

CUSTER SCHOOL DISTRICT NO. 16-1

Financial Statements

June 30, 2021

Custer School District No. 16-1
Table of Contents
June 30, 2021

	<u>PAGE</u>
Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis (Unaudited).....	5 - 13
 BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	16 - 17
Statement of Activities	18 - 19
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	20 - 21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	24 - 29
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	31
Statement of Net Position - Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	33
Statement of Cash Flows - Proprietary Funds	34 - 35
Statement of Fiduciary Net Position - Fiduciary Funds	36
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	37
Notes to the Financial Statements	38 - 61
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund - Budgetary Basis.....	64 - 65
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis.....	66 - 67
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis.....	68
Schedule of Changes in Total OPEB Liability and Related Ratios	69
Schedule of the District’s Proportionate Share of the Net Pension Liability (Asset).....	70
Schedule of Pension Contributions.....	71
Notes to Required Supplementary Information	72 - 73

Custer School District No. 16-1
Table of Contents (Continued)
June 30, 2021

	<u>PAGE</u>
SINGLE AUDIT INFORMATION	
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>	77 - 78
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance	79 - 81
Schedule of Findings and Questioned Costs.....	83 - 85
Schedule of Prior Audit Findings and Questioned Costs	86
Corrective Action Plan (Unaudited).....	87 - 88
Schedule of Expenditures of Federal Awards.....	89 - 90
OTHER INFORMATION	
School District Officials	93

Independent Auditor's Report

School Board
Custer School District No. 16-1
Custer, 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 Custer School District No. 16-1, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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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 Custer School District No. 16-1, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the budgetary comparison schedules, the Schedule of Changes in Total OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Pension Contributions, and the Notes to the Required Supplementary Information 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Custer School District No. 16-1's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

The Corrective Action Plan and list of School District Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022 on our consideration of Custer School District No. 16-1'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 on 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 Custer School District No. 16-1's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Casey Peterson, LTD." The signature is written in a cursive, flowing style.

Casey Peterson, LTD

Rapid City, South Dakota

February 14, 2022

Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021

This section of Custer School District No. 16-1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the 20-21 fiscal year, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$1,127,828 more than the \$12,991,175 of governmental and business-type expenses.
- In FY 20-21, the total costs of the District's programs were approximately 1.05% more than the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Custer School District's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Custodial Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instructional, support and cocurricular activities.	Activities of the District operates similar to private businesses, the food services operation.	Assets held by District on behalf of someone else. Student organizations that have funds on deposit with the District are reported here.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital or long-term liabilities included, and deferred inflows and outflows of resources	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021

Government-wide Statements

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

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

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

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

- Governmental Activities - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.), and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- Business-type Activities - The District charges a fee to students to help cover the costs of providing hot lunch services to all students. The District charges tuition to students in the preschool program.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021

- **Proprietary Funds** - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund and the Preschool Program Fund are the proprietary funds maintained by the District.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased as follows:

Table A-1
Custer School District No. 16-1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020 - 2021
Current and Other Assets	\$ 26,358,526	\$ 27,695,017	\$ 142,425	\$ 68,439	\$ 26,500,951	\$ 27,763,456	4.76%
Capital Assets (Net of Depreciation)	19,409,725	27,715,868	28,039	51,248	19,437,764	27,767,116	42.85%
Total Assets	<u>45,768,251</u>	<u>55,410,885</u>	<u>170,464</u>	<u>119,687</u>	<u>45,938,715</u>	<u>55,530,572</u>	20.88%
Total Deferred Outflows of Resources	<u>1,292,696</u>	<u>1,667,261</u>	<u>-</u>	<u>-</u>	<u>1,292,696</u>	<u>1,667,261</u>	28.98%
Long-Term Liabilities Outstanding	20,845,816	27,620,424	-	-	20,845,816	27,620,424	32.50%
Other Liabilities	1,324,977	2,136,581	73,770	28,284	1,398,747	2,164,865	54.77%
Total Liabilities	<u>22,170,793</u>	<u>29,757,005</u>	<u>73,770</u>	<u>28,284</u>	<u>22,244,563</u>	<u>29,785,289</u>	33.90%
Total Deferred Inflows of Resources	<u>5,225,483</u>	<u>6,523,351</u>	<u>-</u>	<u>-</u>	<u>5,225,483</u>	<u>6,523,351</u>	24.84%
Net Investment in Capital Assets	9,245,859	10,923,377	28,039	51,248	9,273,898	10,974,625	18.34%
Restricted	5,056,073	8,506,642	-	-	5,056,073	8,506,642	68.25%
Unrestricted	5,362,739	1,367,771	68,655	40,155	5,431,394	1,407,926	-74.08%
Total Net Position	<u>\$ 19,664,671</u>	<u>\$ 20,797,790</u>	<u>\$ 96,694</u>	<u>\$ 91,403</u>	<u>\$ 19,761,365</u>	<u>\$ 20,889,193</u>	5.71%

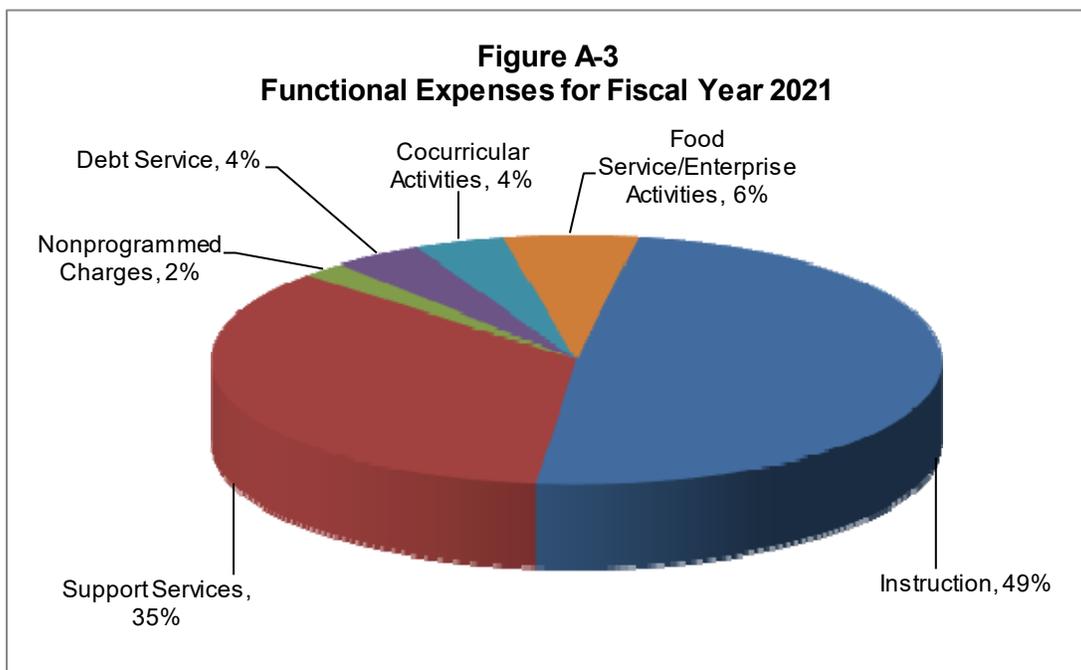
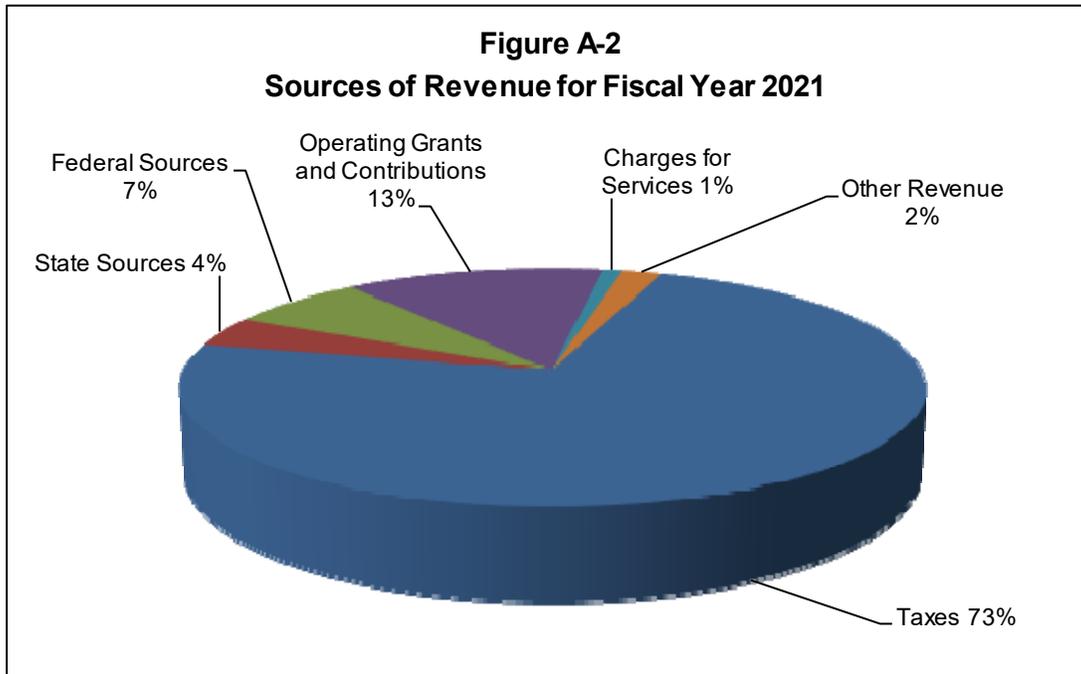
The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of capital outlay certificates payable, compensated absences payable, and early retirement benefits have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities and deferred outflows and inflows of resources is its net position.

**Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021**

Changes in Net Position

The District's revenues totaled \$14,119,003. Approximately 73% of the District's revenue came from property and other taxes with approximately 4% from state sources and 20% coming from grants and contributions, including federal sources (see Figure A-2).

