



Financial Statements  
June 30, 2019

# Aberdeen School District 6-1

**Board Members**

**Term Expiration**

Aaron Schultz .....	June 30, 2020
Brian Sharp.....	June 30, 2020
Kevin Burckhard .....	June 30, 2020
Mark Murphy .....	June 30, 2021
Brad Olson.....	June 30, 2021
Duane Alm.....	June 30, 2022
Andrew Miller .....	June 30, 2022

**Superintendent**

Dr. Becky Guffin ..... N/A

**Director of Finance**

Mr. Tom Janish..... N/A

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## Independent Auditor's Report

The School Board  
Aberdeen School District 6-1  
Aberdeen, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Aberdeen School District 6-1 (the School District), as of and for the year ended June 30, 2019, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the School District, 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 management's discussion and analysis on pages 4 through 16, and budgetary comparison information, schedule employer's share of net pension liability (asset), schedule of employer's contributions, and schedule of changes in the School District's total OPEB liability and related ratios on pages 59 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

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

The School District Officials section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Aberdeen, South Dakota  
February 7, 2020

This section of Aberdeen School District 6-1's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2019. Please read it in conjunction with the School District's financial statements, which follow this section.

### **Financial Highlights**

- The School District's net position from government and business-type activities decreased \$495,483. This decrease was caused, primarily, by deficit spending in the general fund.
- During the year, the School District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$48,725,130. Governmental and business-type program expenditures were \$49,220,613.
- As of June 30, 2019, the School District's governmental funds reported combined ending fund balances of \$10,946,916, a decrease of \$248,060.
- The General Fund reported a \$535,634 current year deficit.

### **Overview of the Financial Statements**

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

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

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

**Figure A-1  
 Required Components of Aberdeen School District’s Annual Financial Report**

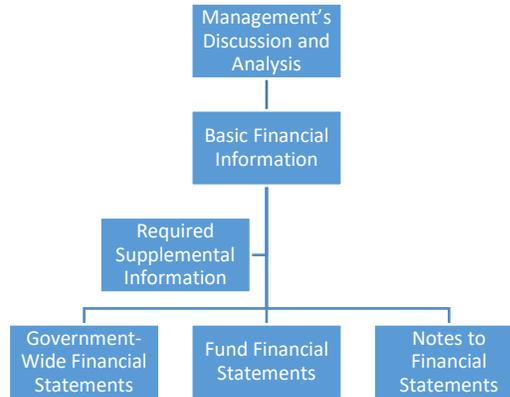


Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure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

**Figure A-2  
 Major Features of Aberdeen School District’s Government-Wide and Fund Financial Statements**

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

## Government-Wide Statements

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

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

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

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

- **Governmental Activities** – This category includes the School District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, Board of Education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-Type Activities** – The School District charges a fee to students to help cover the costs of providing hot lunch services to all students. The food service fund and other enterprise fund are the business-type activities of the School District.
- **Discretely Presented Component Unit** – Component units are legally separated organizations for which the School District is financially accountable, or the nature and significance of the unit's relationship with the School District is such that exclusion of the unit would cause the School District's financial statements to be misleading, or incomplete. The following entity is included in the component unit column of the School District's government-wide financial statements:

- ✓ Aberdeen Public Schools Foundation, Inc.

## Fund Financial Statements

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

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

The School District has four kinds of funds:

- **Governmental Funds** – Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The food service enterprise fund and other enterprise fund (one type of proprietary fund) are the same funds as the business-type activities reported in the government-wide statement but provide more detail and additional information, such as a statement of cash flows. The self-insurance internal service fund and the unemployment internal service fund (the other type of proprietary fund) are used to report activities that provide services to the School District's other programs and activities.
- **Fiduciary Funds** – The School District is the trustee, or fiduciary, for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School District's government-wide financial statements because the School District cannot use these assets to finance its operations.

**Component Unit** – As mentioned above, component units are legally separate organizations for which the School District is financially accountable. Since there is only one component unit, the government-wide financial statements present information for the component unit (a) in a single column on the statement of net position, and (b) in a single column on the statement of activities.

## Financial Analysis of the School District as a Whole

### Net Position

The School District's combined net position increased as follows:

**Table A-1**  
**Aberdeen School District**  
**Statement of Net Position**

	Governmental Activities 6/30/19	Business-Type Activities 6/30/19	Total 6/30/19
Current and Other Assets	\$ 29,643,370	\$ 629,866	\$ 30,273,236
Capital Assets	60,867,421	165,281	61,032,702
Total Assets	<u>90,510,791</u>	<u>795,147</u>	<u>91,305,938</u>
Deferred Outflows of Resources	<u>9,672,258</u>	<u>296,843</u>	<u>9,969,101</u>
Total Assets and Deferred Outflows	<u>\$ 100,183,049</u>	<u>\$ 1,091,990</u>	<u>\$ 101,275,039</u>
Long-Term Debt Outstanding	\$ 23,640,526	\$ -	\$ 23,640,526
Total OPEB Liability	1,665,265	-	1,665,265
Other Liabilities	4,974,639	16,104	4,990,743
Total Liabilities	<u>30,280,430</u>	<u>16,104</u>	<u>30,296,534</u>
Deferred Inflows of Resources	<u>13,414,315</u>	<u>73,202</u>	<u>13,487,517</u>
Net Position			
Net investment in capital assets	38,607,421	165,281	38,772,702
Restricted	11,843,966	224,736	12,068,702
Unrestricted	6,036,917	612,667	6,649,584
Total Net Position	<u>56,488,304</u>	<u>1,002,684</u>	<u>57,490,988</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 100,183,049</u>	<u>\$ 1,091,990</u>	<u>\$ 101,275,039</u>
Beginning Net Position	\$ 56,986,306	\$ 1,000,165	\$ 57,986,471
Increase (Decrease) in Net Position	(498,002)	2,519	(495,483)
Ending Net Position	<u>\$ 56,488,304</u>	<u>\$ 1,002,684</u>	<u>\$ 57,490,988</u>
Percentage of Increase (Decrease) in Net Position for 2018	<u>-0.9%</u>	<u>0.3%</u>	<u>-0.9%</u>

Aberdeen School District 6-1  
Management's Discussion and Analysis  
June 30, 2019

	Governmental Activities 6/30/18	Business-Type Activities 6/30/18	Total 6/30/18
Current and Other Assets	\$ 29,860,444	\$ 561,978	\$ 30,422,422
Capital Assets	62,049,992	181,920	62,231,912
Total Assets	<u>\$ 91,910,436</u>	<u>\$ 743,898</u>	<u>\$ 92,654,334</u>
Deferred outflows of Resources	<u>11,504,846</u>	<u>347,940</u>	<u>11,852,786</u>
Total Assets and Deferred Outflows	<u>\$ 103,415,282</u>	<u>\$ 1,091,838</u>	<u>\$ 104,507,120</u>
Long-Term Debt Outstanding	\$ 26,807,225	\$ -	\$ 26,807,225
Net Pension Liability	1,667,478	-	1,667,478
Other Liabilities	5,254,669	22,950	5,277,619
Total Liabilities	<u>33,729,372</u>	<u>22,950</u>	<u>33,752,322</u>
Deferred Inflows of Resources	<u>12,699,604</u>	<u>68,723</u>	<u>12,768,327</u>
Net Position			
Net investment in capital assets	36,799,992	181,920	36,981,912
Restricted	13,477,566	282,570	13,760,136
Unrestricted	6,708,748	535,675	7,244,423
Total Net Position	<u>56,986,306</u>	<u>1,000,165</u>	<u>57,986,471</u>
Total Liabilities and Net Position	<u>\$ 103,415,282</u>	<u>\$ 1,091,838</u>	<u>\$ 104,507,120</u>
Beginning Net Position	\$ 51,738,782	\$ 748,417	\$ 52,487,199
Increase (Decrease) in Net Position	5,247,524	251,748	5,499,272
Ending Net Position	<u>\$ 56,986,306</u>	<u>\$ 1,000,165</u>	<u>\$ 57,986,471</u>
Percentage of Increase (Decrease) in Net Position for 2017	<u>10.1%</u>	<u>33.6%</u>	<u>10.5%</u>

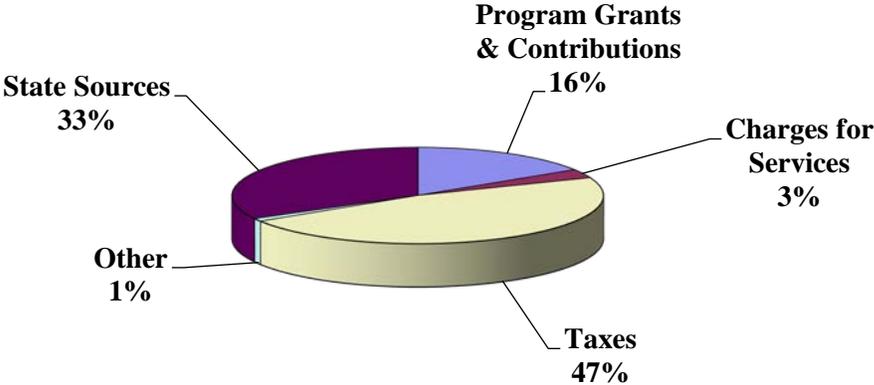
The statement of net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School District, consisting of compensated absences payable, early retirement benefits payable, capital outlay certificates payable, general obligation bonds payable, direct financing leases payable, unamortized premium payable, and OPEB obligations payable have been reported in this manner on the statement of net position. The difference between the School District's assets and liabilities is its net position.

**Changes in Net Position**

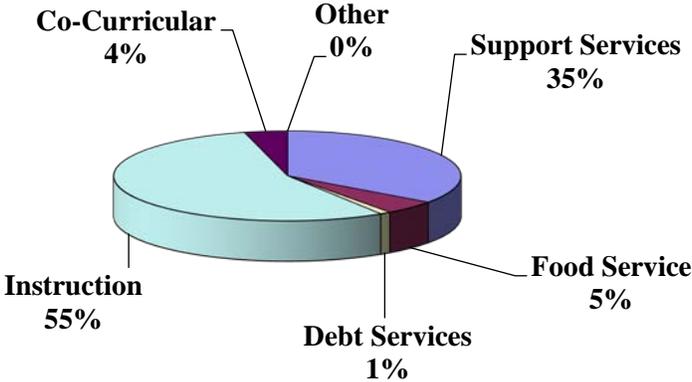
The School District's total revenues totaled \$48,725,130 (see Table A-2). Approximately 47% of the School District's revenue comes from property and other taxes, with 33% coming from state aid (see Figure A-3).

The School District's total expenses totaled \$49,220,613. The School District's expenses cover a range of services, encompassing instruction, support services and food services. 55% of expenses were spent on instruction and 35% on support services (see Figure A-4).

