



Financial Statements
June 30, 2019 and 2018

Big Stone City School District 25-1

Independent Auditor’s Report.....	1
Financial Statements	
Statement of Net Position	3
Statements of Activities	5
Balance Sheet – Governmental Funds	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	9
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	13
Statement of Net Position – Proprietary Funds.....	14
Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	15
Statements of Cash Flows – Proprietary Funds	17
Statement of Fiduciary Net Position – Fiduciary Funds	19
Notes to Financial Statements	20
Required Supplementary Information	
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	45
Notes to Required Supplementary Information – OPEB Schedule.....	46
Budgetary Comparison Schedules – Budgetary Basis – General Fund	47
Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund	51
Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund.....	53
Budgetary Comparison Schedules – Budgetary Basis – Pension Fund	55
Notes to Required Supplementary Information – Budgetary Comparison Schedules	57
Schedule of Net Pension Liability (Asset).....	58
Schedule of Pension Contributions.....	59
Notes to Required Supplementary Information – Pension Schedules	60
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Schedule of Auditor’s Comments	63



Independent Auditor's Report

The School Board
Big Stone City School District 25-1
Big Stone City, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Big Stone City School District 25-1 (the School District) as of June 30, 2019, and for each of the years in the two year period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 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 each of years in the two year period 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 schedule of changes in the District's OPEB liabilities and related ratios, budgetary comparison schedules, schedule of net pension liability (asset), and schedule of pension contributions on pages 46 through 61 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion nor 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 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 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 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.



Aberdeen, South Dakota
January 13, 2020

Big Stone City School District 25-1
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 709,561	\$ 3,791	\$ 713,352
Taxes receivable	395,980	-	395,980
Internal balances	4,626	(4,626)	-
Accounts receivable	28,662	15,463	44,125
Inventories	-	7,500	7,500
Other assets	3,993	-	3,993
Net pension asset	803	203	1,006
Capital assets not being depreciated			
Land	240	-	240
Capital assets, net of accumulated depreciation			
Improvements other than buildings	62,094	-	62,094
Buildings	112,844	-	112,844
Machinery and equipment	83,845	32,526	116,371
Total assets	<u>1,402,648</u>	<u>54,857</u>	<u>1,457,505</u>
Deferred Outflows of Resources			
OPEB related deferred outflows	-	-	-
Pension related deferred outflows	285,912	72,539	358,451
Total deferred outflows of resources	<u>285,912</u>	<u>72,539</u>	<u>358,451</u>
	<u>\$ 1,688,560</u>	<u>\$ 127,396</u>	<u>\$ 1,815,956</u>

Big Stone City School District 25-1
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 11,613	\$ 5,014	\$ 16,627
Other current liabilities	84,042	9,820	93,862
Noncurrent liabilities			
Due within one year	26,798	-	26,798
Due in more than one year	40,756	-	40,756
OPEB liability	42,758	-	42,758
Total liabilities	205,967	14,834	220,801
Deferred Inflows of Resources			
Pension related deferred inflows	77,460	19,653	97,113
Taxes levied for future period	477,590	-	477,590
Total deferred inflows of resources	555,050	19,653	574,703
Net Position			
Net investment in capital assets	251,816	32,526	284,342
Restricted for			
Capital Outlay	142,596	-	142,596
Special Education	24,232	-	24,232
Pension Fund purposes	18,512	-	18,512
SDRS pension purposes	209,255	53,089	262,344
Unrestricted	281,132	7,294	288,426
Total net position	927,543	92,909	1,020,452
	\$ 1,688,560	\$ 127,396	\$ 1,815,956

Big Stone City School District 25-1
Statements of Activities
Years Ended June 30, 2019 and 2018

Functions/Programs	2019						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental activities:							
Instruction	\$ 1,041,411	\$ 171,494	\$ 95,168	\$ -	\$ (774,749)	\$ -	\$ (774,749)
Support services	503,169	-	4,673	-	(498,496)	-	(498,496)
Nonprogrammed charges	51,735	-	-	-	(51,735)	-	(51,735)
*Interest on long-term debt	191	-	-	-	(191)	-	(191)
Co-curricular activities	22,336	65	-	-	(22,271)	-	(22,271)
Total governmental activities	<u>1,618,842</u>	<u>171,559</u>	<u>99,841</u>	<u>-</u>	<u>(1,347,442)</u>	<u>-</u>	<u>(1,347,442)</u>
Business-type activities:							
Food service	115,233	34,429	55,429	-	-	(25,375)	(25,375)
Daycare and OST	183,400	170,778	-	-	-	(12,622)	(12,622)
Preschool	49,733	7,093	10,679	-	-	(31,961)	(31,961)
Total business-type activities	<u>348,366</u>	<u>212,300</u>	<u>66,108</u>	<u>-</u>	<u>-</u>	<u>(69,958)</u>	<u>(69,958)</u>
	<u>\$ 1,967,208</u>	<u>\$ 383,859</u>	<u>\$ 165,949</u>	<u>\$ -</u>	<u>(1,347,442)</u>	<u>(69,958)</u>	<u>(1,417,400)</u>
General Revenues							
Property taxes					904,875	-	904,875
Gross receipts taxes					16,018	-	16,018
Revenue from State sources:							
State aid					271,827	-	271,827
Unrestricted investment earnings					6,722	-	6,722
Rentals					1,353	-	1,353
Other general revenues					21,959	16,461	38,420
Gain on forgiveness of capital lease obligation					207	-	207
Transfers					(61,911)	61,911	-
Total general revenues					<u>1,161,050</u>	<u>78,372</u>	<u>1,239,422</u>
Change in Net Position					<u>(186,392)</u>	<u>8,414</u>	<u>(177,978)</u>
Net Position - Beginning					<u>1,113,935</u>	<u>84,495</u>	<u>1,198,430</u>
Net Position - Ending					<u>\$ 927,543</u>	<u>\$ 92,909</u>	<u>\$ 1,020,452</u>

*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.

Big Stone City School District 25-1
Statements of Activities
Years Ended June 30, 2019 and 2018

Functions/Programs	2018						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
Instruction	\$ 1,114,261	\$ 219,040	\$ 94,806	\$ -	\$ (800,415)	\$ -	\$ (800,415)
Support services	514,366	-	4,239	-	(510,127)	-	(510,127)
Nonprogrammed charges	10,888	-	-	-	(10,888)	-	(10,888)
*Interest on long-term debt	78	-	-	-	(78)	-	(78)
Co-curricular activities	21,189	210	-	-	(20,979)	-	(20,979)
Total governmental activities	<u>1,660,782</u>	<u>219,250</u>	<u>99,045</u>	<u>-</u>	<u>(1,342,487)</u>	<u>-</u>	<u>(1,342,487)</u>
Business-type activities:							
Food service	85,176	34,047	50,377	6,229	-	5,477	5,477
Daycare and OST	70,790	37,407	8,645	-	-	(24,738)	(24,738)
Preschool	47,518	26,147	-	-	-	(21,371)	(21,371)
Total business-type activities	<u>203,484</u>	<u>97,601</u>	<u>59,022</u>	<u>6,229</u>	<u>-</u>	<u>(40,632)</u>	<u>(40,632)</u>
	<u>\$ 1,864,266</u>	<u>\$ 316,851</u>	<u>\$ 158,067</u>	<u>\$ 6,229</u>	<u>(1,342,487)</u>	<u>(40,632)</u>	<u>(1,383,119)</u>
General Revenues							
Property taxes					886,894	-	886,894
Gross receipts taxes					17,643	-	17,643
Revenue from State sources:							
State aid					263,860	-	263,860
Unrestricted investment earnings					7,153	-	7,153
Other general revenues					33,124	9,776	42,900
Transfers					(56,275)	56,275	-
Total general revenues					<u>1,152,399</u>	<u>66,051</u>	<u>1,218,450</u>
Change in Net Position					<u>(190,088)</u>	<u>25,419</u>	<u>(164,669)</u>
Net Position - Beginning, as Previously Stated					1,362,479	59,076	1,421,555
Restatement (Note 15)					<u>(58,456)</u>	<u>-</u>	<u>(58,456)</u>
Net Position - Beginning, as Restated					<u>1,304,023</u>	<u>59,076</u>	<u>1,363,099</u>
Net Position - Ending					<u>\$ 1,113,935</u>	<u>\$ 84,495</u>	<u>\$ 1,198,430</u>

*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.