The District's expenses cover a range of services encompassing instruction, support services, and food services. (See Figure A-3)



Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Table A-2
Custer School District No. 16-1
Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020 - 2021
Revenues							
Program Revenues:							
Charges for Services	\$ 66,145	\$ 70,273	\$ 184,610	\$ 84,884	\$ 250,755	\$ 155,157	-38.12%
Operating Grants and Contributions	665,032	1,144,004	348,519	635,553	1,013,551	1,779,557	75.58%
Capital Grants and Contributions	30,299	20,339	-	-	30,299	20,339	-32.87%
General Revenues:							
Taxes	9,795,474	10,360,322	-	-	9,795,474	10,360,322	5.77%
Revenue State Sources	898,779	555,955	-	-	898,779	555,955	-38.14%
Revenue Federal Sources	805,516	933,819	-	-	805,516	933,819	15.93%
Revenue Intermediate Sources	76,422	79,303	-	-	76,422	79,303	3.77%
Unrestricted Investment Earnings	212,719	38,371	-	18	212,719	38,389	-81.95%
Other General Revenues	30,200	65,912	-	-	30,200	65,912	118.25%
Transfers	-	-	-	-	-	-	0.00%
Gain (Loss) on Sale of Capital Assets	100,811	130,250	-	-	100,811	130,250	29.20%
Total Revenues	<u>12,681,397</u>	<u>13,398,548</u>	<u>533,129</u>	<u>720,455</u>	<u>13,214,526</u>	<u>14,119,003</u>	6.84%
Expenses							
Instruction	6,552,197	6,477,374	-	-	6,552,197	6,477,374	-1.14%
Support Services	4,456,676	4,572,481	-	-	4,456,676	4,572,481	2.60%
Nonprogrammed Charges	81,072	207,573	-	-	81,072	207,573	156.04%
Debt Service	665,423	471,677	-	-	665,423	471,677	-29.12%
Cocurricular Activities	569,760	526,401	-	-	569,760	526,401	-7.61%
Community Services	11,281	9,923	-	-	11,281	9,923	-12.04%
Other Business Type Funds	-	-	251	722	251	722	187.65%
Food Service	-	-	519,507	725,024	519,507	725,024	39.56%
Total Expenses	<u>12,336,409</u>	<u>12,265,429</u>	<u>519,758</u>	<u>725,746</u>	<u>12,856,167</u>	<u>12,991,175</u>	1.05%
Increase (Decrease) in Net Position	344,988	1,133,119	13,371	(5,291)	358,359	1,127,828	214.72%
Net Position - Beginning	<u>19,319,683</u>	<u>19,664,671</u>	<u>83,323</u>	<u>96,694</u>	<u>19,403,006</u>	<u>19,761,365</u>	1.85%
Net Position - Ending	<u>\$ 19,664,671</u>	<u>\$ 20,797,790</u>	<u>\$ 96,694</u>	<u>\$ 91,403</u>	<u>\$ 19,761,365</u>	<u>\$ 20,889,193</u>	5.71%

**Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021**

GOVERNMENTAL ACTIVITIES

Revenues of the District's governmental activities increased by approximately 5.66% to \$13,398,548 and expenses decreased by approximately 0.58% to \$12,265,429.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities (Food Service and Other Enterprise) increased by approximately 35.14% to \$720,445 and expenses increased by approximately 39.63% to \$725,746.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund fund balance decreased for the year ended June 30, 2021. This was due to expenses increasing more than revenues related to staffing costs. The Special Education fund balance showed an increase from the prior year due to an increase in local property tax revenue. The Capital Outlay fund balance was lower at year-end due to the timing of payments of construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant budget changes or budget variances for the year.

CAPITAL ASSET ADMINISTRATION

By the end of FY 2021, the District had invested \$27,767,116 (net of depreciation) in a broad range of capital assets including land, buildings, various machinery, and equipment. (See Table A-3) This amount represents a net increase (including additions and deductions) of \$8,329,352. The capitalization threshold remains at \$25,000 for all improvements, \$50,000 for all buildings, \$5,000 for all equipment for governmental activities, and \$1,000 for business-type activities.

Table A-3
Custer School District No. 16-1
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020	2021	2020 - 2021	2020 - 2021
Land	\$ 388,458	\$ 388,458	\$ -	\$ -	\$ -	0.00%
Buildings	17,559,092	17,497,158	-	-	(61,934)	-0.35%
Improvements	73,856	40,633	-	-	(33,223)	-44.98%
Construction in Progress	679,526	9,029,996	-	-	8,350,470	100.00%
Equipment	<u>708,793</u>	<u>759,623</u>	<u>28,039</u>	<u>51,248</u>	<u>74,039</u>	10.05%
Total Capital Assets (Net)	<u>\$ 19,409,725</u>	<u>\$ 27,715,868</u>	<u>\$ 28,039</u>	<u>\$ 51,248</u>	<u>\$ 8,329,352</u>	42.85%

This year's capital asset purchases were for vehicles, air purification systems, access control system, landscape structures, and construction of the Hermosa building. Construction on the school in Hermosa was ongoing, which is included in Construction in Progress, is expected to be completed in the fiscal year ended June 30, 2022.

**Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021**

LONG-TERM DEBT

At year-end, the District had \$27,620,424 in Capital Outlay Certificates and other long-term obligations. This is an increase of 32.5% as shown in Table A-4 below.

Table A-4
Custer School District No. 16-1
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020	2021	2020 - 2021	2020 - 2021
Capital Outlay Certificates	\$ 19,145,000	\$ 25,190,000	\$ -	\$ -	\$ 6,045,000	31.57%
(Discount)Premiums	910,412	1,693,323	-	-	782,911	86.00%
Energy Efficient Loan	299,105	265,870	-	-	(33,235)	-11.11%
Early Retirement Payable	139,551	156,435	-	-	16,884	12.10%
OPEB	27,229	27,229	-	-	-	0.00%
Compensated Absences	324,519	287,567	-	-	(36,952)	-11.39%
Total Outstanding Debt and Obligations	\$ 20,845,816	\$ 27,620,424	\$ -	\$ -	\$ 6,774,608	32.50%

The District is liable for the accrued sick leave payable to all staff. The accrual leave liability is reported as compensated absences in the above schedule and with the financial statements.

The District made debt service principal and interest payments on Capital Outlay Certificates in the amount of \$1,038,235 for principal and \$402,551 for interest. The District refinanced one Capital Outlay Certificate, with the final payoff occurring during the year ended June 30, 2022. The District also received additional debt proceeds to be used for construction projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District has seen an increase in property taxes and in enrollment in recent years increasing revenues. However, the District's enrollment fluctuates throughout the year making it difficult to budget revenues from year to year.

The following information is provided by the South Dakota Department of Education in the Issue Brief, State Aid to K-12 General Education Funding Formula, revised March 2021.

Funding K-12 Education: The funding formula, which is based on a target statewide average salary of \$51,367.47 (increased by CPI for 2022 = \$52,600.29), works as follows: For each district, calculate a target student-to-teacher ratio, based on a sliding scale by student enrollment (see below). The district's target number of teachers is calculated by dividing the district's current fall enrollment by the target student-to-staff ratio. The district's total instructional need is calculated by multiplying the district's target number of teachers by the statewide target for average teacher salary, and by increasing that total by 29% for benefits. The total instructional need is increased by a calculated overhead rate (FY2022 = 37.3%) to cover non-instructional costs. This category includes operating costs as well as salaries and benefits of non-instructional staff, such as administrators, guidance counselors, librarians, and school nurses. These steps calculate the district's total need for state aid. At this point, local effort is applied against total need, with the State providing any necessary funds to achieve the total need.

**Custer School District No. 16-1
Management's Discussion and Analysis (Unaudited)
June 30, 2021**

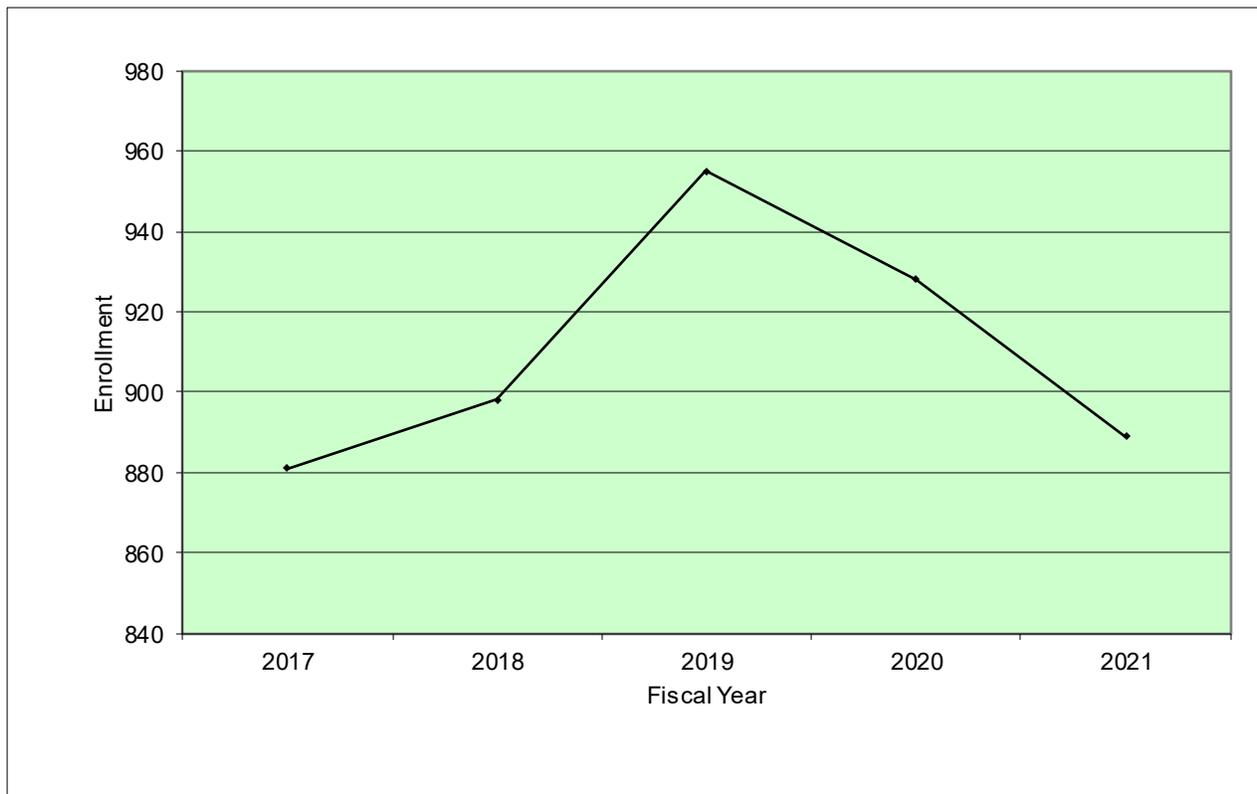
Target Teacher Ratio Factor: The law provides the following sliding scale for the target ratio, based on student enrollments (districts use the current year fall enrollment): Fewer than 200 - 12 students to 1 teacher; Between 200 and 600 - Sliding scale between 12 to 1 and 15 to 1; or Greater than 600 - 15 to 1.

This sliding scale retains the same enrollment thresholds as the small school adjustment of the previous funding formula. The formula does not require school districts to strictly meet the target ratio or to use a certain level of funding for benefits and overhead costs. Those are merely used to calculate total need, and districts retain local control on how to use the dollars they receive.

The capital outlay levy has also been modified to limit future growth in collections which may impair the District's ability to fund future capital projects.

Below is a graph that shows the trends in the District's average daily attendance for the last five years.

Average Daily Attendance by Fiscal Year



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Custer School's Business Office, 527 Montgomery Street, Custer, SD 57730.