**Figure A-3, Aberdeen School District, Sources of Revenue for Fiscal Year 2018-19**



**Figure A-4, Aberdeen School District, Functional Expenses for Fiscal Year 2018-19**



**Governmental Activities**

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

	Total Governmental Activities 2018-19	Changes in Net Position Total Business-Type Activities 2018-19	Total 2018-19
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 219,654	\$ 1,342,968	\$ 1,562,622
Operating Grants and Contributions	6,536,888	1,226,279	7,763,167
Capital Grants and Contributions	-	-	-
General Revenues:			
Taxes	22,732,961	-	22,732,961
Revenue State Sources	16,213,813	-	16,213,813
Revenue Federal Sources	17,960	-	17,960
Revenue Intermediate Sources	412,299	-	412,299
Unrestricted Investment Earnings	22,308	-	22,308
Total Revenues	<u>46,155,883</u>	<u>2,569,247</u>	<u>48,725,130</u>
<b>Expenses</b>			
Instruction	27,141,358	-	27,141,358
Support Services	16,851,227	-	16,851,227
Community Services	29,775	-	29,775
Debt Service	461,233	-	461,233
Co-curricular Activities	2,162,447	-	2,162,447
Other enterprise fund	-	57,087	57,087
Food Service	-	2,517,486	2,517,486
Total Expenses	<u>46,646,040</u>	<u>2,574,573</u>	<u>49,220,613</u>
Increase Before Contributions	(490,157)	(5,326)	(495,483)
Transfers	(7,845)	7,845	-
Changes in Net Position	<u>(498,002)</u>	<u>2,519</u>	<u>(495,483)</u>
Net Position - Beginning	<u>56,986,306</u>	<u>1,000,165</u>	<u>57,986,471</u>
Net Position, End of Period	<u>\$ 56,488,304</u>	<u>\$ 1,002,684</u>	<u>\$ 57,490,988</u>

	Total Governmental Activities 2017-18	Changes in Net Position Total Business-Type Activities 2017-18	Total 2017-18
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 252,891	\$ 1,281,248	\$ 1,534,139
Operating Grants and Contributions	5,737,792	1,288,234	7,026,026
Capital Grants and Contributions	-	47,334	47,334
General Revenues:			
Taxes	22,304,366	-	22,304,366
Revenue State Sources	15,958,941	-	15,958,941
Revenue Federal Sources	19,255	-	19,255
Revenue Intermediate Sources	516,996	-	516,996
Unrestricted Investment Earnings	12,087	-	12,087
<b>Total Revenues</b>	<b>44,802,328</b>	<b>2,616,816</b>	<b>47,419,144</b>
<b>Expenses</b>			
Instruction	22,067,834	-	22,067,834
Support Services	14,784,469	-	14,784,469
Community Services	27,916	-	27,916
Debt Service	623,283	-	623,283
Co-curricular Activities	2,051,302	-	2,051,302
Other enterprise	-	51,435	51,435
Food Service	-	2,313,633	2,313,633
<b>Total Expenses</b>	<b>39,554,804</b>	<b>2,365,068</b>	<b>41,919,872</b>
Changes in Net Position	5,247,524	251,748	5,499,272
Net Position, Beginning	51,861,863	748,417	52,610,280
Restatement - GASB 75	(123,081)	-	(123,081)
<b>Net Position, End of Period</b>	<b>\$ 56,986,306</b>	<b>\$ 1,000,165</b>	<b>\$ 57,986,471</b>

Revenues of the School District's governmental activities increased by approximately 3.0% to \$46,148,038 and expenses increased by 17.9% to \$46,646,040. Factors contributing to these results included:

- The increase in revenue was due primarily to increases in taxes and state revenue.
- The increase in expenditures was due to a significant increase in the pension benefit net position in 2017-2018 and a significant decrease in the pension benefit net position in 2018-19. A decrease in the pension benefits requires an increase in the corresponding pension expenditures.

### **Business-Type Activities**

Revenues of the School District's business-type activities decreased by approximately 1.5% to \$2,577,092 and expenses increased by 8.9% to \$2,574,573. Factors contributing to these results included:

- The decrease in revenue was due to a decrease in operating and capital grants and contributions.
- The increase in expenses was due to a significant decrease in the pension benefit net position.

### **Financial Analysis of the School District's Funds**

#### **Governmental Funds**

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$10,946,916, a decrease of \$248,060, compared to the prior year. Approximately 99.8% of this total amount (\$10,920,733) constitutes spendable fund balances, which are available for spending at the School District's discretion. The remainder of the fund balances is nonspendable to indicate that the amounts are not available for new spending because they have already been committed for inventory of \$26,163.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned and assigned fund balances of the General Fund was \$6,189,267, while total fund balance was \$6,215,430. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.7% of total General Fund expenditures, while total fund balance represents 20.7% of that same amount.

The fund balance of the School District's General Fund decreased by \$535,654 during the current fiscal year. The School District had budgeted for a decrease in the General Fund balance of \$920,541. Key factors in this decrease are as follows:

- The budgeted revenues exceeded actual revenues and other financing sources by \$65,197. Budgeted revenues and other financing sources were \$29,100,900 and actual revenues and other financing sources were \$29,035,703.
- The School District expended 98.5% of the 2018-19 General Fund budget providing an unexpended budget of \$450,084.

The Capital Outlay Fund had a decrease in fund balance of \$226,261. The School District had budgeted for a decrease in the Capital Outlay Fund balance of \$276,814. Budgeted revenues and other financing sources exceeded actual revenues and other financing sources by \$31,891 and the School District had an unexpended capital outlay budget of \$18,662.

The Special Education Fund had an increase in fund balance of \$473,546. The School District had budgeted for an increase in the Special Education Fund balance of \$271,986. This is due to budgeted revenues and other financing sources exceeding actual revenue and other financing sources by \$172,073 and the School District expending 95.6% of the special education budget providing an unexpended budget of \$373,633.

The arena fund had an increase in fund balance of \$6,244. The bond redemption fund had an increase in fund balance of \$34,065.

### Proprietary Funds

The School District's enterprise fund includes the food service fund and the other enterprise fund. The food service fund showed an increase in net position of \$1,261. The other enterprise fund showed a decrease in net position of \$1,258. The School District's internal service funds saw a decrease in net position of \$150,626.

### Budgetary Highlights

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

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

### Capital Asset Administration

By the end of 2018-19, the School District had invested \$61,032,702 in a broad range of capital assets, including land, buildings, construction in progress and various machinery and equipment (see Table A-3). This amount represents a net decrease (including additions and deductions) of \$1,199,210 or 1.9%.

**Table A-3  
Aberdeen School District 6-1 Capital Assets**

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
	2019	2018	2019	2018	Change	Change
					2018-19	2018-19
Land	\$ 879,982	\$ 879,982	\$ -	\$ -	\$ -	0.0%
Construction Work in Progress	-	456,636	-	-	(456,636)	100.0%
Buildings	59,044,041	59,719,151	-	-	(675,110)	-1.1%
Machinery and Equipment	943,398	994,223	165,281	181,920	(67,464)	-5.7%
<b>Total Capital Assets</b>	<b>\$ 60,867,421</b>	<b>\$ 62,049,992</b>	<b>\$ 165,281</b>	<b>\$ 181,920</b>	<b>\$ (1,199,210)</b>	<b>-1.9%</b>

Additional information on the School District's capital assets can be found in Note 3.

### Long-Term Debt

At year-end, the School District had \$23,640,526 in long-term debt. This is a decrease of 11.8% as shown on Table A-4 below.

**Table A-4  
Aberdeen School District 6-1  
Outstanding Debt and Obligations**

	Governmental Activities		Business-Type Activities		Total Dollar Change 2018-19	Total % Change 2018-19
	2019	2018	2019	2018		
General Obligation Bonds	\$ 8,510,000	\$ 9,940,000	\$ -	\$ -	\$ (1,430,000)	-14.4%
Early Retirement	1,036,619	1,182,071	-	-	(145,452)	-12.3%
Capital Outlay Certificates	13,750,000	15,310,000	-	-	(1,560,000)	-10.2%
Compensated Absences	160,948	158,239	-	-	2,709	1.7%
Financing (Capital Acquisition)						
Leases	14,208	28,062	-	-	(13,854)	-49.4%
Unamortized Premium	168,751	188,853	-	-	(20,102)	-8.8%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 23,640,526</b>	<b>\$ 26,807,225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,166,699)</b>	<b>-11.8%</b>

The School District is liable for the accrued vacation leave payable for all full-time twelve (12) month employees.

The School District also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive either 80% or 60% of their last year's salary in equal payments spread over the next six years. This plan allows the School District to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

The School District also allows retirees to remain on the health insurance plan if certain eligibility requirements. As a result of this, the School District reports a total OPEB liability of \$1,665,265 and \$1,667,478 as of June 30, 2019 and 2018, respectively. Additional information on this plan can be found in Note 9.

Additional information on the School District's long-term debt can be found in Note 4.

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

The School District experienced an increase in total property valuation of approximately \$78,408,048, or 3.4%, from the prior year.

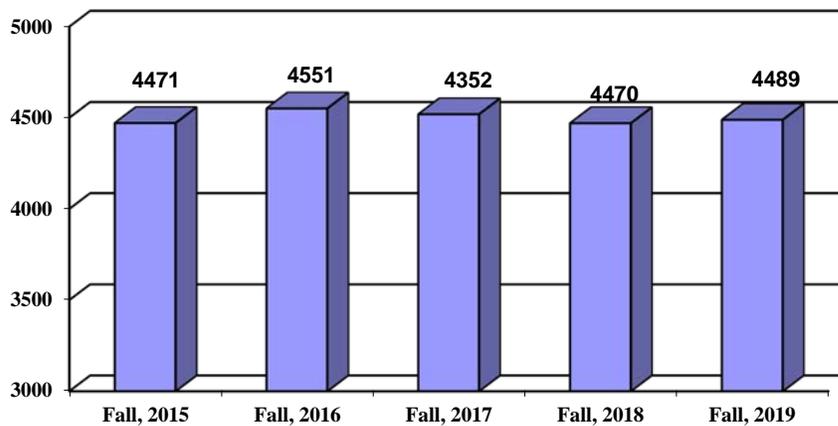
With the exception of the General Fund and Special Education Fund, the increase in property valuation allows the School District the ability to increase the amount of revenue generated from property taxes; however, the total amount which can be levied is limited by the State of South Dakota.

The state of South Dakota increased the funding formula for the General Fund in 2018-19 fiscal year to approximately \$5,563.52, which is a 1.00% increase from the prior year.

The General Fund funding formula is based on a per-student allocation received from the State of South Dakota. This per-student allocation is based on the fall enrollment (see Figure A-5) and will increase each year by the lesser of the rate of inflation or 3%. The state aid formula for fiscal year 2018-19 ensures that property taxes plus state aid will equal the per student allocation.

The School District's enrollment for the past five years has been as follows in Figure A-5.

**Figure A-5, Aberdeen School District Fall Enrollment  
For the Last Five Years**



### **Contacting the School District's Financial Management**

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Aberdeen School District's Finance Office, 1224 S 3 St, Aberdeen, SD 57401.

The School District's discretely presented component unit issues its own separate financial statements. These statements may be obtained by directly contacting the individual component unit.