Big Stone City School District 25-1
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 488,256	\$ 156,753	\$ 46,095	\$ 18,457	\$ 709,561
Taxes receivable - current	270,989	61,333	53,938	-	386,260
Taxes receivable - delinquent	7,236	1,280	1,149	55	9,720
Accounts receivable	12,644	-	-	-	12,644
Due from other funds	4,626	-	-	-	4,626
Due from other governments	16,018	-	-	-	16,018
Deposits	3,993	-	-	-	3,993
	<u>\$ 803,762</u>	<u>\$ 219,366</u>	<u>\$ 101,182</u>	<u>\$ 18,512</u>	<u>\$ 1,142,822</u>
Liabilities and Fund Balances					
Current Liabilities					
Accounts payable	\$ 8,943	\$ 759	\$ 1,911	\$ -	\$ 11,613
Contracts payable	66,875	-	7,244	-	74,119
Payroll deductions and withholdings and employer matching payable	8,974	-	949	-	9,923
Total liabilities	<u>84,792</u>	<u>759</u>	<u>10,104</u>	<u>-</u>	<u>95,655</u>
Deferred Inflows of Resources					
Unavailable revenue - utility taxes	8,089	-	-	-	8,089
Unavailable revenue - delinquent property taxes	7,236	1,280	1,149	55	9,720
Taxes levied for a future period	334,733	76,011	66,846	-	477,590
Total deferred inflows of resources	<u>350,058</u>	<u>77,291</u>	<u>67,995</u>	<u>55</u>	<u>495,399</u>
Fund Balances					
Nonspendable for:					
Deposits	3,993	-	-	-	3,993
Restricted for:					
Capital Outlay	-	141,316	-	-	141,316
Special Education	-	-	23,083	-	23,083
Pension	-	-	-	18,457	18,457
Unassigned	364,919	-	-	-	364,919
Total fund balances	<u>368,912</u>	<u>141,316</u>	<u>23,083</u>	<u>18,457</u>	<u>551,768</u>
	<u>\$ 803,762</u>	<u>\$ 219,366</u>	<u>\$ 101,182</u>	<u>\$ 18,512</u>	<u>\$ 1,142,822</u>

Big Stone City School District 25-1
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2019

Total Fund Balances - Governmental Funds	\$	551,768
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		259,023
Long-term liabilities, including accrued leave and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(67,554)
OPEB obligations and related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.		(42,758)
Assets such as taxes receivable (delinquent and utility) are not available to pay for current period expenditures and, therefore, are deferred in the funds.		17,809
Net pension 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.		209,255
		209,255
Net Position - Governmental Funds	\$	927,543

Big Stone City School District 25-1
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2019 and 2018

	2019				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 631,467	\$ 147,252	\$ 120,648	\$ -	\$ 899,367
Prior year's ad valorem taxes	5,288	1,002	968	-	7,258
Gross receipts taxes	16,122	-	-	-	16,122
Penalties and interest on taxes	1,333	169	156	-	1,658
Tuition and fees:					
Regular day school tuition	159,388	-	12,106	-	171,494
Earnings on investments and deposits	6,722	-	-	-	6,722
Co-curricular activities:					
Other pupil activity income	65	-	-	-	65
Other revenue from local sources:					
Rentals	1,353	-	-	-	1,353
Contributions and donations	4,673	-	-	-	4,673
Charges for services	1,534	-	88	-	1,622
Other	12,278	720	300	-	13,298
Revenue from intermediate sources					
County sources:					
County apportionment	6,858	-	-	-	6,858
Revenue in lieu of taxes	90	-	-	-	90
Revenue from State sources					
Grants-in-aid:					
Unrestricted grants-in-aid	271,827	-	-	-	271,827
Restricted grants-in-aid	8,300	-	-	-	8,300
Revenue from Federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from Federal government through the State	64,076	-	22,792	-	86,868
Revenue in Lieu of Taxes (PILT)	91	-	-	-	91
Total revenues	<u>1,191,465</u>	<u>149,143</u>	<u>157,058</u>	<u>-</u>	<u>1,497,666</u>

Big Stone City School District 25-1
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2019 and 2018

	2019				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Expenditures					
Instruction					
Regular programs:					
Elementary	365,113	4,165	-	-	369,278
Middle/junior high	174,338	-	-	-	174,338
Special programs:					
Programs for special education	-	-	138,840	-	138,840
Educationally deprived	43,336	-	-	-	43,336
Tuition	252,725	-	-	-	252,725
Support services					
Pupils:					
Guidance	6,849	-	-	-	6,849
Psychological	-	-	1,095	-	1,095
Speech pathology	-	-	40,438	-	40,438
Student therapy services	-	-	2,129	-	2,129
Support services - instructional staff:					
Improvement of instruction	4,051	-	-	-	4,051
Educational media	16,934	-	-	-	16,934
Support services - general administration:					
Board of Education	6,258	-	-	-	6,258
Support services - school administration:					
Office of the Principal	64,271	-	-	-	64,271
Other school administration	146	-	-	-	146
Support services - business:					
Fiscal services	119,240	-	-	-	119,240
Operation and maintenance of plant	123,807	7,484	-	-	131,291
Pupil transportation	50,694	-	-	-	50,694
Other	3,878	3,018	-	-	6,896
Community services					
Welfare activities	3,084	-	-	-	3,084
Nonprogrammed charges					
Early retirement payments	-	-	-	10,885	10,885
Debt service	-	1,909	-	-	1,909
Co-curricular activities					
Combined activities	16,068	-	-	-	16,068
Capital outlay	-	32,349	-	-	32,349
Total expenditures	<u>1,250,792</u>	<u>48,925</u>	<u>182,502</u>	<u>10,885</u>	<u>1,493,104</u>
Excess of Revenue over (under) Expenditures	<u>(59,327)</u>	<u>100,218</u>	<u>(25,444)</u>	<u>(10,885)</u>	<u>4,562</u>
Other Financing Sources (Uses)					
Transfers in	80,000	-	-	-	80,000
Long-term debt issued	-	8,395	-	-	8,395
Transfers out	<u>(61,911)</u>	<u>(60,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>(141,911)</u>
Total other financing sources (uses)	<u>18,089</u>	<u>(51,605)</u>	<u>-</u>	<u>(20,000)</u>	<u>(53,516)</u>
Net Change in Fund Balance	(41,238)	48,613	(25,444)	(30,885)	(48,954)
Fund Balance - Beginning	<u>410,150</u>	<u>92,703</u>	<u>48,527</u>	<u>49,342</u>	<u>600,722</u>
Fund Balance - Ending	<u>\$ 368,912</u>	<u>\$ 141,316</u>	<u>\$ 23,083</u>	<u>\$ 18,457</u>	<u>\$ 551,768</u>

Big Stone City School District 25-1
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2019 and 2018

	2018				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Total Governmental Funds
Revenues					
Revenue from local sources					
Taxes:					
Ad valorem taxes	\$ 633,248	\$ 131,288	\$ 111,990	\$ -	\$ 876,526
Prior year's ad valorem taxes	4,367	468	556	34	5,425
Gross receipts taxes	16,742	-	-	-	16,742
Penalties and interest on taxes	1,486	155	186	11	1,838
Tuition and fees:					
Regular day school tuition	175,598	-	43,442	-	219,040
Earnings on investments and deposits	7,153	-	-	-	7,153
Co-curricular activities					
Other pupil activity income	210	-	-	-	210
Other revenue from local sources:					
Rentals	954	-	-	-	954
Contributions and donations	4,239	-	-	-	4,239
Refund of prior years' expenditures	35	-	-	-	35
Charges for services	1,654	-	95	-	1,749
Other	23,404	-	300	-	23,704
Revenue from intermediate sources					
County sources:					
County apportionment	6,465	-	-	-	6,465
Revenue in lieu of taxes	108	-	-	-	108
Revenue from State sources					
Grants-in-aid:					
Unrestricted grants-in-aid	263,860	-	-	-	263,860
Restricted grants-in-aid	18,113	-	-	-	18,113
Revenue from Federal sources					
Grants-in-aid:					
Restricted grants-in-aid received from Federal government through the State	54,014	-	22,679	-	76,693
Revenue in Lieu of Taxes (PILT)	109	-	-	-	109
Total revenues	<u>1,211,759</u>	<u>131,911</u>	<u>179,248</u>	<u>45</u>	<u>1,522,963</u>

Big Stone City School District 25-1
 Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 Years Ended June 30, 2019 and 2018