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BASIC FINANCIAL STATEMENTS

Custer School District No. 16-1
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 15,369,382	\$ 50,095	\$ 15,419,477
Permanent Incidental Account	8,000	-	8,000
Taxes Receivable	4,562,249	-	4,562,249
Accounts Receivable	9	-	9
Due from Other Governments	489,613	9,079	498,692
Inventories	-	9,265	9,265
Capital Assets:			
Land	388,458	-	388,458
Construction in Progress	9,029,996	-	9,029,996
Buildings	20,759,026	-	20,759,026
Improvements	1,153,087	-	1,153,087
Equipment	2,092,452	210,573	2,303,025
Less: Accumulated Depreciation	<u>(5,707,151)</u>	<u>(159,325)</u>	<u>(5,866,476)</u>
Total Capital Assets, Net of Depreciation	<u>27,715,868</u>	<u>51,248</u>	<u>27,767,116</u>
Restricted Assets:			
Net Pension Asset	10,296	-	10,296
Cash Restricted for Debt Service	4,059,561	-	4,059,561
Cash Restricted for Construction	925,868	-	925,868
Investments Restricted for Debt Service - Sinking Fund	<u>2,270,039</u>	<u>-</u>	<u>2,270,039</u>
Total Assets	<u>55,410,885</u>	<u>119,687</u>	<u>55,530,572</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	<u>1,667,261</u>	<u>-</u>	<u>1,667,261</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,667,261</u>	<u>-</u>	<u>1,667,261</u>
LIABILITIES			
Accounts Payable	1,134,366	8,801	1,143,167
Other Current Liabilities	1,002,215	-	1,002,215
Unearned Revenue	-	19,483	19,483
Long-term Liabilities:			
Due Within One Year	5,142,000	-	5,142,000
Due in More than One Year	<u>22,478,424</u>	<u>-</u>	<u>22,478,424</u>
Total Liabilities	<u>29,757,005</u>	<u>28,284</u>	<u>29,785,289</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	5,167,637	-	5,167,637
Pension-related Deferred Inflows	<u>1,355,714</u>	-	<u>1,355,714</u>
Total Deferred Inflows of Resources	<u>6,523,351</u>	<u>-</u>	<u>6,523,351</u>
NET POSITION			
Net Investment in Capital Assets	10,923,377	51,248	10,974,625
Restricted for:			
Capital Outlay	553,859	-	553,859
Special Education	1,301,340	-	1,301,340
Debt Service	6,329,600	-	6,329,600
Proportionate Share of Net Pension	321,843	-	321,843
Unrestricted	<u>1,367,771</u>	<u>40,155</u>	<u>1,407,926</u>
TOTAL NET POSITION	<u>\$ 20,797,790</u>	<u>\$ 91,403</u>	<u>\$ 20,889,193</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Instruction	\$ 6,477,374	\$ -
Support Services	4,572,481	49,462
Community Services	9,923	1,680
Cocurricular Activities	526,401	19,131
Nonprogrammed Charges	207,573	-
Interest on Long-term Debt *	471,677	-
Total Governmental Activities	12,265,429	70,273
BUSINESS-TYPE ACTIVITIES		
Food Service	725,024	84,324
Other Enterprise Funds	722	560
Total Business-type Activities	725,746	84,884
Total Primary Government	\$ 12,991,175	\$ 155,157

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

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 692,264	\$ -	\$ (5,785,110)	\$ -	\$ (5,785,110)
451,740	20,339	(4,050,940)	-	(4,050,940)
-	-	(8,243)	-	(8,243)
-	-	(507,270)	-	(507,270)
-	-	(207,573)	-	(207,573)
-	-	(471,677)	-	(471,677)
<u>1,144,004</u>	<u>20,339</u>	<u>(11,030,813)</u>	<u>-</u>	<u>(11,030,813)</u>
635,553	-	-	(5,147)	(5,147)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(162)</u>	<u>(162)</u>
<u>635,553</u>	<u>-</u>	<u>-</u>	<u>(5,309)</u>	<u>(5,309)</u>
<u>\$ 1,779,557</u>	<u>\$ 20,339</u>	<u>(11,030,813)</u>	<u>(5,309)</u>	<u>(11,036,122)</u>
GENERAL REVENUES, TRANSFERS, AND GAINS				
Taxes:				
Property Taxes		10,013,694	-	10,013,694
Gross Receipts Taxes		346,628	-	346,628
Revenue from State Sources:				
State Aid		555,955	-	555,955
Revenue from Federal Sources		933,819	-	933,819
Revenue from Intermediate Sources		79,303	-	79,303
Unrestricted Investment Earnings		38,371	18	38,389
Other General Revenues		65,912	-	65,912
Insurance Proceeds		130,250	-	130,250
Total General Revenues, Transfers, and Gains		<u>12,163,932</u>	<u>18</u>	<u>12,163,950</u>
CHANGE IN NET POSITION		1,133,119	(5,291)	1,127,828
NET POSITION - BEGINNING		<u>19,664,671</u>	<u>96,694</u>	<u>19,761,365</u>
NET POSITION - ENDING		<u>\$ 20,797,790</u>	<u>\$ 91,403</u>	<u>\$ 20,889,193</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Balance Sheet - Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,211,884	\$ 7,640,277
Permanent Incidental Account	8,000	-
Taxes Receivable, Current	2,204,255	1,387,422
Taxes Receivable, Delinquent	46,770	26,093
Accounts Receivable, Net	9	-
Due from Other Governments	438,434	-
Restricted Assets:		
Cash Restricted for Construction	-	925,868
Cash Restricted for Debt Service	-	4,059,561
Investments Restricted for Debt Service	-	-
TOTAL ASSETS	<u><u>\$ 8,909,352</u></u>	<u><u>\$ 14,039,221</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ -	\$ 1,126,989
Contracts Payable	468,771	-
Payroll Deductions and Employer Matching Payable	<u>158,935</u>	<u>-</u>
Total Liabilities	<u>627,706</u>	<u>1,126,989</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Future Periods	2,474,572	1,700,000
Delinquent Property Taxes Received Outside the Period of Availability	<u>45,760</u>	<u>25,689</u>
Total Deferred Inflows of Resources	<u>2,520,332</u>	<u>1,725,689</u>
Fund Balances:		
Restricted:		
For Capital Outlay	-	7,126,982
For Special Education	-	-
For Debt Service	-	4,059,561
Assigned:		
For Next Year's Budget	503,371	-
Unassigned	<u>5,257,943</u>	<u>-</u>
Total Fund Balances	<u>5,761,314</u>	<u>11,186,543</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 8,909,352</u></u>	<u><u>\$ 14,039,221</u></u>

The accompanying notes are an integral part of this statement.

Special Education Fund	Non-major Debt Service Fund	Total Governmental Funds
\$ 1,517,221	\$ -	\$ 15,369,382
-	-	8,000
883,898	-	4,475,575
13,811	-	86,674
-	-	9
51,179	-	489,613
-	-	925,868
-	-	4,059,561
-	2,270,039	2,270,039
<u>\$ 2,466,109</u>	<u>\$ 2,270,039</u>	<u>\$ 27,684,721</u>

\$ 7,377	\$ -	\$ 1,134,366
86,482	-	555,253
<u>36,334</u>	-	<u>195,269</u>
<u>130,193</u>	-	<u>1,884,888</u>

993,065	-	5,167,637
<u>13,576</u>	-	<u>85,025</u>
<u>1,006,641</u>	-	<u>5,252,662</u>

-	-	7,126,982
1,329,275	-	1,329,275
-	2,270,039	6,329,600
-	-	503,371
-	-	<u>5,257,943</u>
<u>1,329,275</u>	<u>2,270,039</u>	<u>20,547,171</u>

<u>\$ 2,466,109</u>	<u>\$ 2,270,039</u>	<u>\$ 27,684,721</u>
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The accompanying notes are an integral part of this statement.

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Custer School District No. 16-1
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balances - Governmental Funds	\$ 20,547,171
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	27,715,868
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
General Obligation Debt Capital Outlay Certificates	(25,190,000)
Compensated Absences	(287,567)
Other Post Employment Benefits	(27,229)
Voluntary Separation Liability	(156,435)
Energy Efficient Loan	(265,870)
Accrued Interest Payable	(251,693)
Assets, including property taxes receivable and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.	85,025
Proportionate share of the net pension asset is not an asset reported in the governmental funds.	10,296
Pension-related deferred outflows are components of pension liability (asset) and changes are not reported in the funds.	1,667,261
Pension-related deferred inflows are components of pension liability (asset) and changes are not reported in the funds.	(1,355,714)
Unamortized premiums and discounts on debt are immediately recognized as revenues or expenditures in the governmental funds but are not recognized as assets or liabilities in the government-wide statements.	<u>(1,693,323)</u>
Net Position - Governmental Activities	<u>\$ 20,797,790</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
REVENUES		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 5,015,194	\$ 3,041,564
Gross Receipts Taxes	346,628	-
Penalties and Interest on Taxes	17,380	6,886
Cocurricular Activities	19,131	-
Earnings on Deposits	37,252	-
Other Local Revenue	121,964	-
Total Revenue from Local Sources	<u>5,557,549</u>	<u>3,048,450</u>
Revenue from Intermediate Sources:		
County Sources	71,384	-
Revenue in Lieu of Taxes	7,919	-
Total Revenue from Intermediate Sources	<u>79,303</u>	<u>-</u>
Revenue from State Sources:		
Unrestricted Grants-in-aid	555,955	-
Restricted Grants-in-aid	5,682	-
Total Revenue from State Sources	<u>561,637</u>	<u>-</u>
Revenue from Federal Sources:		
Unrestricted Grants-in-aid	789,319	300,000
Restricted Grants-in-aid	705,574	-
Total Revenue from Federal Sources	<u>1,494,893</u>	<u>300,000</u>
Total Revenue	<u>7,693,382</u>	<u>3,348,450</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Non-major Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ 1,957,552	\$ -	\$ 10,014,310
-	-	346,628
3,886	-	28,152
-	-	19,131
-	1,119	38,371
<u>15,531</u>	<u>-</u>	<u>137,495</u>
<u>1,976,969</u>	<u>1,119</u>	<u>10,584,087</u>
-	-	71,384
-	-	7,919
<u>-</u>	<u>-</u>	<u>79,303</u>
-	-	555,955
-	-	5,682
<u>-</u>	<u>-</u>	<u>561,637</u>
-	-	1,089,319
<u>277,248</u>	<u>-</u>	<u>982,822</u>
<u>277,248</u>	<u>-</u>	<u>2,072,141</u>
<u>2,254,217</u>	<u>1,119</u>	<u>13,297,168</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund
EXPENDITURES		
Instructional Services:		
Regular Programs	4,141,827	312,226
Special Programs	267,617	18,433
Post Secondary Occupational Programs	2,000	-
Total Instructional Services	4,411,444	330,659
Support Services:		
Pupils	354,066	-
Instructional Staff	196,425	3,969
General Administration	417,923	-
School Administration	483,977	-
Business	1,759,431	634,896
Special Education	-	-
Total Support Services	3,211,822	638,865
Cocurricular Activities:		
Male Activities	85,260	-
Female Activities	60,220	-
Transportation	93,952	-
Combined Activities	171,369	29,733
Total Cocurricular Activities	410,801	29,733
Other Nonprogrammed Costs:		
Compensated Absence Payments	157,877	-
Total Other Nonprogrammed Costs	157,877	-
Debt Services	-	1,571,685
Capital Outlay	-	8,668,148
Total Expenditures	8,191,944	11,239,090

The accompanying notes are an integral part of this statement.

