	Charges for Services	4,145	4,145	2,167	(1,978)
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2111	Revenue in Lieu of taxes	1,600	1,600	106	(1,494)
4000	Revenue from Federal Sources:				
4199	Received Directly from Federal Government Through the State	28,000	28,000	26,524	(1,476)
	Total Revenue	60,255	60,255	218,156	157,901
EXPENDITURES:					
1200	Special Programs:				
1220	Programs for Special Education	151,970	187,620	162,138	25,482
2000	Support Services:				
2100	Pupils:				
2140	Psychological Services	12,000	14,000	13,832	168
2150	Speech	30,000	30,000	26,623	3,377
2170	Student Therapy Services	13,500	13,500	8,118	5,382
2700	Special Education:				
2710	Administrative Costs	31,500	31,500	23,673	7,827
2730	Transportation Costs	1,500	1,500	330	1,170
10	Total Expenditures	240,470	278,120	234,714	43,406
	Excess Revenue Over/Under Expenditures	(180,215)	(217,865)	(16,558)	201,307
	Other Financing Sources (Uses)				
8110	Transfer Out	-	-	(3,280)	(3,280)
	Total Other Financing Sources (Uses)	-	-	(3,280)	(3,280)
	Net Change in Fund Balances	(180,215)	(217,865)	(19,838)	198,027
	Fund Balance - Beginning	894,671	894,671	894,671	-
	Fund Balance - Ending	\$ 714,456	\$ 676,806	\$ 874,833	\$ 198,027

BOWDLE SCHOOL DISTRICT NO. 22-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

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).

BOWDLE SCHOOL DISTRICT NO. 22-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2
FOR THE YEAR ENDED JUNE 30, 2019

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.

**BOWDLE SCHOOL DISTRICT NO. 22-1
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0435430%	0.0421778%	0.0420592%	0.0415709%	0.0750150%
District's proportionate share of net pension liability (asset)	\$ (1,015)	\$ (3,828)	\$ 142,072	\$ (176,314)	\$ (540,452)
District's covered-employee payroll	\$ 905,218	\$ 856,965	\$ 799,755	\$ 758,974	\$ 692,919
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.110000%	-0.446693%	17.764440%	-23.230572%	-77.996418%
Plan fiduciary net position as a percentage of the total pension liability	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.

**BOWDLE SCHOOL DISTRICT NO. 22-1
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 56,160	\$ 54,313	\$ 51,418	\$ 47,985	\$ 45,538
Contributions in relation to the contractually required contribution	\$ 56,160	\$ 54,313	\$ 51,418	\$ 47,985	\$ 45,538
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 936,006	\$ 905,218	\$ 856,965	\$ 799,755	\$ 758,974
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

BOWDLE SCHOOL DISTRICT NO. 22-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS

Changes of benefit terms:

No changes were made.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2017 and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017 and is 2.03% as of June 30, 2018.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 1.89% COLA, reflecting the current and assumed future restricted maximum COLA of 2.03%.