	2018				Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	
Expenditures					
Instruction					
Regular programs:					
Elementary	384,913	-	-	-	384,913
Middle/junior high	196,357	-	-	-	196,357
Special programs:					
Programs for special education	-	-	170,012	-	170,012
Educationally deprived	45,981	-	-	-	45,981
Tuition	212,272	-	-	-	212,272
Support services					
Pupils:					
Guidance	6,402	-	-	-	6,402
Psychological	-	-	2,680	-	2,680
Speech pathology	-	-	36,743	-	36,743
Student therapy services	-	-	2,408	-	2,408
Support services - instructional staff:					
Improvement of instruction	6,273	-	-	-	6,273
Educational media	24,668	-	-	-	24,668
Support services - general administration:					
Board of Education	24,009	-	-	-	24,009
Support services - school administration:					
Office of the Principal	58,445	-	-	-	58,445
Other school administration	167	-	-	-	167
Support services - business:					
Fiscal services	107,667	-	-	-	107,667
Operation and maintenance of plant	110,036	3,597	-	-	113,633
Pupil transportation	48,682	-	-	-	48,682
Food services	3,974	-	-	-	3,974
Other	-	2,389	-	-	2,389
Community services					
Other community services	2,580	-	-	-	2,580
Nonprogrammed charges					
Early retirement payments	-	-	-	10,888	10,888
Debt service	-	2,153	-	-	2,153
Co-curricular activities					
Combined activities	14,098	-	-	-	14,098
Capital outlay	-	37,699	-	-	37,699
Total expenditures	<u>1,246,524</u>	<u>45,838</u>	<u>211,843</u>	<u>10,888</u>	<u>1,515,093</u>
Excess of Revenue over (under) Expenditures	<u>(34,765)</u>	<u>86,073</u>	<u>(32,595)</u>	<u>(10,843)</u>	<u>7,870</u>
Other Financing Sources (Uses)					
Transfers in	81,980	-	-	-	81,980
Transfers out	<u>(56,275)</u>	<u>(57,480)</u>	<u>-</u>	<u>(24,500)</u>	<u>(138,255)</u>
Total other financing sources (uses)	<u>25,705</u>	<u>(57,480)</u>	<u>-</u>	<u>(24,500)</u>	<u>(56,275)</u>
Net Change in Fund Balance	(9,060)	28,593	(32,595)	(35,343)	(48,405)
Fund Balance - Beginning	<u>419,210</u>	<u>64,110</u>	<u>81,122</u>	<u>84,685</u>	<u>649,127</u>
Fund Balance - Ending	<u>\$ 410,150</u>	<u>\$ 92,703</u>	<u>\$ 48,527</u>	<u>\$ 49,342</u>	<u>\$ 600,722</u>

Big Stone City School District 25-1

Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities Years Ended June 30, 2019 and 2018

	2019	2018
Net Change in Fund Balances - Total Governmental Funds	\$ (48,954)	\$ (48,405)
Amounts Reported for Governmental Activities in the Statements of Activities Are Different Because:		
Governmental funds report capital outlays as expenditures; however, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$26,525) was exceeded by Capital Outlay (\$32,348) in 2019 and which depreciation (\$27,142) was exceeded by Capital Outlay (\$37,699) in 2018.	5,823	10,557
Gains on the forgiveness of capital lease obligations are not reported in the governmental funds:		
Balance of lease obligation forgiven	535	
Book value of asset at time of lease forgiveness	(328)	
Net gain on forgiveness of capital lease obligation	207	-
Governmental funds do not reflect the change in long-term debt, but the statements of activities reflects the change in long-term debt through expenditures.	(49,528)	13,582
The accrual of OPEB costs are not reflected in governmental funds, but the statements of activities reflect the change in this liability and related deferred outflows of resources.	(8,376)	(4,208)
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 both property and utility tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	(3,512)	4,006
Reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	(82,052)	(165,620)
Change in Net Assets of Governmental Activities	\$ (186,392)	\$ (190,088)

Big Stone City School District 25-1
Statement of Net Position – Proprietary Funds
June 30, 2019

	Enterprise		Total
	Food Service Fund	Preschool Fund	
Assets			
Current Assets			
Cash and cash equivalents	\$ 3,791	\$ -	\$ 3,791
Accounts receivable	3,137	12,326	15,463
Inventory of supplies	1,321	-	1,321
Inventory of stores purchased for resale	2,789	-	2,789
Inventory of donated food	3,390	-	3,390
Total current assets	<u>14,428</u>	<u>12,326</u>	<u>26,754</u>
Noncurrent Assets			
Net pension asset	47	156	203
Capital assets:			
Machinery and equipment - local funds	79,614	-	79,614
Less accumulated depreciation	<u>(47,088)</u>	<u>-</u>	<u>(47,088)</u>
Total noncurrent assets	<u>32,573</u>	<u>156</u>	<u>32,729</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>16,787</u>	<u>55,752</u>	<u>72,539</u>
	<u>\$ 63,788</u>	<u>\$ 68,234</u>	<u>\$ 132,022</u>
Liabilities and Net Position			
Liabilities			
Accounts payable	\$ 1,185	\$ 3,829	\$ 5,014
Contracts payable	4,305	3,596	7,901
Due to general fund	-	4,626	4,626
Payroll deductions and withholdings and employer matching payable	<u>1,438</u>	<u>481</u>	<u>1,919</u>
Total liabilities	<u>6,928</u>	<u>12,532</u>	<u>19,460</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>4,548</u>	<u>15,105</u>	<u>19,653</u>
Net Position			
Net investment in capital assets	32,526	-	32,526
SDRS pension purposes	12,286	40,803	53,089
Unrestricted net position	<u>7,500</u>	<u>(206)</u>	<u>7,294</u>
Total net position	<u>52,312</u>	<u>40,597</u>	<u>92,909</u>
	<u>\$ 63,788</u>	<u>\$ 68,234</u>	<u>\$ 132,022</u>

Big Stone City School District 25-1
 Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
 Years Ended June 30, 2019 and 2018

	2019		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 7,093	\$ 7,093
Sales			
To pupils	27,508	-	27,508
To adults	6,921	-	6,921
Daycare and OST services	-	170,778	170,778
Total operating revenue	<u>34,429</u>	<u>177,871</u>	<u>212,300</u>
Operating Expenses			
Salaries and employee benefits	64,153	202,320	266,473
Purchased services	2,810	14,461	17,271
Supplies	2,072	16,352	18,424
Cost of sales - purchased	33,529	-	33,529
Cost of sales - donated	5,584	-	5,584
Depreciation	7,024	-	7,024
Other	61	-	61
Total operating expenses	<u>115,233</u>	<u>233,133</u>	<u>348,366</u>
Operating Loss	<u>(80,804)</u>	<u>(55,262)</u>	<u>(136,066)</u>
Nonoperating Revenue			
Other local revenue	5,068	11,393	16,461
State sources:			
Cash reimbursements	234	-	234
Federal sources:			
Cash reimbursements	49,374	10,679	60,053
Donated food	5,821	-	5,821
Total nonoperating revenue	<u>60,497</u>	<u>22,072</u>	<u>82,569</u>
Loss Before Contributions and Transfers	<u>(20,307)</u>	<u>(33,190)</u>	<u>(53,497)</u>
Transfers in	<u>6,042</u>	<u>55,869</u>	<u>61,911</u>
Change in Net Position	<u>(14,265)</u>	<u>22,679</u>	<u>8,414</u>
Net Position - Beginning	66,577	17,918	84,495
Net Position - Ending	<u>\$ 52,312</u>	<u>\$ 40,597</u>	<u>\$ 92,909</u>

Big Stone City School District 25-1
 Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
 Years Ended June 30, 2019 and 2018

	2018		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 26,147	\$ 26,147
Sales			
To pupils	28,305	-	28,305
To adults	5,742	-	5,742
Daycare and OST services	-	37,407	37,407
Total operating revenue	<u>34,047</u>	<u>63,554</u>	<u>97,601</u>
Operating Expenses			
Salaries and employee benefits	37,284	59,972	97,256
Purchased services	1,448	34,020	35,468
Supplies	1,205	24,316	25,521
Cost of sales - purchased	31,634	-	31,634
Cost of sales - donated	6,321	-	6,321
Depreciation	7,226	-	7,226
Other	58	-	58
Total operating expenses	<u>85,176</u>	<u>118,308</u>	<u>203,484</u>
Operating Loss	<u>(51,129)</u>	<u>(54,754)</u>	<u>(105,883)</u>
Nonoperating Revenue			
Other local revenue	3,062	6,714	9,776
State sources:			
Cash reimbursements	209	-	209
Federal sources:			
Cash reimbursements	44,016	-	44,016
Child care and development block grant	-	8,645	8,645
Donated food	6,152	-	6,152
Total nonoperating revenue	<u>53,439</u>	<u>15,359</u>	<u>68,798</u>
Income (Loss) Before Transfers and Capital Contributions	2,310	(39,395)	(37,085)
Capital Contributions	6,229	-	6,229
Transfers in	-	56,275	56,275
Change in Net Position	8,539	16,880	25,419
Net Position - Beginning	<u>58,038</u>	<u>1,038</u>	<u>59,076</u>
Net Position - Ending	<u>\$ 66,577</u>	<u>\$ 17,918</u>	<u>\$ 84,495</u>

