



Financial Statements  
June 30, 2020

# Doland School District 56-2

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## Independent Auditor's Report

The School Board  
Doland School District 56-2  
Doland, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Doland School District 56-2 (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2020, 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 schedule of changes in the School District's total OPEB liability and related ratios, budgetary comparison schedules, schedule of employer's share of net pension liability (asset), schedule of employer's contributions, and notes to required supplementary information on pages 38 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Aberdeen, South Dakota  
May 17, 2021

Doland School District 56-2  
Statement of Net Position  
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,511,590	\$ 1,110	\$ 2,512,700
Taxes receivable	849,740	-	849,740
Due from other governments	104,221	-	104,221
Accounts receivable	-	10,755	10,755
Deposits	25,719	-	25,719
Inventories	-	5,522	5,522
Net pension asset	6,023	168	6,191
Capital assets not being depreciated:			
Land	65,146	-	65,146
Capital assets, net of accumulated depreciation:			
Improvements other than buildings	55,471	-	55,471
Buildings	3,728,173	-	3,728,173
Machinery and equipment	243,195	158,160	401,355
Total assets	<u>7,589,278</u>	<u>175,715</u>	<u>7,764,993</u>
<b>Deferred Outflows of Resources</b>			
OPEB related deferred outflows	6,363	-	6,363
Pension related deferred outflows	319,895	8,911	328,806
	<u>\$ 7,915,536</u>	<u>\$ 184,626</u>	<u>\$ 8,100,162</u>
<b>Liabilities</b>			
Accounts payable	\$ 358,505	\$ 8,075	\$ 366,580
Other current liabilities	181,978	4,914	186,892
Noncurrent liabilities:			
Due within one year	6,725	-	6,725
Due in more than one year	2,248	-	2,248
OPEB liability	111,353	-	111,353
Total liabilities	<u>660,809</u>	<u>12,989</u>	<u>673,798</u>
<b>Deferred Inflows of Resources</b>			
OPEB related deferred inflows	52,144	-	52,144
Pension related deferred inflows	127,977	3,565	131,542
Taxes levied for future period	952,712	-	952,712
Total deferred inflows of resources	<u>1,132,833</u>	<u>3,565</u>	<u>1,136,398</u>
<b>Net Position</b>			
Invested in capital assets	4,083,012	158,160	4,241,172
Restricted for:			
Capital Outlay	681,425	-	681,425
Special Education	541,573	-	541,573
SDRS pension purposes	197,941	5,514	203,455
Unrestricted	617,943	4,398	622,341
Total net position	<u>6,121,894</u>	<u>168,072</u>	<u>6,289,966</u>
	<u>\$ 7,915,536</u>	<u>\$ 184,626</u>	<u>\$ 8,100,162</u>

See Notes to Financial Statements

Doland School District 56-2  
Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
Instruction	\$ 1,480,806	\$ -	\$ 122,039	\$ -	\$ (1,358,767)	\$ -	\$ (1,358,767)
Support services	848,493	2,146	-	-	(846,347)	-	(846,347)
Nonprogrammed charges	132,859	-	-	-	(132,859)	-	(132,859)
Co-curricular activities	47,062	4,302	-	-	(42,760)	-	(42,760)
Total governmental activities	2,509,220	6,448	122,039	-	(2,380,733)	-	(2,380,733)
Business-type activities:							
Food service	133,971	19,170	88,537	131,546	-	105,282	105,282
Preschool	19,475	10,515	-	-	-	(8,960)	(8,960)
Total business-type activities	153,446	29,685	88,537	131,546	-	96,322	96,322
Total primary government	\$ 2,662,666	\$ 36,133	\$ 210,576	\$ 131,546	(2,380,733)	96,322	(2,284,411)
<b>General Revenues</b>							
Property taxes					2,079,646	-	2,079,646
Gross receipts taxes					76,373	-	76,373
Revenue from state sources:							
State aid					339,631	-	339,631
Unrestricted investment earnings					12,305	-	12,305
Other general revenues					10,967	-	10,967
Transfers					(16,591)	16,591	-
Total general revenues and transfers					2,502,331	16,591	2,518,922
Change in Net Position					121,598	112,913	234,511
Net Position - Beginning					6,000,296	55,159	6,055,455
Net Position - Ending					\$ 6,121,894	\$ 168,072	\$ 6,289,966