Aberdeen School District 6-1  
Statement of Net Position  
June 30, 2019

	Primary Government			Component Unit Aberdeen Public Schools Foundation, Inc.
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 17,193,415	\$ 494,849	\$ 17,688,264	\$ 245,444
Investments	-	-	-	943,940
Taxes receivable	10,790,664	-	10,790,664	-
Other receivables	1,654,587	-	1,654,587	-
Interfund balances	(47,696)	47,696	-	-
Inventories	26,163	86,226	112,389	13,211
Net pension asset	26,237	1,095	27,332	-
Capital assets				
Land, improvements and construction in progress	879,982	-	879,982	-
Other capital assets, net of depreciation	59,987,439	165,281	60,152,720	-
	<u>90,510,791</u>	<u>795,147</u>	<u>91,305,938</u>	<u>1,202,595</u>
<b>Deferred Outflows of Resources</b>				
OPEB related deferred outflows	245,654	-	245,654	-
Pension related deferred outflows	9,179,817	296,843	9,476,660	-
Other deferred outflows of resources	246,787	-	246,787	-
	<u>9,672,258</u>	<u>296,843</u>	<u>9,969,101</u>	<u>-</u>
	<u>\$ 100,183,049</u>	<u>\$ 1,091,990</u>	<u>\$ 101,275,039</u>	<u>\$ 1,202,595</u>
<b>Liabilities</b>				
Accounts payable	\$ 812,976	\$ 167	\$ 813,143	\$ -
Other current liabilities	4,161,663	15,937	4,177,600	-
Noncurrent liabilities:				
Due within one year	3,559,107	-	3,559,107	-
Due in more than one year	20,081,419	-	20,081,419	-
Total OPEB liability	<u>1,665,265</u>	<u>-</u>	<u>1,665,265</u>	<u>-</u>
Total liabilities	<u>30,280,430</u>	<u>16,104</u>	<u>30,296,534</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Pension related deferred inflows	2,213,543	73,202	2,286,745	-
Taxes levied for future period	11,200,772	-	11,200,772	-
	<u>13,414,315</u>	<u>73,202</u>	<u>13,487,517</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	38,607,421	165,281	38,772,702	-
Restricted for:				
Capital Outlay	1,810,458	-	1,810,458	-
Special Education	1,782,697	-	1,782,697	-
Pension Benefit	6,992,511	224,736	7,217,247	-
Arena	63,734	-	63,734	-
Bond Redemption	1,194,566	-	1,194,566	-
Foundation	-	-	-	943,940
Unrestricted	<u>6,036,917</u>	<u>612,667</u>	<u>6,649,584</u>	<u>258,655</u>
Total net position	<u>56,488,304</u>	<u>1,002,684</u>	<u>57,490,988</u>	<u>1,202,595</u>
	<u>\$ 100,183,049</u>	<u>\$ 1,091,990</u>	<u>\$ 101,275,039</u>	<u>\$ 1,202,595</u>

Aberdeen School District 6-1  
Statement of Activities  
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Aberdeen Public Schools Foundation, Inc.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
<b>Governmental activities:</b>								
Instruction	\$ 27,141,358	\$ 17,114	\$ 6,365,637	\$ -	\$ (20,758,607)	\$ -	\$ (20,758,607)	\$ -
Support services	16,851,227	119,720	-	-	(16,731,507)	-	(16,731,507)	-
Community services	29,775	-	-	-	(29,775)	-	(29,775)	-
*Interest on long-term debt	461,233	-	-	-	(461,233)	-	(461,233)	-
Co-curricular activities	2,162,447	82,820	171,251	-	(1,908,376)	-	(1,908,376)	-
<b>Total governmental activities</b>	<b>46,646,040</b>	<b>219,654</b>	<b>6,536,888</b>	<b>-</b>	<b>(39,889,498)</b>	<b>-</b>	<b>(39,889,498)</b>	<b>-</b>
<b>Business-type activities:</b>								
Food service	2,517,486	1,284,623	1,226,279	-	-	(6,584)	(6,584)	-
Preschool	7,190	7,200	-	-	-	10	10	-
Drivers education	47,037	51,145	-	-	-	4,108	4,108	-
ACT preparation	2,860	-	-	-	-	(2,860)	(2,860)	-
<b>Total business-type activities</b>	<b>2,574,573</b>	<b>1,342,968</b>	<b>1,226,279</b>	<b>-</b>	<b>-</b>	<b>(5,326)</b>	<b>(5,326)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 49,220,613</b>	<b>\$ 1,562,622</b>	<b>\$ 7,763,167</b>	<b>\$ -</b>	<b>(39,889,498)</b>	<b>(5,326)</b>	<b>(39,894,824)</b>	<b>-</b>
<b>Component Unit</b>	<b>\$ 276,493</b>	<b>\$ 148,873</b>	<b>\$ 168,728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,108</b>
<b>General Revenues</b>								
<b>Taxes:</b>								
Property taxes					21,888,860	-	21,888,860	-
Gross receipts tax					844,101	-	844,101	-
<b>Revenue from state sources:</b>								
State aid					16,213,813	-	16,213,813	-
Other					-	-	-	-
<b>Revenue from federal sources</b>								
Unrestricted investment earnings					17,960	-	17,960	-
Other general revenues					22,308	-	22,308	642
Transfer for capital contribution					412,299	-	412,299	-
					(7,845)	7,845	-	-
<b>Total general revenues</b>					<b>39,391,496</b>	<b>7,845</b>	<b>39,399,341</b>	<b>642</b>
<b>Change in Net Position</b>					<b>(498,002)</b>	<b>2,519</b>	<b>(495,483)</b>	<b>41,750</b>
<b>Net Position - Beginning</b>					<b>56,986,306</b>	<b>1,000,165</b>	<b>57,986,471</b>	<b>1,160,845</b>
<b>Net Position - Ending</b>					<b>\$ 56,488,304</b>	<b>\$ 1,002,684</b>	<b>\$ 57,490,988</b>	<b>\$ 1,202,595</b>

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

See Notes to Financial Statements

Aberdeen School District 6-1  
Balance Sheet – Governmental Funds  
June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
<b>Assets</b>						
101 Cash and cash equivalents	\$ 8,302,338	\$ 2,466,429	\$ 2,375,982	\$ 63,734	\$ 1,229,227	\$ 14,437,710
110 Taxes receivable - current	4,775,266	3,201,757	1,778,999	-	782,183	10,538,205
112 Taxes receivable - delinquent	132,490	67,645	34,786	-	17,538	252,459
120 Accounts receivable	11,239	-	-	-	-	11,239
132 Due from agency fund	4,854	-	-	-	-	4,854
140 Due from other government	1,224,619	57,476	353,460	-	-	1,635,555
162 Interest receivable on investments and deposits	2,939	-	-	-	-	2,939
170 Inventory of supplies	26,163	-	-	-	-	26,163
	<u>\$ 14,479,908</u>	<u>\$ 5,793,307</u>	<u>\$ 4,543,227</u>	<u>\$ 63,734</u>	<u>\$ 2,028,948</u>	<u>\$ 26,909,124</u>
<b>Liabilities</b>						
402 Accounts payable	\$ 121,289	\$ 567,428	\$ 106,328	\$ -	\$ -	\$ 795,045
403 Accrued salaries payable	187,901	-	74,964	-	-	262,865
404 Contracts payable	2,133,991	-	532,700	-	-	2,666,691
410 Due to Food Service fund	47,696	-	-	-	-	47,696
450 Payroll deductions and withholdings and employer matching payable	587,859	-	148,821	-	-	736,680
Total liabilities	<u>3,078,736</u>	<u>567,428</u>	<u>862,813</u>	<u>-</u>	<u>-</u>	<u>4,508,977</u>
<b>Deferred Inflows of Resources</b>						
551 Taxes levied for future period	5,053,252	3,415,421	1,897,717	-	834,382	11,200,772
551 Unavailable revenue- delinquent property taxes	132,490	67,645	34,786	-	17,538	252,459
Total deferred inflows of resources	<u>5,185,742</u>	<u>3,483,066</u>	<u>1,932,503</u>	<u>-</u>	<u>851,920</u>	<u>11,453,231</u>
<b>Fund Balances</b>						
710 Nonspendable for:						
Inventory	26,163	-	-	-	-	26,163
720 Restricted for:						
Capital Outlay	-	1,742,813	-	-	-	1,742,813
Special Education	-	-	1,747,911	-	-	1,747,911
Arena	-	-	-	63,734	-	63,734
Bond Redemption	-	-	-	-	1,177,028	1,177,028
750 Assigned to:						
Next year's budget	576,453	-	-	-	-	576,453
760 Unassigned	5,612,814	-	-	-	-	5,612,814
Total fund balances	<u>6,215,430</u>	<u>1,742,813</u>	<u>1,747,911</u>	<u>63,734</u>	<u>1,177,028</u>	<u>10,946,916</u>
	<u>\$ 14,479,908</u>	<u>\$ 5,793,307</u>	<u>\$ 4,543,227</u>	<u>\$ 63,734</u>	<u>\$ 2,028,948</u>	<u>\$ 26,909,124</u>

Aberdeen School District 6-1

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
Year Ended June 30, 2019

Total Fund Balances - Governmental Funds	\$ 10,946,916
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$87,657,692 and the accumulated depreciation is \$26,790,271.	60,867,421
Long-term liabilities, including bonds payable, OPEB liabilities, and accrued leave payable are not due and payable in the current period and, therefore, are not reported in the funds. The cost of the liabilities is \$23,471,775 less the deferred outflows of \$246,787.	(23,224,988)
Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds.	(168,751)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	252,459
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	2,365,774
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.	(123,427)
OPEB obligations and related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	(1,419,611)
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	<u>6,992,511</u>
Net Position - Governmental Funds	<u>\$ 56,488,304</u>

Aberdeen School District 6-1

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
 Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
<b>Revenues</b>						
1000 Revenue from local sources						
1100 Taxes:						
1110 Ad valorem taxes	\$ 9,679,371	\$ 6,624,850	\$ 3,562,816	\$ -	\$ 1,647,360	\$ 21,514,397
1120 Prior year's ad valorem taxes	175,841	91,032	46,958	-	23,564	337,395
1130 Tax deed revenue	3,327	1,708	949	-	417	6,401
1140 Gross receipts taxes	844,101	-	-	-	-	844,101
1190 Penalties and interest on taxes	36,625	19,861	10,241	-	5,193	71,920
1300 Tuition and fees:						
1310 Regular day school tuition	4,876	-	3,138	-	-	8,014
1500 Earnings on investments and deposits	15,922	-	-	-	-	15,922
1700 Co-curricular activities:						
1710 Admissions	59,130	-	-	7,769	-	66,899
1790 Other student activity income	15,921	-	-	-	-	15,921
1900 Other revenue from local sources:						
1910 Rentals	9,865	-	-	-	-	9,865
1920 Contributions and donations	111,251	100,000	-	-	-	211,251
1940 Services provided other school districts	11,900	-	-	-	-	11,900
1970 Charges for service	78,556	-	38,364	-	-	116,920
1990 Other	15,469	-	-	-	-	15,469
2000 Revenue from intermediate sources						
2100 County sources:						
2110 County apportionment	336,770	-	-	-	-	336,770
2200 Revenue in lieu of taxes	17,012	-	-	-	-	17,012
3000 Revenue from state sources						
3100 Grants-in-aid:						
3110 Unrestricted grants-in-aid	16,213,813	-	-	-	-	16,213,813
3120 Restricted grants-in-aid	57,951	-	3,733,246	-	-	3,791,197
3300 Tuition:						
3320 Regular	61,229	-	-	-	-	61,229
4000 Revenue from federal sources						
4100 Grants-in-aid:						
4140 Restricted grants-in-aid received directly from federal government	103,749	-	-	-	-	103,749
4150-4199 Restricted grants-in-aid received from federal government through the state	1,163,766	57,476	1,148,220	-	-	2,369,462
4400 Johnson O'Malley funds	17,960	-	-	-	-	17,960
4900 Other federal revenue	1,298	-	12,994	-	-	14,292
<b>Total revenues</b>	<b>29,035,703</b>	<b>6,894,927</b>	<b>8,556,926</b>	<b>7,769</b>	<b>1,676,534</b>	<b>46,171,859</b>