Big Stone City School District 25-1
Statements of Cash Flows – Proprietary Funds
Years Ended June 30, 2019 and 2018

	2019		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Cash Flows used for Operating Activities			
Cash receipts from customers	\$ 35,980	\$ 173,891	\$ 209,871
Cash payments to employees for services	(56,309)	(218,152)	(274,461)
Cash payments to suppliers for goods or services	(40,342)	(33,732)	(74,074)
Other operating cash payments	(61)	-	(61)
Net Cash used for Operating Activities	<u>(60,732)</u>	<u>(77,993)</u>	<u>(138,725)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	6,042	55,869	61,911
Net borrowings from other funds	-	4,626	4,626
Donations and other fund raising activities	5,068	11,393	16,461
Cash reimbursements - State sources	234	-	234
Cash reimbursements - Federal sources	49,374	10,679	60,053
Net Cash from Noncapital Financing Activities	<u>60,718</u>	<u>82,567</u>	<u>143,285</u>
Cash Flows used for Capital and Related Financing Activities			
Purchase of Capital Assets	(6,954)	-	(6,954)
Net Cash used for Capital and Related Financing Activities	<u>(6,954)</u>	<u>-</u>	<u>(6,954)</u>
Net Change in Cash and Cash Equivalents	(6,968)	4,574	(2,394)
Cash and Cash Equivalents Beginning of Year	<u>10,759</u>	<u>(4,574)</u>	<u>6,185</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,791</u>	<u>\$ -</u>	<u>\$ 3,791</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (80,804)	\$ (55,262)	\$ (136,066)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	7,024	-	7,024
Value of donated commodities used	5,584	-	5,584
Change in assets and liabilities:			
Receivables	1,551	(3,980)	(2,429)
Inventories	(502)	-	(502)
Accounts and other payables	(1,429)	(2,919)	(4,348)
Accrued wages payable	590	(2,625)	(2,035)
Pension liability and deferred inflows	669	9,474	10,143
Pension asset and deferred outflows	6,292	(22,339)	(16,047)
Accrued payroll liabilities	293	(342)	(49)
Net Cash used for Operating Activities	<u>\$ (60,732)</u>	<u>\$ (77,993)</u>	<u>\$ (138,725)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 5,821	\$ -	\$ 5,821

Big Stone City School District 25-1
Statements of Cash Flows – Proprietary Funds
Years Ended June 30, 2019 and 2018

	2018		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Cash Flows used for Operating Activities			
Cash receipts from customers	\$ 32,873	\$ 57,160	\$ 90,033
Cash payments to employees for services	(49,635)	(82,639)	(132,274)
Cash payments to suppliers for goods or services	(35,265)	(52,233)	(87,498)
Other operating cash payments	(58)	-	(58)
Net Cash used for Operating Activities	<u>(52,085)</u>	<u>(77,712)</u>	<u>(129,797)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	-	56,275	56,275
Donations and other fund raising activities	3,062	6,714	9,776
Cash reimbursements - State sources	209	-	209
Cash reimbursements - Federal sources	44,016	-	44,016
Child care and development block grant	-	8,645	8,645
Net Cash from Noncapital Financing Activities	<u>47,287</u>	<u>71,634</u>	<u>118,921</u>
Net Change in Cash and Cash Equivalents	(4,798)	(6,078)	(10,876)
Cash and Cash Equivalents Beginning of Year	<u>15,557</u>	<u>1,504</u>	<u>17,061</u>
Cash and Cash Equivalents End of Year	<u>\$ 10,759</u>	<u>\$ (4,574)</u>	<u>\$ 6,185</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (51,129)	\$ (54,754)	\$ (105,883)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	7,226	-	7,226
Value of donated commodities used	6,321	-	6,321
Change in assets and liabilities:			
Receivables	(1,174)	(6,394)	(7,568)
Inventories	(593)	-	(593)
Accounts and other payables	(385)	6,103	5,718
Accrued wages payable	(2,596)	(7,144)	(9,740)
Pension liability and deferred inflows	(2,293)	(2,681)	(4,974)
Pension asset and deferred outflows	(7,161)	(12,067)	(19,228)
Accrued payroll liabilities	(301)	(775)	(1,076)
Net Cash used for Operating Activities	<u>\$ (52,085)</u>	<u>\$ (77,712)</u>	<u>\$ (129,797)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 6,152	\$ -	\$ 6,152
Capital contributions	6,229	-	6,229

Big Stone City School District 25-1
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2019

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 9,883</u>
	<u>\$ 9,883</u>
Liabilities	
Amounts held for others	<u>\$ 9,883</u>
	<u>\$ 9,883</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Big Stone City School District 25-1 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of the Big Stone City School District 25-1 (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 School District); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the School District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

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

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

The statements of activities present a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by 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 - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay, Special Education, and Pension Funds are the special revenue funds maintained by the School District.

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

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

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

Proprietary Funds

Enterprise Fund Types - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following are enterprise funds maintained by the School District:

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

Preschool Fund – A fund used to record financial transactions related to preschool, daycare, and out of school time (OST) operations. This fund is financed by user charges. This is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency Fund Types - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for student funds generated within the School District by the students or other School District organizations.

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements - In the government-wide statement of net position and statements of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

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

Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. "Available" means resources are collected, or to be collected, soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle and, for the School District, the length of that cycle is 60 days.

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

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

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:

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.

Fund Financial Statements - Noncurrent portions of long-term, interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from 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.

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories in the General Fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

Capital Assets

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

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

Government-Wide Statements - All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

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

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide statements 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	All land values	N/A	N/A
Buildings and improvements	\$ 10,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5-20 years
Food service assets	500	Straight-line	5-20 years

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 only long-term liabilities of the School District are accrued sick leave payable, early retirement, and a capital lease.

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

Program Revenues

In the government-wide statements 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.

Property Taxes

Property taxes are levied on or before each October 1, attached as an enforceable lien on property as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining 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. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and, therefore, are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

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 statements of revenues, expenses and changes in net position, revenues and expenses are classified in a manner consistent with how they are classified in the statements 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.

Cash and Cash Equivalents

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise funds have access to its cash resources on demand. Accordingly, all reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statements of cash flows.

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.

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.

Fund Balance Classification Policies and Procedures

In accordance with GASB No. 54, the School District classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making, 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/assigned 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 School District would first use committed, then assigned, and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

Major Special Revenue Fund

Capital Outlay Fund
 Special Education Fund
 Pension Fund

Revenue Source

Property taxes
 Grants and property taxes
 Property taxes

Deferred Outflows and 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 two items that qualify for reporting in this category. The School District reports contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position as deferred outflows of resources.

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.

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 has been determined on the same basis as 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.

Rounding

Computer generated rounding variances may exist in the basic financial statements and required supplementary information. The variances result from values being entered with cents rather than as whole numbers.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk

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

Deposits

The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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. As of June 30, 2019, all of the financial institutions that holds the School District's deposits were properly collateralized.

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 investment. The School District's policy is to credit all income from investments to the General Fund.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in any one 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 as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC.

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

Insured (FDIC/NCUA)	\$ 500,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging State and the pledging financial institution	297,425
	<u>\$ 797,425</u>

The School District’s carrying amount of deposits at June 30, 2019, was \$723,235. Reconciliation of deposits to government-wide statement of net position:

Cash and cash equivalents	\$ 713,352
Add: Agency fund cash (not included in government-wide statement of net assets)	<u>9,883</u>
	<u><u>\$ 723,235</u></u>

Investments

In general, SDCL 4-5-6 permits School District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to 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 did not hold any investments. The School District does not have a formal investment policy that addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

Note 3 - Receivables and Payables

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible accounts have been established.