See Notes to Financial Statements

Doland School District 56-2  
Balance Sheet – Governmental Funds  
June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 873,910	\$ 1,057,275	\$ 580,405	\$ 2,511,590
Taxes receivable - current	505,036	265,649	72,234	842,919
Taxes receivable - delinquent	4,501	1,848	472	6,821
Due from other governments	104,221	-	-	104,221
Deposits	25,719	-	-	25,719
<b>Total assets</b>	<b><u>\$ 1,513,387</u></b>	<b><u>\$ 1,324,772</u></b>	<b><u>\$ 653,111</u></b>	<b><u>\$ 3,491,270</u></b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,774	\$ 342,884	\$ 12,847	\$ 358,505
Contracts payable	138,517	-	15,374	153,891
Payroll deductions, withholdings, and employer matching payable	25,767	-	2,320	28,087
<b>Total liabilities</b>	<b><u>167,058</u></b>	<b><u>342,884</u></b>	<b><u>30,541</u></b>	<b><u>540,483</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	4,501	1,848	472	6,821
Taxes levied for future periods	571,252	300,463	80,997	952,712
<b>Total deferred inflows of resources</b>	<b><u>575,753</u></b>	<b><u>302,311</u></b>	<b><u>81,469</u></b>	<b><u>959,533</u></b>
<b>Fund Balances</b>				
Nonspendable for:				
Deposits	25,719	-	-	25,719
Restricted for:				
Capital Outlay	-	679,577	-	679,577
Special Education	-	-	541,101	541,101
Assigned to:				
Unemployment	79,909	-	-	79,909
Unassigned	664,948	-	-	664,948
<b>Total fund balances</b>	<b><u>770,576</u></b>	<b><u>679,577</u></b>	<b><u>541,101</u></b>	<b><u>1,991,254</u></b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b><u>\$ 1,513,387</u></b>	<b><u>\$ 1,324,772</u></b>	<b><u>\$ 653,111</u></b>	<b><u>\$ 3,491,270</u></b>

Doland School District 56-2  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 Year Ended June 30, 2020

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Total Fund Balances - Governmental Funds	\$ 1,991,254
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	4,091,985
Long-term liabilities, including capital lease, are not due and payable in the current period and, therefore, are not reported in the funds.	(8,973)
Property taxes become due and payable on January 1 each year, but are not collected/available soon enough to pay current period expenditures; therefore, they are reported as deferred inflows of resources in the fund financial statements. However, because the delinquent taxes are payable by the taxpayer at June 30, the delinquent taxes are reported as revenue on the government-wide financial statements.	6,821
OPEB obligations, related deferred inflows of resources, and OPEB related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	(157,134)
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do do not represent available financial resources and, therefore, are not reported in the funds.	<u>197,941</u>
Net Position - Governmental Activities	<u><u>\$ 6,121,894</u></u>



Doland School District 56-2  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 1,149,235	\$ 778,397	\$ 134,664	\$ 2,062,296
Prior year's ad valorem taxes	4,519	1,922	650	7,091
Tax deed revenue	9,096	-	-	9,096
Gross receipts taxes	76,373	-	-	76,373
Penalties and interest on taxes	2,891	1,965	335	5,191
Earnings on investments and deposits	6,173	4,310	1,822	12,305
Co-curricular activities:				
Admissions	2,858	-	-	2,858
Rentals	284	-	-	284
Other	1,160	-	-	1,160
Other revenue from local sources:				
Contributions and donations	3,269	2,750	-	6,019
Refund of prior year's expenditures	1,634	-	-	1,634
Charges for services	1,938	-	208	2,146
Judgments	1,500	-	-	1,500
Other	987	-	-	987
Revenue from intermediate sources				
County sources:				
County apportionment	8,346	-	-	8,346
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	339,631	-	-	339,631
Restricted grants-in-aid	8,149	-	-	8,149
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	150,921	-	-	150,921
<b>Total revenues</b>	<b>1,768,964</b>	<b>789,344</b>	<b>137,679</b>	<b>2,695,987</b>

Doland School District 56-2

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures				
Instruction				
Regular programs:				
Elementary	503,767	9,492	-	513,259
Middle/junior high	100,008	1,050	-	101,058
High school	322,286	50,948	-	373,234
Special programs:				
Programs for special education	-	-	205,472	205,472
Educationally deprived	144,593	-	-	144,593
Support services				
Pupils:				
Guidance	717	-	-	717
Health	946	-	-	946
Psychological	-	-	3,915	3,915
Speech pathology	-	-	9,964	9,964
Student therapy services	-	-	15,604	15,604
Support services - instructional staff:				
Educational media	38,326	6,905	-	45,231
Support services - general administration:				
Board of education	28,141	-	-	28,141
Executive administration	105,702	-	-	105,702
Support services - school administration:				
Office of the principal	43,499	-	-	43,499
Other school administration	209	-	-	209
Support services - business:				
Fiscal services	98,507	4,051	-	102,558
Facilities acquisition and construction	-	87,507	-	87,507
Operation and maintenance of plant	170,384	62,049	-	232,433
Pupil transportation	69,484	2,800	-	72,284
Support services - special education:				
Administration costs	-	-	12,060	12,060
Transportation costs	-	-	189	189
Debt services	-	6,753	-	6,753
Co-curricular activities				
Male activities	10,565	-	-	10,565
Female activities	4,915	-	-	4,915
Transportation	4,089	-	-	4,089
Combined activities	13,051	-	-	13,051
Capital outlay	2,216	2,842,212	-	2,844,428
Total expenditures	<u>1,661,405</u>	<u>3,073,767</u>	<u>247,204</u>	<u>4,982,376</u>
Excess of Revenue over (under) Expenditures	<u>107,559</u>	<u>(2,284,423)</u>	<u>(109,525)</u>	<u>(2,286,389)</u>
Other Financing Sources (Uses)				
Transfers in	8,498	-	-	8,498
Transfers out	(16,591)	(7,970)	(528)	(25,089)
Sale of surplus property	100	-	-	100
Total other financing sources (uses)	<u>(7,993)</u>	<u>(7,970)</u>	<u>(528)</u>	<u>(16,491)</u>
Net Change in Fund Balance	99,566	(2,292,393)	(110,053)	(2,302,880)
Fund Balance - Beginning	<u>671,010</u>	<u>2,971,970</u>	<u>651,154</u>	<u>4,294,134</u>
Fund Balance - Ending	<u>\$ 770,576</u>	<u>\$ 679,577</u>	<u>\$ 541,101</u>	<u>\$ 1,991,254</u>