Aberdeen School District 6-1  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures						
1000 Instruction						
1100 Regular programs:						
1110 Elementary schools	8,201,429	17,168	-	-	-	8,218,597
1120 Middle/junior high schools	3,995,793	3,487	-	-	-	3,999,280
1130 High school	4,792,800	57,533	-	-	-	4,850,333
1200 Special programs:						
1220 Programs for special education	-	-	5,552,781	-	-	5,552,781
1250 Culturally different	424,513	-	-	-	-	424,513
1270 Educationally deprived	817,642	-	-	-	-	817,642
2000 Support services						
2100 Pupils:						
2120 Guidance	773,560	-	-	-	-	773,560
2130 Health	220,704	-	202,887	-	-	423,591
2140 Psychological	-	-	518,314	-	-	518,314
2150 Speech pathology	-	-	708,431	-	-	708,431
2170 Student therapy services	-	-	295,811	-	-	295,811
2200 Support services - instructional staff:						
2210 Improvement of instruction	304,104	666,572	9,890	-	-	980,566
2220 Educational media	1,019,068	958,778	-	-	-	1,977,846
2300 Support services - general administration:						
2310 Board of education	102,471	-	-	-	-	102,471
2320 Executive administration	256,777	-	-	-	-	256,777
2400 Support services - school administration:						
2410 Office of the principal	2,158,816	-	-	-	-	2,158,816
2440 Title I program administration	19,450	-	-	-	-	19,450
2490 Other support services	7,764	-	-	-	-	7,764
2500 Support services - business:						
2520 Fiscal services	397,950	17,505	-	-	-	415,455
2540 Operation and maintenance of plant	3,959,415	2,188,766	-	1,525	-	6,149,706
2550 Pupil transportation	271,842	-	-	-	-	271,842
2560 Food services	-	22,668	-	-	-	22,668
2570 Internal services	89,634	-	-	-	-	89,634
2600 Support services - central:						
2640 Staff	212,404	-	-	-	-	212,404

Aberdeen School District 6-1

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
 Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
2700 Support services - special education:						
2710 Administrative costs	-	-	317,239	-	-	317,239
2730 Transportation costs	-	-	355,154	-	-	355,154
2750 Other special education costs	-	-	70,843	-	-	70,843
3000 Community services						
3700 Nonpublic school	29,775	-	-	-	-	29,775
4000 Nonprogrammed charges						
4500 Early retirement payments	275,959	-	52,030	-	-	327,989
5000 Debt services	-	1,925,772	-	-	1,642,469	3,568,241
6000 Co-curricular activities						
6100 Male activities	408,082	-	-	-	-	408,082
6200 Female activities	381,127	-	-	-	-	381,127
6900 Combined activities	950,278	69,146	-	-	-	1,019,424
7500 Capital outlay	-	693,793	-	-	-	693,793
Total expenditures	<u>30,071,357</u>	<u>6,621,188</u>	<u>8,083,380</u>	<u>1,525</u>	<u>1,642,469</u>	<u>46,419,919</u>
Excess of Revenue over (under) Expenditures	<u>(1,035,654)</u>	<u>273,739</u>	<u>473,546</u>	<u>6,244</u>	<u>34,065</u>	<u>(248,060)</u>
Other Financing Sources (Uses)						
5110 Transfers in	500,000	-	-	-	-	500,000
8110 Transfers out	-	(500,000)	-	-	-	(500,000)
Total other financing sources (uses)	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(535,654)	(226,261)	473,546	6,244	34,065	(248,060)
Fund Balance - Beginning	6,751,084	1,969,074	1,274,365	57,490	1,142,963	11,194,976
Fund Balance - Ending	<u>\$ 6,215,430</u>	<u>\$ 1,742,813</u>	<u>\$ 1,747,911</u>	<u>\$ 63,734</u>	<u>\$ 1,177,028</u>	<u>\$ 10,946,916</u>

Aberdeen School District 6-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities  
Year Ended June 30, 2019

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Net Change in Fund Balances - Total Governmental Funds	\$ (248,060)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$693,793) was exceeded by depreciation (\$1,895,255) in the current period.	(1,201,462)
In the statement of activities, losses on disposed capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(3,808)
The receipt of donated capital assets is not reported on the fund statements but is reported as a program revenue on the government-wide statements.	22,699
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	3,003,854
Bond \$ 1,430,000	
CO Certificate 1,560,000	
Capital Lease 13,854	
In the statement of activities, certain operating expenses (early retirement) are measured by the amounts earned during the year. In the governmental funds expenditures, these items are measured by the amount actually paid. Early retirement paid during the period exceeded the amount earned.	145,452
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' statement 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."	(41,252)
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(2,709)
Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.	10,603

Aberdeen School District 6-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-  
Wide Statement of Activities  
Year Ended June 30, 2019

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Deferred charges from refunding bonds are not recorded on the fund statements. The annual amortization of these deferred charges are reported as deferred charges and reported as interest expense in the statement of activities.	(107,886)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service is reported with governmental activities.	(150,626)
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the change in this liability and related deferred outflows of resources from one year to the next.	(35,580)
Governmental funds report the effect of premiums and discounts when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the amount of premiums amortized in the current period.	20,102
Changes in the pension related deferred outflows/inflows are direct components of pension liability (assets) and are not reflected in the governmental funds.	<u>(1,909,329)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (498,002)</u></u>

Aberdeen School District 6-1  
Statement of Net Position – Proprietary Funds  
June 30, 2019

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Total	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 488,213	\$ 6,636	\$ 494,849	\$ 2,755,705
130 Due from General Fund	47,696	-	47,696	-
170 Inventory of supplies	10,226	-	10,226	-
171 Inventory of stores purchased for resale	25,468	-	25,468	-
172 Inventory of donated food	50,532	-	50,532	-
Total current assets	622,135	6,636	628,771	2,755,705
Noncurrent assets				
196 Net pension asset	1,033	62	1,095	-
200 Capital assets				
204 Machinery and equipment - local funds	643,790	-	643,790	-
Less accumulated depreciation	(478,509)	-	(478,509)	-
Total noncurrent assets	166,314	62	166,376	-
Deferred outflows of resources				
252 Pension related deferred outflows	284,773	12,070	296,843	-
	\$ 1,073,222	\$ 18,768	\$ 1,091,990	\$ 2,755,705
<b>Liabilities and Net Position</b>				
Liabilities				
400 Current liabilities:				
402 Accounts payable	\$ 167	\$ -	\$ 167	\$ 17,931
403 Accrued salaries payable	5,588	10,349	15,937	-
409 Incurred but not reported claims	-	-	-	372,000
Total current liabilities	5,755	10,349	16,104	389,931
Deferred inflows of resources				
554 Pension related deferred inflows	68,645	4,557	73,202	-
<b>Net Position</b>				
706 Net investment in capital assets	165,281	-	165,281	-
707.2 Restricted for pension benefits	217,161	7,575	224,736	-
708 Unrestricted net position (deficit)	616,380	(3,713)	612,667	2,365,774
Total net position	998,822	3,862	1,002,684	2,365,774
	\$ 1,073,222	\$ 18,768	\$ 1,091,990	\$ 2,755,705

Aberdeen School District 6-1  
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds  
Year Ended June 30, 2019

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Total	
Operating Revenues				
Sales				
1610 To pupils	\$ 946,765	\$ -	\$ 946,765	\$ -
1620 To adults	8,663	-	8,663	-
1660 Other	329,195	-	329,195	-
1970 Self-insurance premiums	-	-	-	4,693,357
1979 Other charges for services	-	58,345	58,345	325,701
Total operating revenues	<u>1,284,623</u>	<u>58,345</u>	<u>1,342,968</u>	<u>5,019,058</u>
Operating Expenses				
100 Salaries	814,017	44,720	858,737	-
200 Employee benefits	405,890	11,298	417,188	-
300 Purchased services	31,159	-	31,159	-
400 Supplies	54,346	1,069	55,415	-
461 Cost of sales - purchased food	952,940	-	952,940	-
462 Cost of sales - donated food	228,488	-	228,488	-
690 Miscellaneous	1,160	-	1,160	-
910 Depreciation - local funds	29,486	-	29,486	-
4620 Self-insurance costs	-	-	-	5,176,070
Total operating expenses	<u>2,517,486</u>	<u>57,087</u>	<u>2,574,573</u>	<u>5,176,070</u>
Operating Income (Loss)	<u>(1,232,863)</u>	<u>1,258</u>	<u>(1,231,605)</u>	<u>(157,012)</u>
Nonoperating Revenue				
Local sources:				
1500 Investment earnings	-	-	-	6,386
State sources:				
3810 Cash reimbursements	9,182	-	9,182	-
Federal sources:				
4810 Cash reimbursements	996,914	-	996,914	-
4820 Donated food	220,183	-	220,183	-
Total nonoperating revenue	<u>1,226,279</u>	<u>-</u>	<u>1,226,279</u>	<u>6,386</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	<u>(6,584)</u>	<u>1,258</u>	<u>(5,326)</u>	<u>(150,626)</u>
5170 Capital contributions	<u>7,845</u>	<u>-</u>	<u>7,845</u>	<u>-</u>
Change in Net Position	<u>1,261</u>	<u>1,258</u>	<u>2,519</u>	<u>(150,626)</u>
Net Position - Beginning	<u>997,561</u>	<u>2,604</u>	<u>1,000,165</u>	<u>2,516,400</u>
Net Position - Ending	<u>\$ 998,822</u>	<u>\$ 3,862</u>	<u>\$ 1,002,684</u>	<u>\$ 2,365,774</u>

Aberdeen School District 6-1  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2019