Note 4 - Changes in Capital Assets

A summary of changes in capital assets for the years ended June 30, 2019 and 2018, is as follows:

<u>Primary Government Governmental Activities</u>	<u>Balance 7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2019</u>
Capital assets, not being depreciated:				
Land	\$ 240	\$ -	\$ -	\$ 240
Total capital assets not being depreciated	<u>240</u>	<u>-</u>	<u>-</u>	<u>240</u>
Capital assets being depreciated:				
Improvements other than buildings	83,496	7,402	-	90,898
Buildings	818,121	-	-	818,121
Machinery and equipment	161,546	24,946	9,855	176,637
	<u>1,063,163</u>	<u>32,348</u>	<u>9,855</u>	<u>1,085,656</u>
Less accumulated depreciation for:				
Improvements other than buildings	24,397	4,407	-	28,804
Buildings	693,993	11,284	-	705,277
Machinery and equipment	91,485	10,834	9,527	92,792
Total accumulated depreciation	<u>809,875</u>	<u>26,525</u>	<u>9,527</u>	<u>826,873</u>
Total capital assets being depreciated, net	<u>253,288</u>	<u>5,823</u>	<u>328</u>	<u>258,783</u>
Governmental activity capital assets, net	<u>\$ 253,528</u>	<u>\$ 5,823</u>	<u>\$ 328</u>	<u>\$ 259,023</u>

Depreciation expense was charged to functions as follows:

Governmental activities			
Instruction			\$ 2,981
Support services			17,738
Co-curricular			<u>5,806</u>
Total depreciation expense - governmental activities			<u>\$ 26,525</u>

<u>Business-Type Activities</u>	<u>Balance 7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2019</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 72,658	\$ 6,955	\$ -	\$ 79,613
Total	<u>72,658</u>	<u>6,955</u>	<u>-</u>	<u>79,613</u>
Less accumulated depreciation for:				
Machinery and equipment	40,064	7,024	-	47,088
Total accumulated depreciation	<u>40,064</u>	<u>7,024</u>	<u>-</u>	<u>47,088</u>
Total capital assets being depreciated, net	<u>32,594</u>	<u>(69)</u>	<u>-</u>	<u>32,525</u>
Business-type activities capital assets, net	<u>\$ 32,594</u>	<u>\$ (69)</u>	<u>\$ -</u>	<u>\$ 32,525</u>

Depreciation expense was charged to functions as follows:

Business-type activities:			
Food services			\$ 7,024
Total depreciation expense - business-type activities			<u>\$ 7,024</u>

Big Stone City School District 25-1
Notes to Financial Statements
June 30, 2019 and 2018

<u>Primary Government Governmental Activities</u>	<u>Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>
Capital assets, not being depreciated:				
Land	\$ 240	\$ -	\$ -	\$ 240
Total capital assets not being depreciated	<u>240</u>	<u>-</u>	<u>-</u>	<u>240</u>
Capital assets being depreciated				
Improvements other than buildings	70,770	12,726	-	83,496
Buildings	818,121	-	-	818,121
Machinery and equipment	136,573	24,973	-	161,546
	<u>1,025,464</u>	<u>37,699</u>	<u>-</u>	<u>1,063,163</u>
Less accumulated depreciation for:				
Improvements other than buildings	18,218	6,179	-	24,397
Buildings	682,708	11,285	-	693,993
Machinery and equipment	81,807	9,678	-	91,485
Total accumulated depreciation	<u>782,733</u>	<u>27,142</u>	<u>-</u>	<u>809,875</u>
Total capital assets, being depreciated, net	<u>242,731</u>	<u>10,557</u>	<u>-</u>	<u>253,288</u>
Governmental activity capital assets, net	<u>\$ 242,971</u>	<u>\$ 10,557</u>	<u>\$ -</u>	<u>\$ 253,528</u>

Depreciation expense was charged to functions as follows:

Governmental activities				
Instruction				\$ 2,101
Support services				18,741
Co-curricular				<u>6,300</u>
Total depreciation expense - governmental activities				<u>\$ 27,142</u>

<u>Business-Type Activities</u>	<u>Balance 7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2018</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 66,429	\$ 6,229	\$ -	\$ 72,658
Total	<u>66,429</u>	<u>6,229</u>	<u>-</u>	<u>72,658</u>
Less accumulated depreciation for:				
Machinery and equipment	32,838	7,226	-	40,064
Total accumulated depreciation	<u>32,838</u>	<u>7,226</u>	<u>-</u>	<u>40,064</u>
Total capital assets being depreciated, net	<u>33,591</u>	<u>(997)</u>	<u>-</u>	<u>32,594</u>
Business-type activities capital assets, net	<u>\$ 33,591</u>	<u>\$ (997)</u>	<u>\$ -</u>	<u>\$ 32,594</u>

Depreciation expense was charged to functions as follows:

Business-type activities:				
Food services				\$ 7,226
Total depreciation expense - business-type activities				<u>\$ 7,226</u>

Note 5 - Long-Term Liabilities

A summary of changes in long-term debt follows:

<u>Primary Government:</u>	Beginning Balance 7/1/2017	Additions	Deletions	Ending Balance 6/30/2019	Due Within One Year
Governmental activities					
2013 Xerox Copier Lease	\$ 3,141	\$ -	\$ 3,141	\$ -	\$ -
2019 Kyocera Copier Lease	-	8,395	1,188	7,207	1,601
Early Retirement	-	45,600	4,750	40,850	5,700
Accrued sick leave	29,002	9,446	18,951	19,497	19,497
	<u>\$ 32,143</u>	<u>\$ 63,441</u>	<u>\$ 28,030</u>	<u>\$ 67,554</u>	<u>\$ 26,798</u>

No anticipated reduction in accrued sick leave is foreseen for the next year. This accrual is typically liquidated from the General Fund and the Special Education Fund. Early retirement benefits payable for governmental activities has typically been liquidated from the Pension Fund.

Debt payable as of June 30, 2019, is comprised of the following items:

2019 Kyocera Copier Lease	
Copier lease with Century Business Leasing, 3.5% interest rate, monthly payments of \$152.28 paid from the Capital Outlay fund; Final payment September 2023	\$ 7,207
Early Retirement	
Requires monthly payments of \$475 from the General or Pension Fund; Final payment July 2026	<u>40,850</u>
	<u>\$ 48,057</u>

The annual requirements to maturity for all debt outstanding for governmental activities as of June 30, 2019, excluding accrued sick leave, is as follows:

Year Ending June 30,	2019 Kyocera Copier Lease		Early Retirement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,601	\$ 227	\$ 5,700	\$ -	\$ 7,301	\$ 227
2021	1,658	170	5,700	-	7,358	170
2022	1,717	111	5,700	-	7,417	111
2023	1,778	50	5,700	-	7,478	50
2024	453	2	5,700	-	6,153	2
Thereafter	-	-	12,350	-	12,350	-
	<u>\$ 7,207</u>	<u>\$ 560</u>	<u>\$ 40,850</u>	<u>\$ -</u>	<u>\$ 48,057</u>	<u>\$ 560</u>

Note 6 - Restricted Net Position

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 142,596
Special Education	Law	24,232
Pension Fund purposes	Law	18,512
SDRS pension purposes	Law	262,344
		<hr/>
Total restricted net assets		<u>\$ 447,684</u>

Note 7 - Early Retirement Plan

The School District has adopted a policy whereby teachers between the ages of 55 and 64 that have been employed with the School District for a minimum of 15 years are eligible for early retirement. An eligible retiree is entitled to a sum equal to the School District contribution to a single insurance policy per month. This shall be paid to the retiree beginning in September of the school year immediately following the effective retirement date and continuing through August of the school year in which the retiree reaches the age of Medicare eligibility, at which time the payments will cease. These payments shall be made on regularly scheduled paydays. Any teacher employed by the School District will have the option of carrying the School District group health insurance for him/herself and/or his/her spouse, with the premium being paid by the retiree and/or participating spouse until the retiree and/or participating spouse reach the age of Medicare eligibility. Arrangements may be made with the Business Manager to apply the cash benefit to insurance. For the fiscal years ending June 30, 2019 and 2018, the retirees participating in this plan have chosen to have this benefit applied to the retiree health insurance premium. Part-time employees' benefits will be prorated based on the formula above.

Effective July 1, 2019, the early retirement plan was terminated. However, employees hired prior to 2008 and eligible for the 2018-2019 negotiated agreement retirement benefit may still earn the benefit outlined under the previous plan, with a maximum payout of \$10,000, and limited to one retiring employee per any given year.