Special Education Fund	Non-major Debt Service Fund	Total Governmental Funds
-	-	4,454,053
1,243,382	-	1,529,432
-	-	2,000
<u>1,243,382</u>	<u>-</u>	<u>5,985,485</u>
306,847	-	660,913
-	-	200,394
-	-	417,923
-	-	483,977
-	-	2,394,327
220,410	-	220,410
<u>527,257</u>	<u>-</u>	<u>4,377,944</u>
-	-	85,260
-	-	60,220
-	-	93,952
-	-	201,102
<u>-</u>	<u>-</u>	<u>440,534</u>
32,814	-	190,691
<u>32,814</u>	<u>-</u>	<u>190,691</u>
<u>-</u>	<u>-</u>	<u>1,571,685</u>
<u>-</u>	<u>-</u>	<u>8,668,148</u>
<u>1,803,453</u>	<u>-</u>	<u>21,234,487</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(498,562)</u>	<u>(7,890,640)</u>
OTHER FINANCING SOURCES (USES)		
Debt Proceeds	-	7,050,000
Debt Issuance Costs	-	-
Transfer In (Out)	200,000	(366,000)
Sale of Surplus Property	5,344	-
Premiums on Debt Issuance	-	983,385
Compensation for Loss of General Capital Assets	<u>130,146</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>335,490</u>	<u>7,667,385</u>
NET CHANGE IN FUND BALANCES	<u>(163,072)</u>	<u>(223,255)</u>
FUND BALANCE - BEGINNING	<u>5,924,386</u>	<u>11,409,798</u>
FUND BALANCE - ENDING	<u>\$ 5,761,314</u>	<u>\$ 11,186,543</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Non-major Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>450,764</u>	<u>1,119</u>	<u>(7,937,319)</u>
-	-	7,050,000
-	-	-
-	166,000	-
-	-	5,344
-	-	983,385
<u>-</u>	<u>-</u>	<u>130,146</u>
<u>-</u>	<u>166,000</u>	<u>8,168,875</u>
450,764	167,119	231,556
<u>878,511</u>	<u>2,102,920</u>	<u>20,315,615</u>
<u>\$ 1,329,275</u>	<u>\$ 2,270,039</u>	<u>\$ 20,547,171</u>

The accompanying notes are an integral part of this statement.

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Custer School District No. 16-1
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	231,556
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation expense in the current period.		8,311,590
Governmental funds only report proceeds from the sale of capital assets. However, the Statement of Activities reports gains and losses on capital assets. This is the amount in which retired capital assets book value exceeded accumulated depreciation.		(5,240)
The recognition of revenues in the governmental funds differs from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		(28,778)
Governmental funds do not reflect the change in compensated absences, voluntary separation, and OPEB liabilities, but the Statement of Activities reflects the change in these accruals through expenses.		20,068
Repayment of general obligation debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		1,038,235
Issuance of general obligation debt is a revenue in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.		(7,050,000)
Unamortized discounts/premiums associated with general obligation debt are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities. This is the amount by which deferrals exceeded unamortized discounts/premiums for the current period.		(782,911)
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and is not reported in the funds.		(138,793)
Pension expenses in the Statement of Activities that do not provide current financial resources are not reported as expenses in the funds.		<u>(462,608)</u>
Change in Net Position of Governmental Activities	\$	<u>1,133,119</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Net Position - Proprietary Funds
June 30, 2021

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund (Non-major)	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 42,978	\$ 7,117	\$ 50,095
Due from Other Governments	9,079	-	9,079
Inventory	9,265	-	9,265
Total Current Assets	<u>61,322</u>	<u>7,117</u>	<u>68,439</u>
Noncurrent Assets:			
Machinery and Equipment - Local Funds	210,573	-	210,573
Less: Accumulated Depreciation	<u>(159,325)</u>	<u>-</u>	<u>(159,325)</u>
Total Noncurrent Assets	<u>51,248</u>	<u>-</u>	<u>51,248</u>
TOTAL ASSETS	<u>112,570</u>	<u>7,117</u>	<u>119,687</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	8,801	-	8,801
Unearned Revenue	<u>19,483</u>	<u>-</u>	<u>19,483</u>
TOTAL LIABILITIES	<u>28,284</u>	<u>-</u>	<u>28,284</u>
NET POSITION			
Net Investment in Capital Assets	51,248	-	51,248
Unrestricted	<u>33,038</u>	<u>7,117</u>	<u>40,155</u>
TOTAL NET POSITION	<u>\$ 84,286</u>	<u>\$ 7,117</u>	<u>\$ 91,403</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Revenues, Expenses and Changes in Fund
Net Position - Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund (Non-major)	
OPERATING REVENUE			
Sales to Pupils	\$ 80,290	\$ -	\$ 80,290
Sales to Adults	4,034	-	4,034
Other Operating Revenue	-	560	560
Total Operating Revenue	<u>84,324</u>	<u>560</u>	<u>84,884</u>
OPERATING EXPENSES			
Salaries	5,038	-	5,038
Employee Benefits	672	-	672
Purchased Services	676,423	-	676,423
Supplies	663	722	1,385
Cost of Sales - Purchased	757	-	757
Cost of Sales - Donated Food	30,191	-	30,191
Depreciation	11,280	-	11,280
Total Operating Expenses	<u>725,024</u>	<u>722</u>	<u>725,746</u>
OPERATING INCOME (LOSS)	<u>(640,700)</u>	<u>(162)</u>	<u>(640,862)</u>
NONOPERATING REVENUE			
State Sources:			
Other Local Revenue	18	-	18
Cash Reimbursements	2,076	-	2,076
Federal Sources:			
Cash Reimbursements	600,790	-	600,790
Donated Food	32,687	-	32,687
Total Nonoperating Revenues	<u>635,571</u>	<u>-</u>	<u>635,571</u>
CHANGE IN NET POSITION	(5,129)	(162)	(5,291)
NET POSITION - BEGINNING	<u>89,415</u>	<u>7,279</u>	<u>96,694</u>
NET POSITION - ENDING	<u>\$ 84,286</u>	<u>\$ 7,117</u>	<u>\$ 91,403</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund (Non-major)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 83,013	\$ 560	\$ 83,573
Payments to Employees for Services	(7,733)	-	(7,733)
Payments to Suppliers	(719,995)	(722)	(720,717)
Net Cash Used by Operating Activities	(644,715)	(162)	(644,877)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies	642,857	-	642,857
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(34,489)	-	(34,489)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,347)	(162)	(36,509)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	79,325	7,279	86,604
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 42,978	\$ 7,117	\$ 50,095

The accompanying notes are an integral part of this statement.

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund (Non-major)	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (640,700)	\$ (162)	\$ (640,862)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	11,280	-	11,280
Cost of Sales - Donated Food	30,191	-	30,191
Change in Assets and Liabilities:			
Accounts Payable	(42,152)	-	(42,152)
Payroll Liabilities	(2,023)	-	(2,023)
Deferred Revenue	(1,311)	-	(1,311)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (644,715)</u>	<u>\$ (162)</u>	<u>\$ (644,877)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Value of Commodities Received	<u>\$ 32,687</u>	<u>\$ -</u>	<u>\$ 32,687</u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 122,835</u>
TOTAL ASSETS	<u><u>\$ 122,835</u></u>
NET POSITION	
Restricted for:	
Individuals and Organizations	<u>\$ 122,835</u>
TOTAL NET POSITION	<u><u>\$ 122,835</u></u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Contributions and Donations	\$ 196,643
DEDUCTIONS	
Payments for Student Activities	<u>190,224</u>
CHANGE IN NET POSITION	6,419
NET POSITION - BEGINNING	-
RESTATEMENT	<u>116,416</u>
NET POSITION - BEGINNING, AS RESTATED	<u>116,416</u>
NET POSITION - ENDING	<u><u>\$ 122,835</u></u>

The accompanying notes are an integral part of this statement.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The reporting entity of Custer School District No. 16-1 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a seven-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in a cooperative service unit with several other school districts. See Note 10 - Joint Venture for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in the notes because of the nature of their relationship with the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. They include all funds of the 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 inflows of resources minus liabilities and deferred outflows of resources equal net position). Net positions are displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the 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.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

C. FUND TYPES AND MAJOR FUNDS

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the District or if it meets the following criteria:

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

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

Governmental Funds

General Fund - The General Fund is established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the 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 District's special revenue funds are as follows:

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

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. The District has one debt service fund used to accumulate annual principal payments in escrow for the eventual repayment of the 2009A Capital Outlay Certificates. The debt service fund is not a major fund.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Enterprise Fund Types - Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the focus of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis whether financed or recovered through user charges or grants; or (b) where the governing body has decided 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 District's enterprise funds are as follows:

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

Other Enterprise Fund - A fund used to record financial transactions related to the driver's education program. This fund is financed by user charges. This is not a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements

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

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or will 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 District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Receivables, such as taxes receivable and grants receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

E. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide financial statements, the District has charged certain "centralized expenses", including an administrative overhead component, as direct expenses to programs in order to show all expenses that are associated with a service, program, or department. This process minimizes the doubling-up effect on internal activity.

F. CASH AND CASH EQUIVALENTS

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

G. INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and the average cost for governmental fund inventories.

Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory in the governmental funds and governmental activities consist of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statements are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Nonspendable fund balances related to inventory are reported net of the related liability (accounts payable).

H. RESTRICTED ASSETS

The District has reported restricted assets in the Debt Service fund and on the Statement of Net Position. The amounts reported as restricted for the retirement of debt represent the Sinking Fund for outstanding Capital Outlay certificates. The restricted assets are US Treasury Bonds and US Treasury Strips bearing various interest rates and maturing between 2019 and 2023. Also reported as restricted assets are debt proceeds held for construction and debt proceeds held in escrow until a debt refunding can occur. See Note 2 and Note 5 for additional information related to investments held and the capital outlay certificates, respectively.

I. CAPITAL ASSETS

Capital assets include land, buildings, improvements, 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 of capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during the construction of capital assets are not capitalized.

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ All	-----
Buildings	50,000	33-100 yrs
Improvements	25,000	5-25 yrs
Equipment (governmental activities)	5,000	5-20 yrs
Equipment (proprietary funds)	1,000	5-20 yrs

Depreciation expense is calculated using the straight-line and composite methods. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. Land is an inexhaustible capital asset and is not depreciated.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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 financial statements.

J. 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.

Government-wide Financial Statements

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences, voluntary separation, other post-employment benefits, loans, and capital outlay certificates.

Compensated Absences Payable - Compensated absences payable is the annual leave earned by employees. Vacation leave is earned by twelve-month employees at varying rates depending on years of service. Sick leave is earned by the employees at the rate of one day for each month worked. Upon termination employees are entitled to receive compensation for their accrued annual leave, employees are not entitled to compensation for sick leave balances. Accrued leave payable balances are reported in Note 5 as compensated absences. For employees normally paid out of the governmental funds, these amounts are charged as an expenditure at the time of termination or when the benefit becomes payable to the employee.

Fund Financial Statements

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 as in the government-wide financial statements.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9. There are no deferred outflows of resources reported in the governmental funds balance sheet.

The District's financial statements report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period and property taxes collected within the available period that are intended to finance the next fiscal year. In the government-wide financial statements, the District reports deferred inflows of resources for the property taxes that are levied for future periods and amounts related to the pension plan. The District has no deferred inflows of resources in the proprietary fund statements for the current year.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. NET POSITION AND FUND BALANCE

Government-wide Financial Statements

It is the 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 positions are available. Net Position includes the following three components:

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 capital outlay certificates or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - 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.

Unrestricted - Represents all other net positions that do not meet the definition of "restricted" or "invested in capital assets."

Fund Financial Statements

Governmental fund equity is classed as fund balance, which is distinguished between the following classifications:

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 that are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed.

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 District uses restricted amounts first when both the restricted and the unrestricted fund balances are available unless a legal document, such as a contract or a grant agreement requiring dollar-for-dollar spending, prohibits it. Additionally, the District would use assigned amounts before unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a minimum fund balance policy.