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Totals	
Cash Flows from (used for) Operating Activities				
Cash receipts from customers	\$ 1,284,623	\$ 58,345	\$ 1,342,968	\$ -
Cash receipts from interfund services provided	-	-	-	5,019,058
Payments to employees	(1,288,314)	(50,640)	(1,338,954)	-
Payments to suppliers	(1,026,315)	(1,069)	(1,027,384)	-
Claims paid	-	-	-	(5,360,400)
Net Cash from (used for) Operating Activities	<u>(1,030,006)</u>	<u>6,636</u>	<u>(1,023,370)</u>	<u>(341,342)</u>
Cash Flows from Noncapital Financing Activities				
Operating Subsidies	<u>1,006,096</u>	<u>-</u>	<u>1,006,096</u>	<u>-</u>
Net Cash from Noncapital Financing Activities	<u>1,006,096</u>	<u>-</u>	<u>1,006,096</u>	<u>-</u>
Cash Flows used for Capital and Related Financing Activities				
Purchase of capital assets	<u>(5,002)</u>	<u>-</u>	<u>(5,002)</u>	<u>-</u>
Net Cash used for Capital and Related Financing Activities	<u>(5,002)</u>	<u>-</u>	<u>(5,002)</u>	<u>-</u>
Cash Flows from Investing Activities				
Cash received for interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,386</u>
Net Cash from Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,386</u>
Net Change in Cash and Cash Equivalents	(28,912)	6,636	(22,276)	(334,956)
Cash and Cash Equivalents Beginning of Year	<u>517,125</u>	<u>-</u>	<u>517,125</u>	<u>3,090,661</u>
Cash and Cash Equivalents End of Year	<u>\$ 488,213</u>	<u>\$ 6,636</u>	<u>\$ 494,849</u>	<u>\$ 2,755,705</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities				
Operating income (loss)	\$ (1,232,863)	\$ 1,258	\$ (1,231,605)	\$ (157,012)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:				
Depreciation expense	29,486	-	29,486	-
Value of donated commodities used	228,488	-	228,488	-
Change in assets and liabilities:				
Inventories	13,290	-	13,290	-
Due from General Fund	(47,696)	-	(47,696)	-
Pension asset and deferred outflows	49,907	3,446	53,353	-
Accounts and other payables	(69,656)	(1,675)	(71,331)	(184,330)
Accrued wages payable	(5,151)	3,317	(1,834)	-
Pension liability and deferred inflows	4,189	290	4,479	-
Net Cash from (used for) Operating Activities	<u>\$ (1,030,006)</u>	<u>\$ 6,636</u>	<u>\$ (1,023,370)</u>	<u>\$ (341,342)</u>
Noncash Investing, Capital and Financing Activities				
Value of commodities received	\$ 220,183	\$ -	\$ 220,183	\$ -
Capital contributions	7,845	-	7,845	-

Aberdeen School District 6-1  
Statement of Fiduciary Net Position  
June 30, 2019

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	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 533,282</u>
	<u>\$ 533,282</u>
Liabilities and Net Position	
Liabilities	
Accounts payable	\$ 4,854
Amounts held for others	<u>528,428</u>
	<u>\$ 533,282</u>

## **Note 1 - Summary of Significant Accounting Policies**

The Aberdeen School District 6-1's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the School District are discussed below.

### **Reporting Entity**

The reporting entity of the Aberdeen School District 6-1 (the School District) 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); its discretely presented component unit; and those organizations for which the primary government is financially accountable.

Discretely presented component units are entities that are legally separate from the School District for which the School District is considered to be financially accountable or for which the nature and significance of the relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Aberdeen Public Schools Foundation, Inc. meets this definition of a discretely presented component unit. This component unit is displayed in a separate column in the government-wide financial statements to emphasize its legal separateness from the School District. Separate financial statements are available for the component unit. The financial statements are available upon request from the School District.

### **Basis of Presentation, Basis of Accounting**

#### **Basis of Presentation**

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and component units. Eliminations to the various funds have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities and discretely presented component units of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described above, and may be classified as either governmental or business-type activities. See the discussion of individual component units above.

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

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by 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 School District 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 10% 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 5% 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.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The funds of the School District are described below within their respective fund types.

### **Governmental Funds**

**General Fund:** The General Fund is the general operating fund of the School District. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

**Special Revenue Funds:** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The capital outlay, special education, and arena funds are the special revenue funds, maintained by the School District.

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

### **Proprietary Funds**

**Enterprise Funds:** Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods and services be financed or recovered primarily through user charges. The enterprise fund is used to account for the operations of the food service program for the students and faculty of the School District, financed primarily through meal sales and federal reimbursement. The other enterprise fund is used to account for the operations of the other enterprise functions such as driver's education, child care, and ACT test preparation. It is financed primarily through tuition charges to the families of the students participating in these classes.

**Internal Service Funds:** Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The self-insurance fund and the unemployment fund are the internal funds maintained by the School District with the primary purpose of the funds to account for self-funded health and unemployment insurance.

### **Fiduciary Funds**

Fiduciary funds are never considered to be major funds.

**Agency Fund:** The student activity fund is used to account for student funds generated within the various schools by the students or other School District organizations. The School District holds the student activity fund's assets in a custodial capacity. Agency funds are accounted for using the accrual basis of accounting. Because agency funds are custodial in nature, they do not measure results of operations or have a measurement focus.

The School District reports the following major funds:

<u>Funds</u>	<u>Brief Description</u>
General Fund	See above description
Special Revenue Funds:	
Special Education Fund	A fund established by South Dakota Codified Law (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.
Capital Outlay Fund	A fund established by SDCL 13-16-6 to meet expenditures that result in the acquisition of or additions to real property, plant, or equipment. This fund is financed by property taxes.
Arena Fund	A fund established by SDCL 6-4-1 to provide funding for improvements at the Central High School arena and theater. This fund is financed by 10% of the admission revenues at events held in these facilities.
Debt Service Fund:	
Bond Redemption Fund	A fund established by SDCL 13-16-13 to account for the payment of principal and interest on all bonded indebtedness. This fund is financed by property taxes.
Enterprise Fund:	
Food Service Fund	A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants.
Other Enterprise Fund	A fund used to record financial transactions related to other enterprise fund operations. This fund is financed by user charges.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 bills of the current period. The accrual period does not exceed one bill paying cycle, which for the School District is 60 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other post-employment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under direct financing leases are reported as other financing sources. Under the terms of grant agreements, the School District funds certain grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **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" 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 respective funds so that expenses are reported only in the function to which they relate.

### **Fund Financial Statements**

Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed, or assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

### **Deposits and Investments**

For the purpose of financial reporting, "cash and cash equivalents" for the School District includes all demand and savings accounts and certificates of deposit (as early redemption costs would be insignificant). For the Aberdeen Public School Foundation, "cash and cash equivalents" includes all demand and savings accounts. Investments held by the Aberdeen Public School Foundation include money market funds, corporate obligations, fixed mutual funds, equity mutual funds, equities, and brokered certificates of deposits.

**Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk**

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

**Deposits:** The School District 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% 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.

Deposits are reported at cost plus interest if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The School District's policy is to credit income from pooled accounts to the General Fund and interest on accounts held solely by one fund to the fund making the investment.

**Concentration of Credit Risk:** The School District places no limit on the amount that the School District may deposit in one financial institution.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized. All financial institutions which hold the School District's deposits pledge securities in the amount over \$250,000 for all public School District funds. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2019, all of the School District's deposits were covered by insurance or collateral in accordance with the deposit policy.

The actual School District bank balances at June 30, 2019, were as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 754,152
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	18,275,283
	\$ 19,029,435
 The School District's carrying amount of deposits at June 30, 2018	 \$ 18,221,546
 Reconciliation of deposits to government-wide statement of net assets:	
Cash and cash equivalents	\$ 17,688,264
Add: Agency fund cash (not included in government-wide statement of net assets)	533,282
 Total reconciled deposits	 \$ 18,221,546

Investments: In general, SDCL 4-5-6 permits School District funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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. As of June 30, 2019, the School District does not hold any investments.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial risk.

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The School District has a formal investment policy that limits investment maturities to a maximum of 5 years.

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. It is the investment policy of the School District to limit the purchase of investments of direct U.S. government obligations and U.S. government and federal agency issues.

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

The Aberdeen School District Foundation does not have any formal policies over deposits and investments that address custodial credit risk, interest rate risk, credit risk, or concentration of credit risk. The Foundation's deposits are fully FDIC insured as of June 30, 2019.

### **Receivables**

Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

All accounts and property tax receivables are shown net of an allowance for uncollectibles of zero. No valuation allowance has been established based upon the School District's estimate that uncollectible receivables, if any, would be immaterial.

### **Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. Approximately 50% is considered to be applied to finance the budget of the current fiscal year and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent 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. Current year property taxes receivable which is not available as a resource that can be used to finance the current year's appropriations and, therefore, are not susceptible to accrual have been reported as deferred inflows of resources in both fund financial statements and the government-wide financial statements.

### **Inventory**

Inventory is stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased they are recorded as assets. When they are consumed they are recorded as expenditures in governmental funds or expenses in proprietary funds. Although classified as current assets, these inventory balances are offset by nonspendable fund balance amounts which indicate that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories purchased by the food service fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when consumed.

### **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 where 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.

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

The total June 30, 2019, balance of capital assets for governmental activities includes approximately 8% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. 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 statement of activities, with net capital assets reflected in the statement of net position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land**	Any Amount	**	**
Buildings	\$ 5,000	Straight-Line	10-50 years
Equipment	5,000	Straight-Line	3-20 years

*\*\*Land, an inexhaustible capital asset, is not depreciated.*

**Fund Financial Statements**

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

**Long-Term Liabilities**

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

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

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

### **Cash and Cash Equivalents**

The School District pools some of its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows.

### **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.

### **Proprietary Funds Revenue and Expense Classifications**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

## Equity Classifications

### Government-Wide Statements

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

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

### Fund Financial Statements

Governmental fund equity is classified as fund balance, and is distinguished between nonspendable, restricted, committed, assigned, or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

### Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance 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 restraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the School Board, 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 nor 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 grant agreements 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 School District does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Arena Fund	Co-curricular admissions

**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.

**Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS’s fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has four items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position, changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position, and deferred charges relating to debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position.