Note 8 - 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 two years ended June 30, 2019, the School District managed its risks as follows:

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omission 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.

Employee Health Insurance

The School District purchases health insurance for its employees from a commercial carrier.

Worker's Compensation Insurance

The School District participates, with several other educational units and related organizations in South Dakota, in the Association of School Boards Worker's Compensation Fund Pool which provided worker's compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. For the two years ended June 30, 2019, the pool's retained risk was \$500,000 per occurrence, with additional insurance purchased from a private insurance company for an additional \$500,000, for total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to the pool members for the years ended June 30, 2019 and 2018.

Unemployment Benefits

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

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

Note 9 - Post-Employment Healthcare Plan

Plan Description

Big Stone City 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 School District certified staff and the governing board. A teacher 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. The retiree is not responsible for any of the full active premium rates for single-party coverage and, if two-party coverage is received, the retiree is responsible for the difference between the full active premium rates of single-party and two-party coverage.

Employees Covered by Benefit Terms

At the valuation date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	26
	26

Total OPEB Liability

The District’s total OPEB liability of \$42,758 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	See SDRS Actuarial Assumptions
Salary increases	See SDRS Actuarial Assumptions
Discount rate	3.58% as of 6/30/18 and 3.87% as of 6/30/19
Healthcare cost trend rates - Medical	6.10% as of 7/1/17 grading to 4.90% over 45 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	97% of RP-2014 White Collar Mortality Tables for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2017	
Disability	See SDRS Actuarial Assumptions	
Withdrawal	See sample rates	
Retirement	See SDRS Actuarial Assumptions	
Age Difference	Spouses same age as participants	
Retiree Plan Participation	Future Retirees Electing Coverage:	25%
	Current Retirees Electing Coverage:	Actual
Percent of Retirees Electing Family Coverage	Future Retirees Electing Coverage:	25%
	Current Retirees Electing Coverage:	Actual

Changes in the Total OPEB Liability

Balance at June 30, 2017	\$ 30,174
Changes from the Prior Year:	
Service cost	7,097
Interest cost	1,058
Effect of assumption changes or inputs	(1,974)
Benefit payments	(295)
Total Changes	<u>5,886</u>
Balance at June 30, 2018	<u>36,060</u>
Changes from the Prior Year:	
Service cost	6,698
Interest cost	1,520
Effect of assumption changes or inputs	(893)
Benefit payments	(627)
Total Changes	<u>6,698</u>
Balance at June 30, 2019	<u><u>\$ 42,758</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	\$ 45,924	\$ 42,758	\$ 39,840

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>
Total OPEB liability	\$ 37,877	\$ 42,758	\$ 48,549
Medical trend rate	4.80% decreasing to 3.9% over 44 years	5.80% decreasing to 4.9% over 44 years	6.80% decreasing to 5.9% over 44 years

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

For the years ended June 30, 2019 and 2018, the School District recognized an increase of health insurance expense of \$6,235, and 4,208, respectively, 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>
Changes of assumptions	<u>\$ 2,141</u>	<u>\$ -</u>

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

<u>Years Ended June 30,</u>	<u>OPEB Expense</u>
2020	\$ (430)
2021	(430)
2022	(430)
2023	(430)
2024	(332)
Thereafter	(89)
	<u>\$ (2,141)</u>

Note 10 - 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://www.sdrs.sd.gov/publications/> 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 retirements that do not meet the above criteria may be payable at a reduced level.

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

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

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

All benefits, except those depending on the member's accumulated contributions, are annually increased by the Cost-of-Living Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ending June 30, 2019, 2018, and 2017 were \$55,839, \$53,782, and \$47,668, respectively, equal to the required contributions each year.

Pension Liability (Asset), 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 shares of the components of the net pension liability of SDRS, for the School District as of June 30, 2019, are as follows:

Proportionate share of net pension liability	\$ 5,274,706
Less proportionate share of net pension restricted for pension benefits	<u>5,275,712</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (1,006)</u></u>

Big Stone City School District 25-1

Notes to Financial Statements

June 30, 2019 and 2018

At June 30, 2019, the School District reported a liability (asset) of (\$1,006) 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 0.0431173% which is an increase of .0040156% from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the School District recognized pension expense (reduction of pension expense) of \$76,148 and (\$72,398), respectively. 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	\$ 38,008	\$ -
Changes in assumption	255,303	-
Net difference between projected and actual earnings on pension plan investments	-	76,000
Changes in proportion and difference between School District contributions and proportionate share of contributions	9,301	21,113
School District contributions subsequent to the measurement date	55,839	-
	\$ 358,451	\$ 97,113

There is \$55,839 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2020	\$ 137,389
2021	98,089
2022	(19,571)
2023	(10,408)
	\$ 205,499

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 3.0% after 25 years of service
Discount rate	6.50%, net of plan investment expense

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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%
	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 from will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of The net pension liability (asset)	\$ 759,506	\$ (1,006)	\$ (619,641)

Pension Plan Fiduciary Net Position

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

Note 11 - Interfund Transactions

During the years ended June 30, 2019 and 2018, the General Fund transferred to the Food Service Fund \$6,042 and \$0, and the Preschool Fund \$55,869 and \$56,275, respectively, to cover operating deficits of these funds.

During the years ended June 30, 2019 and 2018, the Capital Outlay Fund transferred to the General Fund \$60,000, and \$57,480, respectively, to cover operating costs of the fund, as allowed by SDCL 13-16-6.

During the years ended June 30, 2019 and 2018, the Pension Fund transferred to the General Fund \$20,000, and \$24,500, respectively, to cover retirement expense paid out of the fund, as allowed by SDCL 13-16-26.

As of June 30, 2019, the General Fund has a “due from other funds” for amounts loaned by the General Fund to the Preschool Fund. The balance of this arrangement was \$4,626 as of June 30, 2019. This amounts is reflected as “due to the general fund” on the statements for the Preschool Fund.

Note 12 - Litigation

At June 30, 2019, the School District was not involved in any litigation.

Note 13 - Related Party

In the ordinary course of business, the School District hired companies in which School Board members' spouses were the owners of the entities. The businesses were hired based on their proximity to the school. Total purchases from these businesses for the years ended June 30, 2019 and 2018, were \$3,066 and \$1,898, respectively.

Note 14 - Operating Lease

The School District leases a facility to provide daycare services to customers under an operating lease. Annual payments under this lease total \$2,400, and are paid out of the Preschool Fund. The lease expires on May 31, 2020, and is renewable upon the agreement of both parties.

Note 15 - Adoption of a New Standard

As of July 1, 2017, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments to calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively remove the prior OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability as follows:

Net Position - June 30, 2017, as previously reported	\$ 1,362,479
Remove previously reported OPEB asset previously reported under GASB Statement No. 45	(28,282)
Add total OPEB liability under GASB Statement No 75 at June 30, 2017	<u>(30,174)</u>
Net Position - July 1, 2017, as restated	<u><u>\$ 1,304,023</u></u>

Note 16 - Commitment

The School District has entered into a contract to purchase a 2019 Chevrolet Collins 14 passenger mini-bus. The total amount of the purchase is \$53,118. Delivery of the vehicle is expected in August of 2019.



Required Supplementary Information
June 30, 2019 and 2018

Big Stone City School District 25-1

Big Stone City School District 25-1
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2019

	2019	2018
Service cost	\$ 6,698	\$ 7,097
Interest	1,520	1,058
Effect of assumption changes or inputs	(893)	(1,974)
Benefit payments	(627)	(295)
Net change in total OPEB liability	6,698	5,886
Total OPEB liability - beginning	36,060	30,174
Total OPEB liability - ending	\$ 42,758	\$ 36,060
Covered-employee payroll	N/A	N/A
District's total OPEB liability as a percentage of covered-employee payroll	N/A	N/A

*GASB Statement No. 75 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.

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

The demographic assumptions have been updated based upon the most recent SDRS valuation report. Estimated claim costs were updated to reflect anticipated experience pursuant to a review of the medical provisions and current premiums. The medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application.