Proprietary net positions are classified the same as in the government-wide financial statements. Fiduciary net positions (except for Agency Funds, which do not have net position) are reported as net position held in trust for other purposes.

M. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

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

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. PROGRAM REVENUES

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

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.

Program Revenues - 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.

Program Revenues - 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.

O. UNEARNED REVENUE

The proprietary fund reports meal tickets that have been purchased but not yet redeemed as unearned revenue.

P. PENSIONS

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

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

Investments - In general, SDCL 4-5-6 permits school 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 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.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments held by the District at June 30, 2021 were:

Investment	Credit Rating	Fair Value	Maturities			Valuation Level
			< 1 Year	1 - 5 Years	> 5 Years	
Money Market	Unrated	\$ 973	\$ 973	\$ -	\$ -	1
U.S. Treasury Strips	N/A	2,269,066	386,854	1,882,212	-	2
		<u>\$ 2,270,039</u>	<u>\$ 387,827</u>	<u>\$ 1,882,212</u>	<u>\$ -</u>	

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Fair value of each investment shown previously was measured using the input guidance and valuation techniques. Specific valuation information is as follows:

- U.S. Treasury Strips - Many of these securities do not trade on a daily basis so, in the absence of available quotations for identical assets, they must be valued using other methods. These investments are valued by the custodian through the use of outside pricing services. Such services employ pricing models and applications incorporating inputs such as security quality, cash flow, maturity, and coupon, and review of recent market price quotations for similar assets.

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

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

Concentration of Credit Risk - The District places no limit on the amount that may be deposited with any one financial institution or invested with any one issuer.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from investments to the fund making the investment. The District also reports deposits at cost plus interest and credits all income from deposits to the fund making the deposit with the exception of the general checking account whose interest income is credited to the General Fund.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 3 - DUE FROM OTHER GOVERNMENTS

As of June 30, 2021, amounts due from other governments as reported in the financial statements consisted of the following:

SD Department of Education	\$	148,595
Custer County		65,847
State of South Dakota		284,250
		284,250
	\$	498,692

NOTE 4 - CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 388,458	\$ -	\$ -	\$ 388,458
Construction in Progress	679,526	8,350,470	-	9,029,996
Total Capital Assets Not Being Depreciated	1,067,984	8,350,470	-	9,418,454
Capital Assets Being Depreciated:				
Buildings	20,611,719	147,307	-	20,759,026
Improvements	1,153,087	-	-	1,153,087
Equipment	1,967,373	170,371	45,292	2,092,452
Total Capital Assets Being Depreciated	23,732,179	317,678	45,292	24,004,565
Less Accumulated Depreciation for:				
Equipment	1,258,580	114,094	39,845	1,332,829
Buildings	3,052,627	209,241	-	3,261,868
Improvements	1,079,231	33,223	-	1,112,454
Total Accumulated Depreciation	5,390,438	356,558	39,845	5,707,151
Total Capital Assets Being Depreciated, Net	18,341,741	(38,880)	5,447	18,297,414
Net Capital Assets	\$ 19,409,725	\$ 8,311,590	\$ 5,447	\$ 27,715,868
Business-type Activities:				
Equipment	\$ 176,084	\$ 34,489	\$ -	\$ 210,573
Less: Accumulated Depreciation	148,045	11,280	-	159,325
Net Capital Assets	\$ 28,039	\$ 23,209	\$ -	\$ 51,248

The total represented in the Construction in Progress balance is for the construction of the school in Hermosa. The project is expected to cost \$12,735,502. The project is being funded by Capital Outlay Certificates and is expected to be completed in January of 2022.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 4 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$	210,306
Support Services		65,909
Community Services		9,923
Cocurricular Activities		<u>70,420</u>
 Total Depreciation Expense	 \$	 <u>356,558</u>

All depreciation expense related to the business-type activities was for the Food Service Fund.

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt:					
Capital Outlay Certificates	\$ 19,145,000	\$ 7,050,000	\$ 1,005,000	\$ 25,190,000	\$ 5,015,000
Bond (Discount) Premiums	910,412	983,385	200,474	1,693,323	-
Energy Efficient Loan	<u>299,105</u>	<u>-</u>	<u>33,235</u>	<u>265,870</u>	<u>33,235</u>
Subtotal	20,354,517	8,033,385	1,238,709	27,149,193	5,048,235
Other Liabilities:					
Compensated Absences	324,519	-	36,952	287,567	26,065
Other Post Employment Benefits	27,229	-	-	27,229	-
Voluntary Separation Liability	<u>139,551</u>	<u>106,179</u>	<u>89,295</u>	<u>156,435</u>	<u>67,700</u>
Total Long-term Liabilities	<u>\$ 20,845,816</u>	<u>\$ 8,139,564</u>	<u>\$ 1,364,956</u>	<u>\$ 27,620,424</u>	<u>\$ 5,142,000</u>

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Capital outlay certificates and other general obligations at June 30, 2021 were comprised of the following:

2009A Capital Outlay Certificates, Bearing Interest at a Fixed Rate of 0.70%, Due 6/15/2024	\$ 2,480,000
2016 Capital Outlay Certificates, Bearing Interest at Fixed Rate of 2.00%, Due 1/1/2030	220,000
2016A Capital Outlay Certificates, Bearing Interest at Fixed Rate of 2.00%, Due 6/30/2030. This will be refunded during the year ended June 30, 2022.	4,015,000
Energy Efficient Loan, Bearing Interest Rate at 0%, Due 7/31/2028	265,870
Series 2019 Capital Outlay Certificates, Bearing Interest at a Fixed Rate of 3%, Due 6/30/2024	1,625,000
Series 2020A Capital Outlay Certificates, Bearing Interest at a Variable Rate between 2% and 4%, Due 1/15/2040	9,800,000
Series 2020B Capital Outlay Certificates, Bearing Interest at a Variable Rate between 2% and 4%, Due 1/1/2030	3,255,000
Series 2021 Capital Outlay Certificates, Bearing Interest at a Fixed Rate of 4%, Due 1/15/2030	3,795,000
Net Bond Premiums	<u>1,693,323</u>
	<u>\$ 27,149,193</u>

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2021, excluding compensated absences, are as follows:

Year Ending June 30,	General Obligation Debt		Voluntary Separation Costs	Totals
	Principal	Interest		
2022	\$ 5,048,235	\$ 639,957	\$ 67,700	\$ 5,755,892
2023	1,028,235	547,125	53,341	1,628,701
2024	3,533,235	515,988	35,394	4,084,617
2025	923,235	490,650	-	1,413,885
2026	963,235	456,750	-	1,419,985
2027-2031	4,384,695	1,787,050	-	6,171,745
2032-2036	4,465,000	1,210,050	-	5,675,050
2037-2041	<u>5,110,000</u>	<u>388,950</u>	-	<u>5,498,950</u>
Total Payments	<u>\$ 25,455,870</u>	<u>\$ 6,036,520</u>	156,435	<u>\$ 31,648,825</u>
Less: Interest			-	
Present Value of Early Retirement Benefits			<u>\$ 156,435</u>	

Payments of all capital outlay certificates and loan obligations are made from the Capital Outlay Fund. Compensated absence payments are made from the fund that the related payroll expenditures are charged.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Sinking Fund provisions on 2009A Capital Outlay Certificates require annual deposits of \$165,000 until fiscal year 2023 after which the fund will continue to earn interest until maturity on June 30, 2024. The current balance of the sinking fund is presented as investments in the fund and governmental statements. The 2009A Capital Outlay Certificates were refinanced in the current year and there are no new restrictive covenants on the refinanced certificates.

During the year ended June 30, 2021, the District issued capital outlay certificates in the amount of \$3,795,000 with a premium of \$327,197 and an interest rate of 2 to 4% to advance refund \$4,015,000 of outstanding 2016A Series Certificates with a fixed interest rate of 2%. The proceeds of the new debt were deposited in an escrow account and have been held to pay off the 2016A certificates in July 2021. The total savings is \$141,926 over the life of the debt, the present value of the savings is \$136,922.

Voluntary separation costs are available to teachers and administrators that meet certain criteria. Upon retirement, the employee is entitled to receive a payment calculated by taking 5% of the current salary of the employee multiplied by the number of full years (up to a maximum of 20 years) service in the District. At June 30, 2021, there were 5 employees entitled to receive such payments. Voluntary separation benefits are paid in three annual installments following the separation date of the employee. The final payment is currently scheduled for fiscal year 2024.

For the year ended June 30, 2021, payments of voluntary separation benefits were made out of the General Fund in the amount of \$38,536 and the Special Education Fund in the amount of \$74,452.

NOTE 6 - RESTRICTED NET POSITION

The following table shows the components of restricted net position as presented on the Statement of Net Position:

Purpose	Restricted By	
Major Purposes:		
Capital Outlay	Law	\$ 553,859
Special Education	Law	1,301,340
Debt Service	Debt Covenants	6,329,600
Proportionate Share of Net Pension	Law	321,843
Total		\$ 8,506,642

Although unrestricted, the Food Service Fund's unrestricted net position in the amount of \$33,038 is limited by Federal Regulations as the District's food services are primarily funded with federal grants.

NOTE 7 - PROPERTY TAX

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

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 7 - PROPERTY TAX (CONTINUED)

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."

State statute allows the General Fund tax rates to be increased by special election of the voters.

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021 were as follows:

	Transfers To:		
Transfers From:	General Fund	Nonmajor Fund	Total
Capital Outlay Fund	\$ 200,000	\$ 166,000	\$ 366,000

The transfer from the Capital Outlay Fund to the Debt Service Fund was made for sinking fund provisions required by the 2009A capital outlay certificates. The transfer from the Capital Outlay Fund to the General Fund was made as allowed by South Dakota statute.

NOTE 9 - PENSION PLAN

Plan Information

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

Benefits Provided

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

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 9 - PENSION PLAN (CONTINUED)

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

Members hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members retiring 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% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater 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 District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$330,384, \$312,566, and \$303,292, respectively, equal to the required contributions each year.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 9 - PENSION PLAN (CONTINUED)

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

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

Proportionate Share of Pension Liability	\$ 29,143,336
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>29,153,632</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (10,296)</u>

At June 30, 2021, the District reported an asset of \$10,296 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the District's proportion was 0.2370727% which is a decrease of 0.0006687% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense (reduction of pension expense) of \$462,608. At June 30, 2021, the 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	\$ 39,388	\$ 8,066
Changes in Assumption	331,643	1,337,535
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	956,965	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	8,881	10,113
District Contributions Subsequent to the Measurement Date	<u>330,384</u>	<u>-</u>
Total	<u>\$ 1,667,261</u>	<u>\$ 1,355,714</u>

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 9 - PENSION PLAN (CONTINUED)

\$330,384 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2022	\$ (123,002)
2023	(90,533)
2024	16,188
2025	178,510
2026	-
Thereafter	<u>-</u>
Total	<u>\$ (18,837)</u>

Actuarial Assumptions

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

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLA's	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 projected generationally with Scale MP-2016, white-collar rates for females, and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006, and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 9 - PENSION PLAN (CONTINUED)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for the management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	<u>2.0%</u>	1.0%
Total	<u>100%</u>	

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 District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the 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>
District's Proportionate Share of the Net Pension Liability (Asset)	\$ <u>3,994,174</u>	\$ <u>(10,296)</u>	\$ <u>(3,285,873)</u>

Pension Plan Fiduciary Net Position

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

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 10 - JOINT VENTURE

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special education and other services to the member school districts. During the year ended June 30, 2021, the District paid \$146,945 for services provided by the Co-op.