**Note 2 - Due from Other Governments**

As of June 30, 2019, amounts due from other governments are as follows:

General Fund		
Due from federal sources	\$	318,630
Due from state sources		461,279
Due from local sources		444,710
Capital Outlay Fund		
Due from federal sources		57,476
Special Education		
Due from federal sources		353,460
Total due from other governments	\$	<u><u>1,635,555</u></u>

**Note 3 - Changes in Capital Assets**

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

<u>Primary Government</u>	<u>Balance 6/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/19</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 879,982	\$ -	\$ -	\$ 879,982
Construction work in process	456,636	513,197	969,833	-
Total not being depreciated	<u>1,336,618</u>	<u>513,197</u>	<u>969,833</u>	<u>879,982</u>
Capital assets, being depreciated:				
Buildings	82,601,836	969,833	-	83,571,669
Machinery and equipment	3,040,220	203,295	37,474	3,206,041
Total being depreciated	<u>85,642,056</u>	<u>1,173,128</u>	<u>37,474</u>	<u>86,777,710</u>
Less accumulated depreciation for:				
Buildings	22,882,685	1,644,943	-	24,527,628
Machinery and equipment	2,045,997	250,312	33,666	2,262,643
Total accumulated depreciation	<u>24,928,682</u>	<u>1,895,255</u>	<u>33,666</u>	<u>26,790,271</u>
Total capital assets being depreciated, net	<u>60,713,374</u>	<u>(722,127)</u>	<u>3,808</u>	<u>59,987,439</u>
Governmental activity capital assets, net	<u>\$ 62,049,992</u>	<u>\$ (208,930)</u>	<u>\$ 973,641</u>	<u>\$ 60,867,421</u>
Governmental activities:				
Instruction				\$ 1,445,689
Support services				161,669
Co-curricular activities				287,897
Total depreciation expense - governmental activities				<u>\$ 1,895,255</u>
<u>Business-Type Activities</u>	<u>Balance 6/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/19</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 630,943	\$ 12,847	\$ -	\$ 643,790
Total being depreciated	<u>630,943</u>	<u>12,847</u>	<u>-</u>	<u>643,790</u>
Total accumulated depreciation	<u>449,023</u>	<u>29,486</u>	<u>-</u>	<u>478,509</u>
Total capital assets being depreciated, net	<u>181,920</u>	<u>(16,639)</u>	<u>-</u>	<u>165,281</u>
Business-type activity capital assets, net	<u>\$ 181,920</u>	<u>\$ (16,639)</u>	<u>\$ -</u>	<u>\$ 165,281</u>
Business-type activities:				
Food service				\$ 29,486
Total depreciation expense - business-type activities				<u>\$ 29,486</u>

As of June 30, 2019, the School District has committed approximately for \$318,215 for lighting, of which \$260,816 in payments had been made or accrued as accounts payable at year-end. Additionally, the School District committed approximately \$959,680 for improvements, of which \$700,117 in payments had been made or accrued as accounts payable at year-end.

**Note 4 - Long-Term Debt**

A summary of changes in long-term debt follows:

	Amounts Outstanding 6/30/18	Issued	Retired	Refunded	Amounts Outstanding 6/30/19	Due in One Year
Governmental activities:						
General obligation bonds	\$ 9,940,000	\$ -	\$ (1,430,000)	\$ -	\$ 8,510,000	\$ 1,455,000
Capital outlay certificates	15,310,000	-	(1,560,000)	-	13,750,000	1,605,000
Early retirement	1,182,071	182,536	(327,988)	-	1,036,619	305,854
Financing (direct) leases	28,062	-	(13,854)	-	14,208	12,203
Compensated absences	158,239	196,898	(194,189)	-	160,948	160,948
Unamortized premium	188,853	-	(20,102)	-	168,751	20,102
	<u>\$ 26,807,225</u>	<u>\$ 379,434</u>	<u>\$ (3,546,133)</u>	<u>\$ -</u>	<u>\$ 23,640,526</u>	<u>\$ 3,559,107</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

A summary of deferred charges on various bond refundings as of June 30, 2019, follows:

	Original Cost	2019 Amortization	Accumulated Amortization	Unamortized Costs
2012 Refunding	\$ 123,423	\$ 12,342	\$ 86,394	\$ 37,029
2013 Refunding	372,797	62,131	372,797	-
2016 Refunding	217,191	24,132	72,396	144,795
2017 Refunding	74,244	9,281	9,281	64,963
	<u>\$ 787,655</u>	<u>\$ 107,886</u>	<u>\$ 540,868</u>	<u>\$ 246,787</u>

Debt payable at June 30, 2019, is comprised of the following individual issues:

General Obligation Bonds

General Obligation Refunding Bonds

General obligation refunding bonds, series 2016, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2016, with final installment due January 1, 2025; interest rates range from .85% to 2.5%, paid from the Debt Service Fund. \$ 7,330,000

General obligation refunding bonds, series 2013, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2015, with final installment due January 1, 2020; interest rates range from .6% to 2.25%, paid from the Debt Service Fund. 1,180,000

Capital Outlay Certificates

Capital Outlay Certificates, series 2009A (QSCB), subject to semi-annual sinking fund requirements in June and December beginning June 16, 2010, with final installment due December 16, 2024, interest rate of 2%, paid from the Capital Outlay Fund. 1,120,000

Capital outlay certificates, series 2016, subject to semi-annual sinking fund requirements in July and January beginning January 15, 2016, with final installment due January 15, 2035, interest rates range from 0.9% to 4.0%, paid from the Capital Outlay Fund. 7,035,000

Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2012, subject to semi-annual sinking fund requirements in July and January beginning July 1, 2012, with final installment due January 15, 2023, interest rates range from 0.75% to 2.20%, paid from the Capital Outlay Fund. 2,000,000

Capital outlay refunding certificates, series 2017, subject to semi-annual sinking fund requirements in July and January beginning July 15, 2018, with final installment due July 15, 2025, interest rates range from 1.10% to 1.95%, paid from the Capital Outlay Fund. 3,595,000

Financing (Direct) Leases

Marco Inc. copier, matures October 20, 2020, 3.308% interest, monthly payments of \$512.81, paid by the Capital Outlay Fund. 7,033

Marco Inc. copiers, matures August 14, 2020, 4.194% interest, monthly payments of \$493.63, paid by the Capital Outlay Fund. 6,733

Century Business Products copier, matures August 7, 2019, 8.822% interest, monthly payments of \$223.60, paid by the Capital Outlay Fund. 442

Early Retirement

Requires annual payments of not more than \$305,854 from general fund and Special Education Fund; final payment July 2024. 1,036,619

Plus unamortized premiums

168,751

\$ 23,479,578

The annual requirements to maturity for all debt outstanding for governmental activities as of June 30, 2019, excluding compensated absences, but including sinking fund installments, are as follows:

Year Ending June 30,	General Obligation Bonds		C.O. Certificates		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,455,000	\$ 183,819	\$ 1,605,000	\$ 322,380	\$ 12,203	\$ 320
2021	1,485,000	149,988	1,630,000	296,458	2,005	9
2022	1,520,000	112,425	1,655,000	267,519	-	-
2023	1,560,000	73,925	1,695,000	235,818	-	-
2024	1,600,000	37,225	1,300,000	208,763	-	-
2025-2029	890,000	10,013	2,830,000	759,120	-	-
2030-2034	-	-	2,480,000	384,350	-	-
2035	-	-	555,000	19,425	-	-
	<u>\$ 8,510,000</u>	<u>\$ 567,395</u>	<u>\$ 13,750,000</u>	<u>\$ 2,493,833</u>	<u>\$ 14,208</u>	<u>\$ 329</u>

Year Ending June 30,	Early Retirement Principal	Total	
		Principal	Interest
2020	\$ 305,854	\$ 3,378,057	\$ 506,519
2021	271,050	3,388,055	446,455
2022	229,688	3,404,688	379,944
2023	137,835	3,392,835	309,743
2024	61,770	2,961,770	245,988
2025-2029	30,422	3,750,422	769,133
2030-2034	-	2,480,000	384,350
2035	-	555,000	19,425
	<u>\$ 1,036,619</u>	<u>\$ 23,310,827</u>	<u>\$ 3,061,557</u>

**Note 5 - Fair Value**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the School District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District has negotiated certificates of deposit which are included in cash and cash equivalents. The negotiated certificates of deposit are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions, and are classified within Level 2.

The following table presents the School District's deposits measured at fair value on a recurring basis at June 30, 2019:

	Total	Level 1	Level 2	Level 3
Negotiated certificates of deposit	\$ 675,000	\$ -	\$ 675,000	\$ -

The Aberdeen Public School Foundation invests in money markets, corporate obligations, mutual funds, equities, and negotiated certificates of deposit. The money markets, mutual funds, and equities are valued at the quoted market price and are classified within Level 1. The negotiated certificates of deposit and corporate obligations are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market rate assumptions, and are classified within Level 2.

The following table presents the endowments held for the Aberdeen Public School Foundation measured at fair value on a recurring basis as of June 30, 2019:

	Total	Level 1	Level 2	Level 3
Investments - endowment pool				
Money market funds	\$ 23,299	\$ 23,299	\$ -	\$ -
Corporate obligations	277,450	-	277,450	-
Fixed mutual funds	116,212	116,212	-	-
Equity mutual funds	229,991	229,991	-	-
Equities	291,871	291,871	-	-
Negotiated certificates of deposit	5,117	-	5,117	-
Total Investments by fair value level	\$ 943,940	\$ 661,373	\$ 282,567	\$ -

**Note 6 - Leases**

The School District leases several copier machines with varying payments from \$71 to \$284 per month with an original termination date of September 20, 2018. The leases were all extended for an additional year with a new termination date of September 20, 2019. The School District also entered into a new agreement in 2019 for a new copier with a monthly payment of \$149 which will expire in June 2023. All items are paid from the Capital Outlay Fund.

The following are the minimum payments on existing operating leases:

Year	Amount
2020	\$ 4,766
2021	1,785
2022	1,785
2023	1,785
	\$ 10,121

**Note 7 - Restricted Net Position**

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 1,810,458
Special Education	Law	1,782,697
SDRS pension benefits	Law	7,217,247
Arena	Law	63,734
Bond Redemption	Law	1,194,566
Total restricted net position		\$ 12,068,702

**Note 8 - Early Retirement**

Each employee who accepts retirement after the age of 55 and prior to the age of 63, with at least 20 years of service in the School District, will receive incentive pay equal to 80% of their current annual salary for employees with 30 or more years of service, and 60% of their current annual salary for employees with 20 to 29 years of service, paid out in 6 equal, annual installments. The liability is recorded based upon the specified annual payments that are due and have not been discounted as the School District has determined the discount to not be material.

**Note 9 - Post-Employment Healthcare Plan**

**Plan Description**

Aberdeen School District Healthcare Plan is a single-employer defined benefit healthcare plan administered by the School District. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

**Benefits Provided**

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between the School District’s insurance committee and insurance provider. An employee or administrator, who retires from the School District on or after the age of 55 and with at least 15 years of consecutive service with the School District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65 with the exception that, at the time the retiree participant becomes eligible for Medicare (age 65) and he/she had dependent(s) not eligible for Medicare, coverage for those dependent(s) may be continued under the plan until the spouse reaches age 65 and dependent(s) reach the age of 23 or age 25 if a full-time student. The retiree is responsible for 100% of the premiums for both the retiree and the retiree plus spouse coverage.

**Employees Covered by Benefit Terms**

At the valuation date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	23
Active employees	533
	556
	556

**Total OPEB Liability**

The School District’s total OPEB liability of \$1,665,265 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018. The School District’s obligation is unfunded at June 30, 2019. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per year
Salary increases	3.0% per year
Discount rate	3.87 percent*
Healthcare cost trend rates	5.0% for all years

\*Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

The plan has not had a formal actuarial experience study performed.