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 593,901	\$ 593,901	\$ 631,467	\$ 37,566
Prior year's ad valorem taxes	1,500	1,500	5,288	3,788
Gross receipts taxes	16,000	16,000	16,122	122
Penalties and interest on taxes	800	800	1,333	533
Tuition and fees:				
Regular day school tuition	144,652	144,652	159,388	14,736
Earnings on investments and deposits	4,000	4,000	6,722	2,722
Co-curricular activities:				
Other pupil activity income	100	100	65	(35)
Other revenue from local sources:				
Rentals	500	500	1,353	853
Contributions and donations	4,200	4,200	4,673	473
Charges for services	800	800	1,534	734
Other	12,900	12,900	12,278	(622)
Revenue from intermediate sources				
County sources:				
County apportionment	4,000	4,000	6,858	2,858
Revenue in lieu of taxes	100	100	90	(10)
Revenue from State sources				
Grants-in-aid:				
Unrestricted grants-in-aid	272,894	272,894	271,827	(1,067)
Restricted grants-in-aid	3,000	3,000	8,300	5,300
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	55,614	55,614	64,076	8,462
Revenue in Lieu of Taxes (PILT)	-	-	91	91
Total revenues	<u>1,114,961</u>	<u>1,114,961</u>	<u>1,191,465</u>	<u>76,504</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular programs:				
Elementary	351,978	395,628	365,113	30,515
Middle/junior high	192,097	211,097	174,338	36,759
Special programs:				
Educationally deprived	44,509	55,309	43,336	11,973
Other	217,478	255,478	252,725	2,753
Support services				
Pupils:				
Guidance	7,134	7,184	6,849	335
Support services - instructional staff:				
Improvement of instruction	6,000	6,300	4,051	2,249
Educational media	21,629	23,179	16,934	6,245
Support services - general administration:				
Board of Education	6,390	7,690	6,258	1,432
Support services - school administration:				
Office of the Principal	65,510	67,010	64,271	2,739
Other	100	250	146	104
Support services - business:				
Fiscal services	116,699	122,699	119,240	3,459
Operation and maintenance of plant	121,931	129,981	123,807	6,174
Pupil transportation	51,104	54,604	50,694	3,910
Other	4,600	4,600	3,878	722
Community services				
Welfare activities	4,000	4,000	3,084	916
Co-curricular activities				
Combined activities	11,820	19,370	16,068	3,302
Total expenditures	<u>1,222,979</u>	<u>1,364,379</u>	<u>1,250,792</u>	<u>113,587</u>
Excess of Revenue over (under) Expenditures	<u>(108,018)</u>	<u>(249,418)</u>	<u>(59,327)</u>	<u>190,091</u>
Other Financing Sources (uses)				
Transfers in	90,200	90,200	80,000	(10,200)
Transfers out	<u>(26,303)</u>	<u>(26,303)</u>	<u>(61,911)</u>	<u>(35,608)</u>
Total other financing sources (uses)	<u>63,897</u>	<u>63,897</u>	<u>18,089</u>	<u>(45,808)</u>
Net Change in Fund Balances	(44,121)	(185,521)	(41,238)	144,283
Fund Balance - Beginning	<u>410,150</u>	<u>410,150</u>	<u>410,150</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 366,029</u>	<u>\$ 224,629</u>	<u>\$ 368,912</u>	<u>\$ 144,283</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2018

	2018			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 625,464	\$ 625,464	\$ 633,248	\$ 7,784
Prior years' ad valorem taxes	1,000	1,000	4,367	3,367
Gross receipts taxes	16,000	16,000	16,742	742
Penalties and interest on taxes	800	800	1,486	686
Tuition and fees:				
Regular day school tuition	180,854	180,854	175,598	(5,256)
Earnings on investments and deposits	4,000	4,000	7,153	3,153
Co-curricular activities:				
Other pupil activity income	300	300	210	(90)
Other revenue from local sources:				
Rentals	500	500	954	454
Contributions and donations	2,600	2,600	4,239	1,639
Refund of prior years' expenditures	-	-	35	35
Charges for services	800	800	1,654	854
Other	14,900	14,900	23,404	8,504
Revenue from intermediate sources				
County sources:				
County apportionment	4,000	4,000	6,465	2,465
Revenue in lieu of taxes	100	100	108	8
Revenue from State sources				
Grants-in-aid:				
Unrestricted grants-in-aid	279,883	279,883	263,860	(16,023)
Restricted grants-in-aid	30,300	30,300	18,113	(12,187)
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	54,776	54,776	54,014	(762)
Revenue in Lieu of Taxes (PILT)	-	-	109	109
Total revenues	<u>1,216,277</u>	<u>1,216,277</u>	<u>1,211,759</u>	<u>(4,518)</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2018

	2018			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures				
Instruction				
Regular programs:				
Elementary	368,035	404,035	384,913	19,122
Middle/junior high	232,192	242,192	196,357	45,835
Special programs:				
Educationally deprived	47,119	48,119	45,981	2,138
Tuition	219,717	225,717	212,272	13,445
Support services				
Pupils:				
Guidance	6,416	7,116	6,402	714
Support services - instructional staff:				
Improvement of instruction	5,000	6,700	6,273	427
Educational media	19,068	26,568	24,668	1,900
Support services - general administration:				
Board of Education	24,390	25,090	24,009	1,081
Support services - school administration:				
Office of the Principal	59,174	62,174	58,445	3,729
Other school administration	100	200	167	33
Support services - business:				
Fiscal services	110,075	111,075	107,667	3,408
Operation and maintenance of plant	120,431	127,531	110,036	17,495
Pupil transportation	49,563	52,663	48,682	3,981
Food services	4,500	5,500	3,974	1,526
Community services				
Other community services	3,200	3,200	2,580	620
Co-curricular activities				
Combined activities	11,820	15,420	14,098	1,322
Total expenditures	<u>1,280,800</u>	<u>1,363,300</u>	<u>1,246,524</u>	<u>116,776</u>
Excess of Revenue over (under) Expenditures	<u>(64,523)</u>	<u>(147,023)</u>	<u>(34,765)</u>	<u>112,258</u>
Other Financing Sources (Uses)				
Transfers in	82,700	82,700	81,980	(720)
Transfers out	<u>(44,396)</u>	<u>(60,396)</u>	<u>(56,275)</u>	<u>4,121</u>
Total other financing sources (uses)	<u>38,304</u>	<u>22,304</u>	<u>25,705</u>	<u>3,401</u>
Net Change in Fund Balances	(26,219)	(124,719)	(9,060)	115,659
Fund Balance - Beginning	<u>419,210</u>	<u>419,210</u>	<u>419,210</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 392,991</u>	<u>\$ 294,491</u>	<u>\$ 410,150</u>	<u>\$ 115,659</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 145,050	\$ 145,050	\$ 147,252	\$ 2,202
Prior year's ad valorem taxes	300	300	1,002	702
Penalties and interest on taxes	100	100	169	69
Other revenue from local sources:				
Other	-	-	720	720
Total revenues	<u>145,450</u>	<u>145,450</u>	<u>149,143</u>	<u>3,693</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	20,765	26,765	26,593	172
Middle/junior high	-	3,000	2,519	481
Support services - business:				
Operation and maintenance of plant	60,185	60,185	14,886	45,299
Other	-	1,500	3,018	(1,518)
Debt service	4,500	4,500	1,909	2,591
Amounts transferred				
Total expenditures	<u>85,450</u>	<u>95,950</u>	<u>48,925</u>	<u>47,025</u>
Excess of Revenue over (under) Expenditures	<u>60,000</u>	<u>49,500</u>	<u>100,218</u>	<u>50,718</u>
Other Financing Sources (Uses)				
Long-term debt issued	-		8,395	
Transfers out	(60,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(51,605)</u>	<u>-</u>
Net Change in Fund Balance	-	(10,500)	48,613	50,718
Adjusted Fund Balance - Beginning	<u>92,703</u>	<u>92,703</u>	<u>92,703</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 92,703</u>	<u>\$ 82,203</u>	<u>\$ 141,316</u>	<u>\$ 50,718</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2018