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

Belle Fourche School District	8.33%
Custer School District	8.33%
Douglas School District	8.33%
Edgemont School District	8.33%
Haakon School District	8.33%
Hill City School District	8.33%
Hot Springs School District	8.33%
Lead/Deadwood School District	8.33%
Meade School District	8.33%
Oelrichs School District	8.33%
Rapid City School District	8.33%
Spearfish School District	8.33%

The Co-op's governing board is comprised of one representative, a School Board member, from each member school district. The board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The District retains no equity in the net position of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements may be obtained by writing to BHSSC, PO Box 218, Sturgis SD 57785. At June 30, 2021, this joint venture had audited total assets of \$13,397,175, liabilities of \$5,989,335, and net position of \$7,407,840.

The District also participates in the Black Hills Educational Benefits Cooperative (BHEBC); a cooperative service unit formed for the purpose of providing health insurance services to the member school districts. The relative percentage of participation of each member in BHEBC was not deemed to be a measurable matter.

The members of BHEBC are Black Hills Special Service Cooperative, New Underwood School District, Wall School District, Custer School District, Oelrichs School District, and Belle Fourche School District.

BHEBC's governing board is composed of two representatives from each member school district. The board is responsible for adopting BHEBC's budget and setting service fees at a level adequate to fund the adopted budget. Members are not liable for claims in excess of BHEBC's assets.

Separate financial statements may be obtained by writing to BHEBC, PO Box 218, Sturgis SD 57785. At June 30, 2021, this joint venture had audited total assets of \$6,670,026, liabilities of \$769,509, and equity of \$5,900,517.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 11 - RISK MANAGEMENT

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

Employee Health Insurance

As discussed in Note 10, the District joined together with other educational units in the state to form a public entity risk pool. This is a public entity risk pool currently operating as a common-risk management and insurance program for six member districts. The District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$1,500 per person up to \$3,000 per family. The plan also provides for coinsurance of 70 or 80 percent up to \$6,000. The coverage also includes a \$1,000,000 lifetime maximum payment per person.

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

Liability Insurance

The District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common-risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk-sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made or by or against the District. The District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The District pays an annual premium to the pool to provide coverage for property insurance, general liability, automobile, crime, boiler and machinery, umbrella liability, and errors and omissions.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage will be provided with a \$2,000,000 limit on liability coverage, a \$250,000,000 limit on property, a \$50,000,000 limit on boiler and machinery, and a \$350,000 for various criminal acts. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of deductibles. As of June 30, 2021, the District carried the following deductibles related to insurance coverage:

General Liability	\$ -0-
Boiler and Machinery	5,000
Errors and Omissions	10,000
Defense Only Claims	5,000
Property	500
Automobile	-0-
Crime	1,000
Employee Benefits Liability	1,000

The District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Workmen's Compensation:

The District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool (the Fund) which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report and to cooperate with the Fund to resolve any worker's compensation claims. The District pays an annual premium to provide worker's compensation coverage for its employees under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The District may also be responsible for additional assessments in the event the Fund 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 Fund of all participants for the year in which the shortfall occurs. The Fund provides loss coverage to all participants through Fund retained risk retention and through insurance coverage purchased by the Fund in excess of the retained risk. The Fund pays the first \$500,000 of any claim per individual. The Fund has reinsurance which covers up to \$1,000,000 per individual incident. There was no additional assessment charged to pool members for the year ended June 30, 2021.

The District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District offers a single-employer defined-benefit healthcare plan. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses as permitted by SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between the District's certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. A covered individual who retires from the District, is at least age 55 and has contributed 3 years of service, and is currently participating in the group plan at the time of retirement is eligible for health insurance. Spousal and dependent coverage is provided as long as the required contributions are paid. Spouses may continue coverage after the retiree's coverage terminates until the spouse has reached age 65. The eligible retiree must pay monthly contributions based on 100% of the full active employee premium rate. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation if elected. The District ceased offering postemployment benefits to new retirees as of September 1, 2019.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funding Policy

Retired employees must pay 100% of the premiums for their coverage.

Changes in Liability

For the year ended June 30, 2021, the beginning balance of the OPEB obligation was \$27,229. Total OPEB liability was determined as of the measurement date, which is June 30, 2018. Due to low enrollment in the Plan, the District's liability Has not been updated. No expenses were incurred during the year ended June 30, 2021.

At June 30, 2021, the District did not report any deferred outflows of resources and deferred inflows of resources related to OPEB.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal level percentage of pay actuarial cost method was used to determine the total OPEB liability.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions:

- The discount rate used was 3.87% and was based upon the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.
- The assumed salary rate increase was 3.5% per annum with an inflation rate increase of 3% per annum.
- The Medical Consumer Price Index Trend is assumed to be 3% per annum.
- Because the benefit will soon be closed to future participants, the assumed rate of future participants is 75%.
- All current and future retirees are assumed to be eligible for Medicare at age 65.
- Mortality rates were based on the RP-2014 Generational Table, scaled using MP-2017 and applied on a gender-specific basis.
- A marriage assumption of 50% is applied to future retirees. Spouse dates of birth were provided by the District. Where this information was missing, male spouses were assumed to be three years older than female spouses.

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

•NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

- The healthcare cost trend assumptions are used to project the cost of healthcare in future years. The following annual trends are based on the current HCA Consulting trend study and are applied on a select and ultimate basis. Select trends are reduced by 0.5% each year until reaching the ultimate trend rate.

<u>Expense Type</u>	<u>Select</u>	<u>Ultimate</u>
Pre-Medicare Medical and Rx Benefits	7.00%	4.50%
Stop Loss Fees	7.00%	4.50%
Administrative Fees	4.50%	4.50%

- The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. The increases are based on a 2013 Society of Actuaries study.
- Expected retiree claim costs were developed by applying age adjustments to current fully insured active premium rates. The annual Age 60 claim costs for retirees and their spouses are provided in the table below:

<u>Per Capita Cost</u>	<u>Age 60</u>
Plan A	\$ 9,995
Plan B	7,978
Plan C	7,720
Future Retirees	9,895

- Future retirees are assumed to elect plan coverage at the following rates:

<u>Plan Name</u>	
Plan A	95.00%
Plan B	4.00%
Plan C	1.00%

- Non-claim costs are assumed to be 15% of the premium rates. Two-thirds of fixed expenses are attributed to administrative costs. The remaining one-third is attributed to pooling costs.
- The rate of withdrawal is based on the withdrawal assumption used in the South Dakota Retirement system actuarial valuation as of June 30, 2017. The rate of withdrawal for reasons other than death and retirement is dependent on an employee's age and years of service.
- Annual retirement probabilities have been based on the South Dakota Retirement System actuarial valuation as of June 30, 2017.

Sensitivity Analysis

- The following represents the District's total OPEB liability, calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	2.87%	Discount Rate	4.87%
Total OPEB Liability	<u>\$ 26,957</u>	<u>\$ 27,229</u>	<u>\$ 27,501</u>

Custer School District No. 16-1
Notes to the Financial Statements
June 30, 2021

NOTE 12 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The following represents the District's total OPEB liability, calculated using the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates:

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$ 26,957	\$ 27,229	\$ 27,501

NOTE 13 - CONTINGENCIES

During the year ended June 30, 2020, COVID-19 created a worldwide pandemic. The pandemic caused many jurisdictions to declare states of emergency which forced the closure of businesses, schools, and government offices. The disruption is expected to be temporary, but the effects may continue for some time. The extent of the impact of COVID-19 on the District's operations will depend on developments including the duration and spread of the outbreak and impact on local education agencies, which are uncertain and cannot be predicted.

NOTE 14 - ADOPTION OF ACCOUNTING STANDARDS AND RESTATEMENT

As of June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities* (GASB 84). This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The implementation of this standard required that the District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the District to reclassify previously reported agency funds as custodial funds. The District restated the net position and fund balance of the fund indicated below to appropriately reflect the July 1, 2020 balances as follows:

	Custodial Funds
Net Position July 1, 2020, as Previously Reported	\$ -
Restatement for Implementation of GASB 84	116,416
Net Position July 1, 2020, as Restated	\$ 116,416

NOTE 15 - EMERGING ACCOUNTING

In June 2017, the Government Accounting Standards Board issued GASB No. 87, *Leases*. GASB 87 affects any government entity that enters into a lease. The main difference between previous GAAP and GASB 87 is the recognition of lease assets and lease liabilities for the lessee and the recognition of a lease receivable and deferred inflow of resources for the lessor. The effective date for GASB 87 was postponed 18 months as a result of GASB Statement No. 95 issued in May 2020 in response to the COVID-10 pandemic. GASB 87 is effective for years beginning June 15, 2021. The District has not yet implemented this update and is in the process of assessing the effect on the financial statements.

NOTE 16 - SUBSEQUENT EVENTS

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

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REQUIRED SUPPLEMENTARY INFORMATION

Custer School District No. 16-1
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2021

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 4,792,643	\$ 4,864,643	\$ 5,015,194	\$ 150,551
Gross Receipts Taxes	335,000	335,000	346,628	11,628
Penalties and Interest on Taxes	10,000	10,000	17,380	7,380
Cocurricular Activities	25,000	25,000	19,131	(5,869)
Earnings on Deposits	65,000	65,000	37,252	(27,748)
Other Local Revenue	<u>12,000</u>	<u>40,000</u>	<u>121,964</u>	<u>81,964</u>
Total Revenue from Local Sources	<u>5,239,643</u>	<u>5,339,643</u>	<u>5,557,549</u>	<u>217,906</u>
Revenue from Intermediate Sources:				
County Sources	60,000	60,000	71,384	11,384
Revenue in Lieu of Taxes	<u>10,000</u>	<u>10,000</u>	<u>7,919</u>	<u>(2,081)</u>
Total Revenue from Intermediate Sources	<u>70,000</u>	<u>70,000</u>	<u>79,303</u>	<u>9,303</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	506,354	506,354	555,955	49,601
Restricted Grants-in-aid	<u>-</u>	<u>-</u>	<u>5,682</u>	<u>5,682</u>
Total Revenue from State Sources	<u>506,354</u>	<u>506,354</u>	<u>561,637</u>	<u>55,283</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	794,050	794,050	789,319	(4,731)
Restricted Grants-in-aid	<u>549,050</u>	<u>640,150</u>	<u>705,574</u>	<u>65,424</u>
Total Revenue from Federal Sources	<u>1,343,100</u>	<u>1,434,200</u>	<u>1,494,893</u>	<u>60,693</u>
Total Revenue	<u>7,159,097</u>	<u>7,350,197</u>	<u>7,693,382</u>	<u>343,185</u>

See independent auditor's report and notes to required supplementary information.