**Other Assumptions**

Mortality	RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement.	
Future Retiree Participation Rate	50%	
Initial Spouse Participation Rate	Male Employees	20%
	Female Employees	20%
Age Difference	Husbands are assumed to be three years older than wives	
Turnover	Rates based on Scale T-10 of the Actuary's Pension Handbook.	
Disability	None	

**Changes in the Total OPEB Liability**

Balance at June 30, 2018	\$ 1,667,478
Service cost	52,594
Interest cost	64,263
Benefit payments	<u>(119,070)</u>
Total Changes	<u>(2,213)</u>
Balance at June 30, 2019	<u><u>\$ 1,665,265</u></u>

**Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.87%	3.87%	4.87%
Total OPEB Liability	\$ 1,802,476	\$ 1,665,265	\$ 1,543,559

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Healthcare trend rate	4.0%	5.0%	6.0%
Total OPEB Liability	\$ 1,524,090	\$ 1,665,265	\$ 1,827,400

**OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the School District recognized an increase of health insurance expense of \$154,650 due to OPEB. At June 30, 2019, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,792	\$ -
Changes of assumptions	215,862	-
Total	<u>\$ 245,654</u>	<u>\$ -</u>

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	OPEB Expense
2020	\$ 37,793
2021	37,793
2022	37,793
2023	37,793
2024	37,793
Thereafter	56,689
	\$ 245,654

**Note 10 - Litigation**

The School District could be subject to various claims or proceedings that arise in the ordinary course of its activities. The School District was named in a lawsuit related to matters with students. As of February 7, 2020, no reasonable estimate of a claim liability was able to be determined, and the School District intends to defend the allegations.

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2019, the School District managed its risks as follows:

**Employee Health Insurance**

The School District has established a self-insurance fund for the purpose of paying claims of the employee group health care benefit plan. Premiums are paid by both the School District and the School District's employees and are charged against the appropriate fund. Excess loss insurance is provided through private insurance carriers for claims exceeding \$100,000 per individual and \$5,176,070 or 125% of expected paid claims in aggregate losses for each plan year. At June 30, 2019, an estimated liability of \$372,000 was accrued for incurred, but not reported, claims. This estimate was based on information obtained from the plan's third-party administrator. The self-insurance fund is reported as an internal service fund in these financial statements. The School District is responsible for deficiencies, if any, resulting from claims paid in excess of premiums received. At June 30, 2019, the health insurance internal service fund had a net position balance of \$2,365,774.

The following is a history of the claims activity for the fund for the years ended June 30, 2019, 2018, and 2017, respectively.

	2019	2018	2017
Amount of claim liabilities, beginning of year	\$ 574,261	\$ 391,878	\$ 423,759
Incurred claims	5,176,070	4,228,271	4,047,572
Claims paid	(5,360,400)	(4,045,888)	(4,079,453)
Amount of claim liabilities, end of year	\$ 389,931	\$ 574,261	\$ 391,878

**Worker's Compensation Insurance**

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

**Liability Insurance**

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

**Unemployment Benefit**

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2019, no claims were filed for unemployment benefits and none were paid. At June 30, 2019, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**Note 12 - Pension Plan**

**Plan Information**

All employees, working more than 20 hours per week during the 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

## Benefits Provided

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

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

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

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

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

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

**Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2019, 2018, and 2017 were \$1,504,472, \$1,460,339, and \$1,396,568, respectively, equal to the required contributions each year.

**Pension Liabilities (Assets), Pension Expense, 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 share of the components of the net pension asset of the SDRS, 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 total pension liability	\$ 143,366,525
Less proportionate share of net position restricted for pension benefits	<u>143,393,857</u>
Proportionate share of net pension liability (asset)	<u>\$ (27,332)</u>

At June 30, 2019, the School District reported a liability (asset) of (\$27,332) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District'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 1.17192830% which is an increase of 0.0244056% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$1,967,162. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,033,052	\$ -
Changes in assumption	6,939,136	-
Net difference between projected and actual earnings on pension plan investments	-	2,065,668
Changes in proportion and difference between School District contributions and proportionate share of contributions	-	221,077
School District contributions subsequent to the measurement date	<u>1,504,472</u>	<u>-</u>
Total	<u>\$ 9,476,660</u>	<u>\$ 2,286,745</u>

There is \$1,504,472 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date. This 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:	Amount
2020	\$ 3,648,660
2021	2,696,695
2022	(418,748)
2023	(241,164)
	\$ 5,685,443
Total	

### Actuarial Assumptions

The total pension liability (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%
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount rate	6.50% net of plan investment expense

Mortality rates are 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real 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 6.50%. 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 will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**Sensitivity of Liability (Asset) to Changes in the Discount Rate**

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 20,643,385	\$ (27,332)	\$ (16,841,839)

**Pension Plan Fiduciary Net Position**

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

**Note 13 - Interfund Balances and Transfers**

At June 30, 2019, the following funds had interfund balances:

- The General Fund has a due to the food service fund of \$47,696.

The purpose of the interfund balances is for reimbursement of expenses that were incurred during 2019 but not reimbursed until July 2019.

During the year ended June 30, 2019, the Capital Outlay Fund transferred \$500,000 to the General Fund to cover certain operating expenses. Also during 2019, the Capital Outlay Fund purchased equipment for \$7,845 which was transferred to the Food Service Fund.



Required Supplementary Information  
June 30, 2019

## Aberdeen School District 6-1

Aberdeen School District 6-1  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2019

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	2019	2018
Service cost	\$ 52,594	\$ 41,225
Interest	64,263	59,831
Difference between expected and actual experience	-	38,960
Changes of assumptions	-	282,280
Benefit payments	(119,070)	(86,352)
Net change in total OPEB liability	(2,213)	335,944
Total OPEB liability - beginning	1,667,478	1,331,534
Total OPEB liability - ending	\$ 1,665,265	\$ 1,667,478
Covered-employee payroll	\$ 23,033,134	\$ 22,362,266
District's total OPEB liability as a percentage of covered-employee payroll	7.23%	7.46%

\*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Plan Assets**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Changes in Benefits**

None.

**Changes in Assumptions**

None.

Aberdeen School District 6-1  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 9,697,324	\$ 9,697,324	\$ 9,679,371	\$ (17,953)
1120 Prior year's ad valorem taxes	116,000	116,000	175,841	59,841
1130 Tax deed revenue	-	-	3,327	3,327
1140 Gross receipts taxes	762,000	762,000	844,101	82,101
1190 Penalties and interest on taxes	28,000	28,000	36,625	8,625
1300 Tuition and fees:				
1310 Regular day school tuition	3,000	3,000	4,876	1,876
1500 Earnings on investments and deposits	10,000	10,000	15,922	5,922
1700 Co-curricular activities:				
1710 Admissions	69,000	69,000	59,130	(9,870)
1790 Other student activity income	13,000	13,000	15,921	2,921
1900 Other revenue from local sources:				
1910 Rentals	4,000	4,000	9,865	5,865
1921 Contributions and donations	40,000	110,000	111,251	1,251
1940 Services provided other school districts	8,000	8,000	11,900	3,900
1970 Charges for services	72,100	72,100	78,556	6,456
1990 Other	24,500	24,500	15,469	(9,031)
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	387,000	387,000	336,770	(50,230)
2200 Revenue in lieu of taxes	17,000	17,000	17,012	12
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	16,382,973	16,382,973	16,213,813	(169,160)
3120 Restricted grants-in-aid	43,000	53,000	57,951	4,951
3300 Tuition:				
3320 Regular	37,924	37,924	61,229	23,305
3900 Other state revenue	5,000	5,000	-	(5,000)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4140 Restricted grants-in-aid received directly from federal government	75,762	75,762	103,749	27,987
4150-4199 Restricted grants-in-aid received from federal government through the state	1,180,317	1,205,317	1,163,766	(41,551)
4400 Johnson O'Malley funds	19,000	19,000	17,960	(1,040)
4900 Other federal revenue	1,000	1,000	1,298	298
Total revenues	<u>28,995,900</u>	<u>29,100,900</u>	<u>29,035,703</u>	<u>(65,197)</u>

Aberdeen School District 6-1  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	8,255,416	8,255,416	8,201,429	53,987
1120 Middle/junior high schools	4,026,447	4,026,447	3,995,793	30,654
1130 High school	4,839,206	4,909,206	4,792,800	116,406
1200 Special programs:				
1250 Culturally different	420,576	420,576	424,513	(3,937)
1270 Educationally deprived	839,910	839,910	817,642	22,268
2000 Support services				
2100 Pupils:				
2120 Guidance	757,943	775,943	773,560	2,383
2130 Health	203,640	223,640	220,704	2,936
2200 Support services - instructional staff:				
2210 Improvement of instruction	269,592	304,592	304,104	488
2220 Educational media	1,042,581	1,042,581	1,019,068	23,513
2300 Support services - general administration:				
2310 Board of education	101,024	101,024	102,471	(1,447)
2320 Executive administration	257,826	257,826	256,777	1,049
2400 Support services - school administration:				
2410 Office of the principal	2,178,007	2,178,007	2,158,816	19,191
2440 Title I program administration	20,002	20,002	19,450	552
2490 Other support services	-	8,000	7,764	236
2500 Support services - business:				
2520 Fiscal services	402,107	402,107	397,950	4,157
2540 Operation and maintenance of plant	3,982,771	4,092,771	3,959,415	133,356
2550 Pupil transportation	273,000	273,000	271,842	1,158
2570 Internal services	84,063	84,063	89,634	(5,571)
2600 Support services - central:				
2640 Staff	217,218	217,218	212,404	4,814
3000 Community services				
3700 Nonpublic school	28,160	28,160	29,775	(1,615)
4000 Nonprogrammed costs				
4500 Early retirement payments	275,959	275,959	275,959	-
6000 Co-curricular activities				
6100 Male activities	390,423	390,423	408,082	(17,659)
6200 Female activities	357,153	357,153	381,127	(23,974)
6900 Combined activities	993,417	1,003,417	950,278	53,139
7000 Contingencies	200,000	200,000	-	200,000
Amount transferred	-	(166,000)	-	(166,000)
Total expenditures	<u>30,416,441</u>	<u>30,521,441</u>	<u>30,071,357</u>	<u>450,084</u>
Excess of Revenue over (under) Expenditures	<u>(1,420,541)</u>	<u>(1,420,541)</u>	<u>(1,035,654)</u>	<u>384,887</u>

Aberdeen School District 6-1  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2019

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources				
5110 Transfers in	500,000	500,000	500,000	-
Total other financing sources	500,000	500,000	500,000	-
Net Change in Fund Balances	(920,541)	(920,541)	(535,654)	384,887
Fund Balance - Beginning	6,751,084	6,751,084	6,751,084	-
Fund Balance - Ending	<u>\$ 5,830,543</u>	<u>\$ 5,830,543</u>	<u>\$ 6,215,430</u>	<u>\$ 384,887</u>