	2018			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 130,050	\$ 130,050	\$ 131,288	\$ 1,238
Prior year's ad valorem taxes	300	300	468	168
Penalties and interest on taxes	100	100	155	55
Total revenues	<u>130,450</u>	<u>130,450</u>	<u>131,911</u>	<u>1,461</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	15,000	18,000	15,756	2,244
Support services				
Operation and maintenance of plant	57,500	59,500	25,540	33,960
Other	3,500	3,500	2,389	1,111
Debt service	-	1,500	2,153	(653)
Total expenditures	<u>76,000</u>	<u>82,500</u>	<u>45,838</u>	<u>36,662</u>
Excess of Revenue over (under) Expenditures	<u>54,450</u>	<u>47,950</u>	<u>86,073</u>	<u>38,123</u>
Other Financing Sources (Uses)				
Transfers out	(58,200)	(58,200)	(57,480)	720
Total other financing sources (uses)	<u>(58,200)</u>	<u>(58,200)</u>	<u>(57,480)</u>	<u>720</u>
Net Change in Fund Balance	(3,750)	(10,250)	28,593	38,843
Fund Balance - Beginning	<u>64,110</u>	<u>64,110</u>	<u>64,110</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 60,360</u>	<u>\$ 53,860</u>	<u>\$ 92,703</u>	<u>\$ 38,843</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 107,431	\$ 107,431	\$ 120,648	\$ 13,217
Prior year's ad valorem taxes	200	200	968	768
Penalties and interest on taxes	100	100	156	56
Tuition and fees:				
Regular day school tuition	34,000	34,000	12,106	(21,894)
Other revenue from local sources (uses):				
Charges for services	50	50	88	38
Other	-	-	300	300
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	23,115	23,115	22,792	(323)
Total revenues	<u>164,896</u>	<u>164,896</u>	<u>157,058</u>	<u>(7,838)</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	156,561	195,561	138,840	56,721
Support services				
Pupils:				
Psychological	1,675	1,675	1,095	580
Speech pathology	40,684	40,684	40,438	246
Student therapy services	2,500	2,500	2,129	371
Total expenditures	<u>201,420</u>	<u>240,420</u>	<u>182,502</u>	<u>57,918</u>
Net Change in Fund Balance	(36,524)	(75,524)	(25,444)	50,080
Fund Balance - Beginning	<u>48,527</u>	<u>48,527</u>	<u>48,527</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 12,003</u>	<u>\$ (26,997)</u>	<u>\$ 23,083</u>	<u>\$ 50,080</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2018

	2018			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 95,447	\$ 95,447	\$ 111,990	\$ 16,543
Prior year's ad valorem taxes	200	200	556	356
Penalties and interest on taxes	100	100	186	86
Tuition and fees	32,000	32,000	43,442	11,442
Other revenue from local sources:				
Charges for services	50	50	95	45
Other	-	-	300	300
Revenue from Federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from Federal government through the State	23,115	23,115	22,679	(436)
Total revenues	<u>150,912</u>	<u>150,912</u>	<u>179,248</u>	<u>28,336</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	147,756	186,756	170,012	16,744
Support services				
Pupils:				
Psychological	1,700	2,700	2,680	20
Speech pathology	37,037	37,037	36,743	294
Student therapy services	5,000	5,000	2,408	2,592
Total expenditures	<u>191,493</u>	<u>231,493</u>	<u>211,843</u>	<u>19,650</u>
Net Change in Fund Balance	(40,581)	(80,581)	(32,595)	47,986
Fund Balance - Beginning	<u>81,122</u>	<u>81,122</u>	<u>81,122</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 40,541</u>	<u>\$ 541</u>	<u>\$ 48,527</u>	<u>\$ 47,986</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Pension Fund
 Year Ended June 30, 2019

	2019			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures				
Nonprogrammed charges				
Early retirement payments	\$ -	\$ 1,300	\$ 10,885	\$ (9,585)
Total expenditures	-	1,300	10,885	(9,585)
Excess of Revenue over (under) Expenditures	-	(1,300)	(10,885)	(9,585)
Other Financing Sources (Uses)				
Transfers out	(30,200)	(30,200)	(20,000)	10,200
Total other financing sources (uses)	(30,200)	(30,200)	(20,000)	10,200
Net Change in Fund Balance	(30,200)	(31,500)	(30,885)	615
Fund Balance - Beginning	49,342	49,342	49,342	-
Fund Balance - Ending	\$ 19,142	\$ 17,842	\$ 18,457	\$ 615

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Pension Fund
 Year Ended June 30, 2018

	2018			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Prior year's ad valorem taxes	\$ -	\$ -	\$ 34	\$ 34
Penalties and interest on taxes	-	-	11	11
Total revenues	-	-	45	45
Expenditures				
Nonprogrammed charges				
Early retirement payments	-	7,100	10,888	(3,788)
Total expenditures	-	7,100	10,888	(3,788)
Excess of Revenue over (under) Expenditures	-	(7,100)	(10,843)	(3,743)
Other Financing Sources (Uses)				
Transfers out	(24,500)	(24,500)	(24,500)	-
Total other financing sources (uses)	(24,500)	(24,500)	(24,500)	-
Net Change in Fund Balance	(24,500)	(31,600)	(35,343)	(3,743)
Fund Balance - Beginning	84,685	84,685	84,685	-
Fund Balance - Ending	\$ 60,185	\$ 53,085	\$ 49,342	\$ (3,743)

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for Capital Outlay purposes within each function while the governmental funds statements of revenues, expenditures and changes in fund balance presents Capital Outlay expenditures as a separate function.

Note 2 - Budgetary Legal Requirements

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 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 moneys are available to increase legal spending School District.
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, Capital Project Funds and Special Revenue Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Big Stone City School District 25-1
 Schedule of Net Pension Liability (Asset)
 June 30, 2019

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Percentage of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
SDRS	6/30/2018	0.0431%	\$ (1,006)	\$ 896,355	-0.1%	100.02%
SDRS	6/30/2017	0.0391%	(3,549)	794,466	-0.4%	100.10%
SDRS	6/30/2016	0.0396%	133,798	753,178	17.8%	96.90%
SDRS	6/30/2015	0.0445%	(188,913)	813,200	-23.2%	104.10%
SDRS	6/30/2014	0.0466%	(335,379)	814,050	-41.2%	107.30%

Big Stone City School District 25-1
 Schedule of Pension Contributions
 June 30, 2019

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (d)</u>	<u>Contributions as a Percentage of Covered Payroll (b/d)</u>
SDRS	6/30/2019	\$ 55,839	\$ 55,839	\$ -	\$ 930,616	6.0%
SDRS	6/30/2018	53,782	53,782	-	896,355	6.0%
SDRS	6/30/2017	47,668	47,668	-	794,466	6.0%
SDRS	6/30/2016	45,191	45,191	-	753,178	6.0%
SDRS	6/30/2015	48,792	48,792	-	813,200	6.0%

Changes of Benefit Terms

None.

Changes of Assumptions

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

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



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
Big Stone City School District 25-1
Big Stone City, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Big Stone City School District 25-1 (the School District) as of June 30, 2019, and for each of the years in the two year period then ended, and the related notes to the financial statements, which, collectively, comprise the School District’s basic financial statements, and have issued our report thereon dated January 13, 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 preceding paragraph 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of auditor’s comments as items 2019-001 and 2019-002, that we consider to be material weaknesses.

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 Findings

The School District's response to the findings identified in our audit is described in the accompanying auditor's comments. 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

The image shows a handwritten signature in black ink that reads "Eric Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
January 13, 2020

Status of Prior Auditor Comments

Finding 2017-A Preparation of Financial Statements and Footnotes and Significant Journal Entries, Including GASB 68 Calculations

Initial Fiscal Year Finding Occurred: 2009

Finding Summary: There was a lack of internal control in the preparation of the financial statements, the related notes, and significant journal entries that may result in a misstatement of the School District's financial statements.

Status: This has not been corrected and is restated as current audit finding 2019-001.

Finding 2017-B Lack of Segregation of Duties

Initial Fiscal Year Finding Occurred: 2009

Finding Summary: There was a lack of segregation of duties that may result in internal control over financial reporting and compliance to be inadequate.

Status: This has not been corrected and is restated as current audit finding 2019-002.

Finding 2017-C Overspending of School District Budget

Initial Fiscal Year Finding Occurred: 2011

Finding Summary: The School District overspent its budget for a certain fund in 2017.

Status: This finding has been corrected.

Current Audit Findings and Recommendations

2019-001 Preparation of Financial Statements and Footnotes and Significant Journal Entries, Including GASB 68 Calculations

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: Big Stone City School District 25-1 requested the external auditors to assist in the preparation of the financial statements and related notes for the two years ended June 30, 2019. As part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement of the School District's financial statements. We were also requested to assist in calculations related to GASB 68.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes and could cause the need for auditors to, at times, propose material journal entries.

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

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with this finding.

2019-002 Lack of Segregation of Duties

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: Big Stone City School District 25-1 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Cause: The School District has insufficient number of staff to adequately separate duties.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected and corrected on a timely basis.

Recommendation: Although it is recognized that the number of office staff may not be sufficient to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with this finding.