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
EXPENDITURES				
Instructional Services:				
Regular Programs	4,038,984	4,106,484	4,141,827	(35,343)
Special Programs	235,721	264,821	267,617	(2,796)
Post Secondary Occupational Programs	2,000	2,000	2,000	-
Total Instructional Services	<u>4,276,705</u>	<u>4,373,305</u>	<u>4,411,444</u>	<u>(38,139)</u>
Support Services:				
Pupils	282,840	327,340	354,066	(26,726)
Instructional Staff	224,113	224,113	196,425	27,688
General Administration	435,911	435,911	417,923	17,988
School Administration	499,823	499,823	483,977	15,846
Business	1,759,305	1,768,305	1,759,431	8,874
Total Support Services	<u>3,201,992</u>	<u>3,255,492</u>	<u>3,211,822</u>	<u>43,670</u>
Cocurricular Activities:				
Male Activities	85,467	85,467	85,260	207
Female Activities	58,351	58,351	60,220	(1,869)
Transportation	91,543	91,543	93,952	(2,409)
Combined Activities	177,013	177,013	171,369	5,644
Total Cocurricular Activities	<u>412,374</u>	<u>412,374</u>	<u>410,801</u>	<u>1,573</u>
Other Nonprogrammed Costs:				
Compensated Absence Payments	171,790	184,790	157,877	26,913
Total Expenditures	<u>8,062,861</u>	<u>8,225,961</u>	<u>8,191,944</u>	<u>34,017</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>(903,764)</u>	<u>(875,764)</u>	<u>(498,562)</u>	<u>377,202</u>
OTHER FINANCING SOURCES				
Transfer In	-	245,000	200,000	(45,000)
Sale of Surplus Property	-	-	5,344	5,344
Insurance Proceeds	-	-	130,146	130,146
Contingency	50,000	-	-	-
Total Other Financing Sources	<u>50,000</u>	<u>245,000</u>	<u>335,490</u>	<u>90,490</u>
NET CHANGE IN FUND BALANCES	(853,764)	(630,764)	(163,072)	467,692
FUND BALANCE - BEGINNING	<u>5,924,386</u>	<u>5,924,386</u>	<u>5,924,386</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,070,622</u>	<u>\$ 5,293,622</u>	<u>\$ 5,761,314</u>	<u>\$ 467,692</u>

See independent auditor's report and notes to required supplementary information.

Custer School District No. 16-1
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis
For the Year Ended June 30, 2021

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 3,029,120	\$ 3,029,120	\$ 3,041,564	\$ 12,444
Penalties and Interest on Taxes	4,000	4,000	6,886	2,886
Earnings on Deposits	(20,000)	20,000	-	(20,000)
Total Revenue from Local Sources	<u>3,013,120</u>	<u>3,053,120</u>	<u>3,048,450</u>	<u>(4,670)</u>
Revenue from Federal Sources:				
Restricted Grants-in-aid	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total Revenue	<u>3,313,120</u>	<u>3,353,120</u>	<u>3,348,450</u>	<u>(4,670)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	589,362	589,362	437,018	152,344
Special Programs	10,446	10,446	18,433	(7,987)
Total Instructional Services	<u>599,808</u>	<u>599,808</u>	<u>455,451</u>	<u>144,357</u>
Support Services:				
Instructional Staff	7,800	7,800	5,048	2,752
Business	<u>10,604,277</u>	<u>10,604,277</u>	<u>9,177,173</u>	<u>1,427,104</u>
Total Support Services	<u>10,612,077</u>	<u>10,612,077</u>	<u>9,182,221</u>	<u>1,429,856</u>
Cocurricular Activities:				
Combined Activities	<u>31,452</u>	<u>31,452</u>	<u>29,733</u>	<u>1,719</u>
Debt Services				
	<u>(4,367,173)</u>	<u>1,918,827</u>	<u>1,571,685</u>	<u>347,142</u>
Total Expenditures	<u>6,876,164</u>	<u>13,162,164</u>	<u>11,239,090</u>	<u>1,923,074</u>

See independent auditor's report and notes to required supplementary information.

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,563,044)</u>	<u>(9,809,044)</u>	<u>(7,890,640)</u>	<u>1,918,404</u>
OTHER FINANCING SOURCES (USES)				
Debt Proceeds Net of Discounts and Costs	(7,051,136)	-	7,050,000	7,050,000
Premiums on Debt Issuance	-	-	983,385	983,385
Transfer Out	(411,000)	(411,000)	(366,000)	45,000
Compensation for Loss of General Capital Assets	<u>(70,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(7,532,136)</u>	<u>(411,000)</u>	<u>7,667,385</u>	<u>8,078,385</u>
NET CHANGE IN FUND BALANCES	(11,095,180)	(10,220,044)	(223,255)	9,996,789
FUND BALANCE - BEGINNING	<u>11,409,798</u>	<u>11,409,798</u>	<u>11,409,798</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 314,618</u>	<u>\$ 1,189,754</u>	<u>\$ 11,186,543</u>	<u>\$ 9,996,789</u>

See independent auditor's report and notes to required supplementary information.

Custer School District No. 16-1
Budgetary Comparison Schedule - Special Education Fund -
Budgetary Basis
For the Year Ended June 30, 2021

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,858,326	\$ 1,858,326	\$ 1,957,552	\$ 99,226
Penalties and Interest on Taxes	2,000	2,000	3,886	1,886
Other Local Revenue	3,200	3,200	15,531	12,331
Total Revenue from Local Sources	<u>1,863,526</u>	<u>1,863,526</u>	<u>1,976,969</u>	<u>113,443</u>
Revenue from Federal Sources:				
Restricted Grants-in-aid	<u>253,700</u>	<u>253,700</u>	<u>277,248</u>	<u>23,548</u>
Total Revenue	<u>2,117,226</u>	<u>2,117,226</u>	<u>2,254,217</u>	<u>136,991</u>
EXPENDITURES				
Instructional Services:				
Special Programs	<u>1,284,945</u>	<u>1,284,945</u>	<u>1,243,382</u>	<u>41,563</u>
Support Services:				
Pupils	297,600	297,600	306,847	(9,247)
Special Education	<u>230,541</u>	<u>230,541</u>	<u>220,410</u>	<u>10,131</u>
Total Support Services	<u>528,141</u>	<u>528,141</u>	<u>527,257</u>	<u>884</u>
Other Nonprogrammed Costs:				
Compensated Absence Payments	<u>32,814</u>	<u>32,814</u>	<u>32,814</u>	<u>-</u>
Total Expenditures	<u>1,845,900</u>	<u>1,845,900</u>	<u>1,803,453</u>	<u>42,447</u>
NET CHANGE IN FUND BALANCES	271,326	271,326	450,764	179,438
FUND BALANCE - BEGINNING	<u>878,511</u>	<u>878,511</u>	<u>878,511</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,149,837</u>	<u>\$ 1,149,837</u>	<u>\$ 1,329,275</u>	<u>\$ 179,438</u>

See independent auditor's report and notes to required supplementary information.

Custer School District No. 16-1
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Years Ended June 30

	<u>2021*</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ -	\$ -	\$ -	\$ 639
Interest on Total OPEB Liability	-	-	-	5,336
Changes of Benefit Terms	-	-	-	(122,314)
Effect of Assumption Changes or Inputs	-	-	-	(221)
Benefit Payments	-	-	-	(2,482)
Net Change in Total OPEB Liability	-	-	-	(119,042)
Total OPEB Liability, Beginning	<u>27,229</u>	<u>27,229</u>	<u>27,229</u>	<u>146,271</u>
Total OPEB Liability, Ending	<u>\$ 27,229</u>	<u>\$ 27,229</u>	<u>\$ 27,229</u>	<u>\$ 27,229</u>
District's Covered-employee Payroll	\$ 5,203,021	\$ 5,054,859	\$ 5,000,497	\$ 4,581,768
Total OPEB Liability as a Percentage of Covered-employee Payroll	0.52%	0.54%	0.54%	0.59%

*Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See independent auditor's report.

Custer School District No. 16-1
Schedule of the District's Proportionate Share
of the Net Pension Liability (Asset)
South Dakota Retirement System

Year*	District's Proportion of Net Pension Liability (Asset)	District's Proportionate Share of Net Pension Liability (Asset) (a)	District's Covered- employee Payroll (b)	District's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll (a/b)	Plan Fiduciary Net Pension as a Percentage of its Total Pension Liability (Asset)
2021	0.2370727%	\$ (10,296)	\$ 5,203,021	-0.20%	-100.04%
2020	0.2377414%	\$ (25,194)	\$ 5,054,859	-0.50%	-100.09%
2019	0.2405361%	\$ (5,610)	\$ 5,000,497	-0.11%	-100.02%
2018	0.2356759%	\$ (21,388)	\$ 4,788,439	-0.45%	-100.10%
2017	0.2358488%	\$ 796,674	\$ 4,484,649	17.76%	96.89%
2016	0.2302137%	\$ (976,402)	\$ 4,203,034	-23.23%	-104.10%
2015	0.2301978%	\$ (1,658,481)	\$ 4,025,516	-41.20%	-107.29%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset, which is June 30 of the previous year. Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See independent auditor's report.

**Custer School District No. 16-1
Schedule of Pension Contributions
South Dakota Retirement System**

Year*	Contractually- required Contribution (a)	Contributions in Relation to the Contractually- required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered- employee Payroll (c)	Contributions as a Percentage of Covered- employee Payroll (b/c)
2021	\$ 330,384	\$ 330,384	\$ -	\$ 5,513,487	6.00%
2020	\$ 312,566	\$ 312,566	\$ -	\$ 5,203,021	6.00%
2019	\$ 303,292	\$ 303,292	\$ -	\$ 5,054,859	6.00%
2018	\$ 300,031	\$ 300,031	\$ -	\$ 5,000,497	6.00%
2017	\$ 287,307	\$ 287,307	\$ -	\$ 4,788,439	6.00%
2016	\$ 269,080	\$ 269,080	\$ -	\$ 4,484,649	6.00%
2015	\$ 252,183	\$ 252,183	\$ -	\$ 4,203,034	6.00%

*Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See independent auditor's report.

Custer School District No. 16-1
Notes to the Required Supplementary Information
June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds present capital outlay expenditures as a separate function.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The District follows 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 May of each year.
3. The proposed budget is published for public review no later than July 15 of 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 the 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 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 the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

See independent auditor's report.

Custer School District No. 16-1
Notes to the Required Supplementary Information
June 30, 2021

NOTE 3 - PENSION PLAN

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

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

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

Actuarial Method Changes

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

See independent auditor's report.

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SINGLE AUDIT INFORMATION

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

School Board
Custer School District No. 16-1
Custer, South Dakota

We have audited, in accordance with the 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 Custer School District No. 16-1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Custer School District No. 16-1's basic financial statements and have issued our report thereon dated February 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Custer School District No. 16-1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Custer School District No. 16-1's internal control. Accordingly, we do not express an opinion on the effectiveness of Custer School District No. 16-1'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Custer School District No. 16-1'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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule o Findings and Questioned Costs as item 2021-003.

Custer School District No. 16-1's Response to Findings

Custer School District No. 16-1's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Custer School District No. 16-1'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 Custer School District No. 16-1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Custer School District No. 16-1'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.



Casey Peterson, LTD

Rapid City, South Dakota
February 14, 2022

Independent Auditor's Report on Compliance for
Each Major Program and Report on Internal Control
over Compliance Required by the Uniform Guidance

School Board
Custer School District No. 16-1
Custer, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Custer School District No. 16-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Custer School District No. 16-1's major federal programs for the year ended June 30, 2021. Custer School District No. 16-1's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Custer School District No. 16-1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Custer School District No. 16-1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Custer School District No. 16-1's compliance.