Aberdeen School District 6-1  
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund  
 Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 6,633,586	\$ 6,633,586	\$ 6,624,850	\$ (8,736)
1120 Prior year's ad valorem taxes	60,000	60,000	91,032	31,032
1130 Tax deed revenue	-	-	1,708	1,708
1190 Penalties and interest on taxes	16,000	16,000	19,861	3,861
1900 Other revenue from local sources:				
1920 Contributions and donations	100,500	100,500	100,000	(500)
4000 Revenue from federal sources				
4150-4199 Restricted grants-in-aid received from federal government through the state	52,950	52,950	57,476	4,526
Total revenues	<u>6,863,036</u>	<u>6,863,036</u>	<u>6,894,927</u>	<u>31,891</u>
<b>Expenditures</b>				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	30,500	30,500	17,168	13,332
1120 Middle/junior high schools	11,700	11,700	9,187	2,513
1130 High school	78,650	78,650	70,103	8,547
2000 Support services				
2200 Support services - instructional staff:				
2210 Improvement of instruction	714,800	714,800	666,572	48,228
2220 Educational media	975,000	1,059,000	977,384	81,616
2500 Support services - business:				
2520 Fiscal services	17,000	20,000	17,505	2,495
2540 Operation and maintenance of plant	2,136,200	2,686,200	2,835,659	(149,459)
2560 Food services	35,000	35,000	22,668	12,332
2570 Internal services	13,000	13,000	-	13,000
5000 Debt services	1,913,000	1,913,000	1,925,772	(12,772)
6000 Co-curricular activities				
6900 Combined activities	70,000	78,000	79,170	(1,170)
Total expenditures	<u>5,994,850</u>	<u>6,639,850</u>	<u>6,621,188</u>	<u>18,662</u>
Excess of Revenue over (under) Expenditures	<u>868,186</u>	<u>223,186</u>	<u>273,739</u>	<u>50,553</u>
<b>Other Financing Sources</b>				
8110 Transfers out	(500,000)	(500,000)	(500,000)	-
Total other financing sources	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net Change in Fund Balances	368,186	(276,814)	(226,261)	50,553
Fund Balance - Beginning	<u>1,969,074</u>	<u>1,969,074</u>	<u>1,969,074</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,337,260</u>	<u>\$ 1,692,260</u>	<u>\$ 1,742,813</u>	<u>\$ 50,553</u>

Aberdeen School District 6-1  
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund  
 Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 3,567,050	\$ 3,567,050	\$ 3,562,816	\$ (4,234)
1120 Prior year's ad valorem taxes	33,000	33,000	46,958	13,958
1130 Tax deed revenue	-	-	949	949
1190 Penalties and interest on taxes	8,000	8,000	10,241	2,241
1300 Tuition and fees:				
1310 Regular day school tuition	-	-	3,138	3,138
1900 Other revenue from local sources:				
1970 Charges for services	64,000	64,000	38,364	(25,636)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	3,746,645	3,746,645	3,733,246	(13,399)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	1,285,296	1,285,296	1,148,220	(137,076)
4900 Other federal revenue	25,008	25,008	12,994	(12,014)
Total revenues	<u>8,728,999</u>	<u>8,728,999</u>	<u>8,556,926</u>	<u>(172,073)</u>
<b>Expenditures</b>				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	5,487,865	5,772,865	5,552,781	220,084
2000 Support services				
2100 Pupils:				
2130 Health	204,160	204,160	202,887	1,273
2140 Psychological	508,330	519,330	518,314	1,016
2150 Speech pathology	774,655	774,655	708,431	66,224
2170 Student therapy services	348,073	348,073	295,811	52,262
2200 Support services - instructional staff:				
2210 Improvement of instruction	28,000	28,000	9,890	18,110
2700 Support services - special education:				
2710 Administrative costs	311,900	317,900	317,239	661
2730 Transportation costs	365,000	365,000	355,154	9,846
2750 Other special education costs	75,000	75,000	70,843	4,157
4000 Nonprogrammed costs				
4500 Early retirement	52,030	52,030	52,030	-
Total expenditures	<u>8,155,013</u>	<u>8,457,013</u>	<u>8,083,380</u>	<u>373,633</u>
Net Change in Fund Balances	573,986	271,986	473,546	201,560
Fund Balance - Beginning	<u>1,274,365</u>	<u>1,274,365</u>	<u>1,274,365</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,848,351</u>	<u>\$ 1,546,351</u>	<u>\$ 1,747,911</u>	<u>\$ 201,560</u>

Aberdeen School District 6-1  
 Budgetary Comparison Schedule – Budgetary Basis – Arena Fund  
 Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1700 Co-curricular activities:				
1710 Admissions	\$ 8,000	\$ 8,000	\$ 7,769	\$ (231)
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>7,769</u>	<u>(231)</u>
Expenditures				
2000 Support services				
2500 Support services - business:				
2540 Operation and maintenance of plant	-	1,600	1,525	75
Total expenditures	<u>-</u>	<u>1,600</u>	<u>1,525</u>	<u>75</u>
Net Change in Fund Balances	8,000	6,400	6,244	(156)
Fund Balance - Beginning	<u>57,490</u>	<u>57,490</u>	<u>57,490</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 65,490</u></u>	<u><u>\$ 63,890</u></u>	<u><u>\$ 63,734</u></u>	<u><u>\$ (156)</u></u>

**Note 1 - Budgets and Budgetary Accounting**

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

1. Prior to the first regular School Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the 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 5% 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when money is 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 generally accepted accounting principles (GAAP).

**Note 2 - Budget Reconciliation**

The School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, while the budgetary comparison schedules are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes. There is no effect on the net change in fund balance.

Aberdeen School District 6-1  
Schedule of Employer's Share of Net Pension Liability (Asset)  
Year Ended June 30, 2019

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2019	1.1719%	\$ (27,332)	\$ 24,338,937	-0.1%	100.02%
SDRS	6/30/2018	1.1475%	(104,139)	23,276,255	-0.4%	100.10%
SDRS	6/30/2017	1.1032%	3,726,643	20,951,710	17.8%	96.89%
SDRS	6/30/2016	1.0997%	(4,664,272)	20,072,700	-23.2%	104.10%
SDRS	6/30/2015	1.0996%	(7,922,469)	19,229,717	-41.2%	107.29%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability (asset) which is June 30 of the preceding fiscal year.

Aberdeen School District 6-1  
Schedule of Employer's Contributions  
Year Ended June 30, 2019

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions Percentage of Covered- Employee Payroll (b/d)
SDRS	6/30/2019	\$ 1,504,472	\$ 1,504,472	\$ -	\$ 25,074,491	6.0%
SDRS	6/30/2018	1,460,339	1,460,339	-	24,338,937	6.0%
SDRS	6/30/2017	1,396,568	1,396,568	-	23,276,255	6.0%
SDRS	6/30/2016	1,257,213	1,257,213	-	20,951,710	6.0%
SDRS	6/30/2015	1,204,362	1,204,362	-	20,072,700	6.0%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Changes of Benefit Terms**

No significant changes.

**Changes of Assumptions**

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



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The School Board  
Aberdeen School District 6-1  
Aberdeen, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Aberdeen School District 6-1 (the School District) as of and for the year ended June 30, 2019, 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 February 7, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

**Compliance and Other Matters**

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

**Response to Finding**

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



Aberdeen, South Dakota  
February 7, 2020



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance**

To the Board of Directors  
Aberdeen School District 6-1  
Aberdeen, South Dakota

### **Report on Compliance for Each Major Federal Program**

We have audited Aberdeen School District 6-1's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of Aberdeen School District 6-1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Aberdeen, South Dakota  
February 7, 2020



Supplementary Information  
June 30, 2019

## Aberdeen School District 6-1

Aberdeen School District 6-1  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

<u>Federal Grantor/Pass -Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture		
Pass-Through the SD Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 228,488
Cash Assistance:		
School Breakfast Program	10.553	167,641
National School Lunch Program	10.555	829,273
Total for Child Nutrition Cluster		<u>1,225,402</u>
Total U.S. Department of Agriculture		<u>1,225,402</u>
U.S. Department of the Interior		
Direct Federal Funding:		
477 Cluster:		
Indian Education - Assistance to Schools	15.130	17,960
Total for 477 Cluster:		<u>17,960</u>
Total U.S. Department of the Interior		<u>17,960</u>
U.S. Department of Education		
Direct Federal Funding:		
Indian Education - Grants to Local Educational Agencies	84.060	103,749
Pass-Through the SD Department of Education:		
Title I Grants to Local Educational Agencies	84.010	849,841
Title I Program for Neglected and Delinquent Children	84.013	61,805
Career and Technical Education - Basic Grants to States	84.048	61,024
Improving Teacher Quality State Grants	84.367	248,572
Vocational Rehabilitation Grants to States	84.126A	12,994
Special Education Cluster:		
Special Education - Grants to States	84.027	1,107,051
Special Education - Preschool Grants	84.173	35,808
Total for Special Education Cluster		<u>1,142,859</u>
Special Education - Grants for Infants and Families	84.181	5,361
Total U.S. Department of Education		<u>2,486,205</u>
Grand Total		<u>\$ 3,729,567</u>

**Note 1—Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Aberdeen School District 6-1 (the School District) under programs of the federal government for the year ended June 30, 2019. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the School District.

**Note 2— Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3—Pass-Through Entity**

The pass-through entities have not provided identifying numbers; therefore, they are not included in this schedule.

**Note 4—Indirect Cost Rate**

The School District has not elected to use the 10% *de minimus* cost rate.

**Note 5 — Food Donation**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the School District had food commodities totaling \$50,532 in inventory.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA, Preschool)	84.173
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**Finding 2019-001 Material Adjusting Entries**

*Criteria:* The School District’s internal control structure should be designed to provide for the recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

*Condition:* During the course of our audit field work we proposed a material audit adjustment to the Capital Outlay Fund to record accounts payable, retainage payable, and expense related to construction work performed at year-end.

*Cause:* The School District recorded accounts payable and retainage payable related to construction based on the date of the invoice rather than when the actual work was performed.

*Effect:* This caused the Capital Outlay Fund accounts payable, retainage payable, and expense to be understated.

*Recommendation:* We would recommend a review of all invoices and applications for payments related to construction work performed near year-end be reviewed to ensure all amounts are properly recorded.

*Views of Responsible Officials:* Management agrees with the finding.

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**Section III – Federal Award Findings and Questioned Costs**

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None.

# Aberdeen School District 6-1

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Tom Janish, Director of Finance

1224 S 3<sup>rd</sup> St  
Aberdeen, SD 57401  
(605) 725.7103  
Fax (605) 725.7198

Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings and  
Corrective Action Plan  
June 30, 2019

Prepared by Management of  
**Aberdeen School District 6-1**

**Finding 2018-A – Material Auditing Entries**

*Initial Fiscal Year Finding Occurred: 2018*

*Finding Summary: The School District recorded accounts payable and retainage payable related to construction based on the date of the invoice rather than when the actual work was performed.*

*Status: This finding has not been resolved in fiscal year 2018-19. See Finding 2019-001.*

***Finding 2019-001 Material Adjusting Entries***

*Finding Summary: The School District recorded accounts payable and retainage payable related to construction based on the date of the invoice rather than when the actual work was performed.*

*Responsible Individual: Tom Janish, Director of Finance*

*Corrective Action Plan: The Director of Finance will review all invoices and applications for payments related to construction work performed near year-end to ensure all amounts are properly recorded.*

*Anticipated Completion Date: Ongoing*