Opinion on Each Major Federal Program

In our opinion, Custer School District No. 16-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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FAITH

127 MAIN ST. S.
FAITH, SD 57626
605.791.3142

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-003. Our opinion on each major federal program is not modified with respect to this matter.

Custer School District No. 16-1's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Custer School District No. 16-1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Custer School District No. 16-1 is responsible for establishing and maintaining effective internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Custer School District No. 16-1's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2021-003 that we consider to be a material weakness.

Custer School District No. 16-1's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Custer School District No. 16-1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD.

Casey Peterson, LTD

Rapid City, South Dakota

February 14, 2022

Custer School District No. 16-1
Schedule of Findings and Questioned Costs
June 30, 2021

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. The Independent Auditor's Report expressed unmodified opinions on the financial statements of Custer School District No. 16-1.
- b. The 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* disclosed material weaknesses in internal control over financial reporting.
- c. An instance of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Governmental Auditing Standards* was noted during the audit.
- d. The Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance for the District expressed an unmodified opinion on all major programs.
- e. A material weakness in internal control related to major federal award programs was reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.
- f. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- g. The federal awards tested as major programs were:
 - Child Nutrition Cluster - Assistance listings #10.553 and 10.555
 - Forest Service Schools and Roads Cluster - Assistance listings #10.665 and 10.666
 - Coronavirus Relief Fund – Assistance Listing #21.019
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Custer School District No. 16-1 did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Internal Control over Financial Reporting

Segregation of Duties

2021-001 *Condition:* There is a lack of segregation of duties within the Business Office related to the oversight of the year-end reconciliation and adjustment process.

Criteria: Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

Cause: This condition exists due to the limited number of staff within the finance function of the District. This issue is common in a District of this size.

Effect: The possibility of fraud or errors occurring and not being detected or corrected is present.

Repeat of Prior Year Finding: This issue has been reported as a finding since 2012.

See independent auditor's report.

Custer School District No. 16-1
Schedule of Findings and Questioned Costs
June 30, 2021

Auditor's Recommendation: We recommend training for Business Office staff to perform additional responsibilities which will allow the Business Manager the perform oversight duties such as the financial close and reconciliation processes. Similarly, the Board could be involved in the reconciliation process to allow for further segregation of duties.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Material Weakness

Internal Control over Financial Reporting

Drafting the Financial Statements and Related Notes

2021-002 *Condition:* The District requests its auditor to draft the year-end financial statements and accompanying notes.

Criteria: Establishing internal controls over the preparation of the financial statements and drafting the financial statement is the responsibility of management. The District should have an internal control system in place related to oversight and review of the preparation of the financial statements. In addition, the Uniform Guidance requires the auditee to prepare appropriate financial statements in accordance with section 200.510.

Cause: The District does not have an internal control system in place to prepare the financial statements and related notes. This condition is common in an organization of this size due to the limited number of office staff.

Effect: The District engages its auditor to draft the financial statements and related notes to the financial statements. The possibility of fraud or errors occurring and not being detected or corrected is present.

Repeat of Prior Year Finding: No.

Auditor's Recommendation: We recommend that management develop a system of internal control to ensure proper reporting of the financial statements and notes to the financial statements. If management does not have the resources or expertise to prepare the financial statements, we recommend that a qualified CPA be engaged to mitigate or eliminate this control weakness.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

**Custer School District No. 16-1
Schedule of Findings and Questioned Costs
June 30, 2021**

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

US DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster, AL #10.553 AND 10.555

US DEPARTMENT OF EDUCATION

Forest Service Schools and Roads Cluster, AL #10.556 AND 10.666

US TREASURY

Coronavirus Relief Fund, AL #21.019

Material Weakness and Noncompliance

Internal Control over Compliance

Drafting the Financial Statements and Related Notes

2021-003 See finding 2021-002 for the condition, criteria, cause, effect, auditor's recommendation, and view of management.

Custer School District

527 Montgomery Street
Custer, SD 57730

Phone: (605) 673-3154
Fax: (605) 673-5607



Mark Naugle
Superintendent of Schools

Robert Baty
Business Manager

PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No prior year audit findings were reported.

PRIOR FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Internal Control over Financial Reporting

2020-001 *Condition:* There is a lack of segregation of duties within the Business Office related to the oversight of the year-end reconciliation and adjustment process.

Criteria: Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision about whether to accept the degree of risk associated with this condition. Management may train finance office personnel to perform additional responsibilities such that the Business Manager can provide oversight or management could involve Board members in the year-end close process.

Current Status: This finding has been reported in the current year.

Custer School District

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Fax: (605) 673-5607



Mark Naugle
Superintendent of Schools

Robert Baty
Business Manager

CORRECTIVE ACTION PLAN (UNAUDITED)

Custer School District No. 16-1 respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Casey Peterson, LTD
909 St. Joseph St., Ste 101
Rapid City, SD 57701

The findings from the 2021 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Internal Control over Financial Reporting

2021-001 *Condition:* There is a lack of segregation of duties within the Business Office related to the oversight of the year-end reconciliation and adjustment process.

Criteria: Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

Repeat of Prior Year Finding: This finding has been reported since 2012.

Auditor's Recommendation: We recommend training for Business Office staff to perform additional responsibilities which will allow the Business Manager to perform oversight duties such as the financial close and reconciliation processes. Similarly, the Board could be involved in the reconciliation process to allow for further segregation of duties.

Management's Response: This is a common condition for schools of similar size and management feels comfortable with this practice. The District will implement suggested controls wherever cost-effective for the District. The Business Manager and the Superintendent will monitor the implementation of the Corrective Action Plan.

2021-002 *Condition:* The District requests its auditor to draft the year-end financial statements and accompanying notes.

Criteria: Establishing internal controls over the preparation of the financial statements and drafting the financial statement is the responsibility of management. The District should have an internal control system in place related to oversight and review of the preparation of the financial statements. In addition, the Uniform Guidance requires the auditee to prepare appropriate financial statements in accordance with section 200.510.

Repeat of Prior Year Finding: No.

Custer School District

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Custer, SD 57730

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Fax: (605) 673-5607



Mark Naugle
Superintendent of Schools

Robert Baty
Business Manager

CORRECTIVE ACTION PLAN (UNAUDITED) (CONTINUED)

Auditor's Recommendation: We recommend that management develop a system of internal control to ensure proper reporting of the financial statements and notes to the financial statements. If management does not have the resources or expertise to prepare the financial statements, we recommend that a qualified CPA be engaged to mitigate or eliminate this control weakness.

Management's Response: This is a common condition for schools of similar size and management feels comfortable with this practice. The District will implement suggested controls wherever cost-effective for the District. Management does provide the auditors with a trial balance and supporting schedules that are used in the preparation of the financial statements. The Business Manager and the Superintendent will monitor the implementation of the Corrective Action Plan.

FINDINGS - FEDERAL AWARDS AUDIT

US DEPARTMENT OF AGRICULTURE
Child Nutrition Cluster, AL #10.553 AND 10.555

US DEPARTMENT OF EDUCATION
Forest Service Schools and Roads Cluster, AL #10.556 AND 10.666

US TREASURY
Coronavirus Relief Fund, AL #21.019

Material Weakness and Noncompliance
Internal Control over Compliance
Drafting the Financial Statements and Related Notes

2021-003 See finding 2021-002 for the condition, criteria, auditor's recommendation, and view of management.

**Custer School District No. 16-1
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

Assistance Listing	Direct Award	Major Program	Cluster/Program Name	Pass-through Entity	Pass-through Number	Amount
Child Nutrition Cluster:						
<u>U.S. Department of Agriculture</u>						
Non-cash Assistance (Commodities):						
10 . 555	N	Y	National School Lunch Program	S.D. Department of Education	2020G-CANS16001	\$ 32,687
Cash Assistance:						
10 . 553	N	Y	School Breakfast Program (Note 3)	S.D. Department of Education	2020G-CANS16001	204,521
10 . 555	N	Y	National School Lunch Program (Note 3)	S.D. Department of Education	2020G-CANS16001	<u>396,269</u>
Total Child Nutrition Cluster						<u>633,477</u>
Forest Service Schools and Roads Cluster:						
<u>U.S. Department of Agriculture</u>						
10 . 665	N	Y	School and Roads - Grants to States (Note 3)	Custer and Pennington Counties	NA	103,110
10 . 666	N	Y	School and Roads - Grants to Counties (Note 3)	Custer and Pennington Counties	NA	<u>698</u>
Total Forest Service Schools and Roads Cluster						<u>103,808</u>
Special Education Cluster (IDEA):						
<u>U.S. Department of Education</u>						
84 . 027	N	N	Special Education - Grants to States	S.D. Department of Education	2020G-IDEA16001	270,498
84 . 173	N	N	Special Education - Preschool Grants	S.D. Department of Education	2020G-IDEA16001	<u>6,750</u>
Total Special Education Cluster						<u>277,248</u>
Other Programs						
<u>U.S. Department of Agriculture</u>						
10 . 582	N	N	Fresh Fruits and Vegetables	S.D. Department of Education	2020G-FFVP16001	<u>40,238</u>
Total Department of Agriculture						<u>777,523</u>

See independent auditor's report.

Assistance Listing	Direct Award	Major Program	Cluster/Program Name	Pass-through Entity	Pass-through Number	Amount
<u>U.S. Department of Interior</u>						
15 . 227	N	N	Distribution of Receipts to State and Local Governments (Note 3)	S.D. Department of Education	NA	<u>11,534</u>
Total Department of Interior						<u>11,534</u>
<u>U.S. Department of Treasury</u>						
21 . 019	N	Y	Coronavirus Relief Fund	S.D. Department of Education	2021G-215	<u>444,500</u>
Total Department of Treasury						<u>444,500</u>
<u>General Services Administration</u>						
39 . 003	N	N	Donation of Federal Surplus Personal Property (Note 4)	S.D. Federal Property Agency	NA	<u>963</u>
Total General Services Administration						<u>963</u>
<u>U.S. Department of Education</u>						
84 . 010	N	N	Title I Grants to Local Educational Agencies	S.D. Department of Education	2020G-CA16001	213,398
84 . 041	Y	N	Impact Aid	N/A	N/A	750,000
84 . 425D	N	N	Elementary and Secondary School Emergency Relief Fund	S.D. Department of Education	2021G-CARE16001	207,177
84 . 367	N	N	Improving Teacher Quality State Grants	S.D. Department of Education	2020G-CA16001	70,988
84 . 424	N	N	Student Support and Enrichment Program	S.D. Department of Education	2020G-CA16001	<u>29,273</u>
Total Department of Education						<u>1,548,084</u>
Total Federal Financial Assistance						<u>\$ 2,782,604</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

NOTE 2: The District did not elect to use the 10% de minimis indirect cost rate.

NOTE 3: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 4: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the District. (Original acquisition cost is provided by Federal Surplus Property. It is not what the District actually paid for the item.)

NOTE 5: No funds were passed down to subrecipients.

See independent auditor's report.

OTHER INFORMATION

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Custer School District No. 16-1
School District Officials
June 30, 2021

BOARD MEMBERS

Chair - Heather Grace
Vice Chair - Michelle Lehman
Bob Morgan Jr.
Jeff Prior
Larry J. Baker
Travis Hartshorn
Jeff Barnes

SUPERINTENDENT

Mark Naugle

BUSINESS MANAGER

Lisa Fluck

See independent auditor's report.