See Notes to Financial Statements

Doland School District 56-2

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities  
Year Ended June 30, 2020

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Net Change in Fund Balances - Total Governmental Funds	\$ (2,302,880)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures; however, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$87,384) was exceeded by capital outlays (\$2,844,428).	2,757,044
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	6,693
The accrual of OPEB costs are not reflected in governmental funds, but the statements of activities reflects the changes in this liability and related deferred inflows of resources from one year to the next.	11,976
In the statement of activities, gains and losses on disposal of capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(132,959)
The fund financial statement governmental fund property tax and grant accruals differ from the government-wide statement property tax and grant accruals in that the fund financial statements require the amounts to be "available."	(48,578)
Changes in the pension related deferred outflows/inflows are direct components of the pension liability (asset) and are not reflected in the governmental funds.	<u>(169,698)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 121,598</u></u>

Doland School District 56-2  
Statement of Net Position – Proprietary Funds  
June 30, 2020

	Enterprise		Total
	Food Service Fund	Other Enterprise Fund	
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 400	\$ 710	\$ 1,110
Accounts receivable	10,755	-	10,755
Inventory of supplies	1,204	-	1,204
Inventory of stores purchased for resale	822	-	822
Inventory of donated food	3,496	-	3,496
Total current assets	<u>16,677</u>	<u>710</u>	<u>17,387</u>
<b>Noncurrent Assets</b>			
Net pension asset	116	52	168
Capital assets:			
Machinery and equipment	195,526	-	195,526
Less accumulated depreciation	<u>(37,366)</u>	<u>-</u>	<u>(37,366)</u>
Total noncurrent assets	<u>158,276</u>	<u>52</u>	<u>158,328</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>6,149</u>	<u>2,762</u>	<u>8,911</u>
	<u>\$ 181,102</u>	<u>\$ 3,524</u>	<u>\$ 184,626</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 8,075	\$ -	\$ 8,075
Contracts payable	3,906	-	3,906
Payroll deductions	746	-	746
Deposits payable	<u>262</u>	<u>-</u>	<u>262</u>
Total liabilities	<u>12,989</u>	<u>-</u>	<u>12,989</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	<u>2,460</u>	<u>1,105</u>	<u>3,565</u>
<b>Net Position</b>			
Invested in capital assets	158,160	-	158,160
Restricted for SDRS pension purposes	3,805	1,709	5,514
Unrestricted net position	<u>3,688</u>	<u>710</u>	<u>4,398</u>
Total net position	<u>165,653</u>	<u>2,419</u>	<u>168,072</u>
	<u>\$ 181,102</u>	<u>\$ 3,524</u>	<u>\$ 184,626</u>

Doland School District 56-2  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2020

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue			
Food sales	\$ 19,170	\$ -	\$ 19,170
Preschool tuition	-	10,515	10,515
Total operating revenue	<u>19,170</u>	<u>10,515</u>	<u>29,685</u>
Operating Expenses			
Salaries	41,572	14,674	56,246
Employee benefits	8,412	4,644	13,056
Purchased services	49,455	-	49,455
Supplies	4,868	157	5,025
Cost of sales - purchased	18,676	-	18,676
Cost of sales - donated	6,046	-	6,046
Depreciation	4,942	-	4,942
Total operating expenses	<u>133,971</u>	<u>19,475</u>	<u>153,446</u>
Operating Loss	<u>(114,801)</u>	<u>(8,960)</u>	<u>(123,761)</u>
Nonoperating Revenue			
State sources:			
Cash reimbursements	247	-	247
Federal sources:			
Cash reimbursements	82,142	-	82,142
Donated food	6,148	-	6,148
Total nonoperating revenue	<u>88,537</u>	<u>-</u>	<u>88,537</u>
Other Financing Sources			
Transfers in	3,000	13,591	16,591
Capital contributions	131,546	-	131,546
Total other financing sources	<u>134,546</u>	<u>13,591</u>	<u>148,137</u>
Change in Net Position	108,282	4,631	112,913
Net Position (Deficit) - Beginning	<u>57,371</u>	<u>(2,212)</u>	<u>55,159</u>
Net Position - Ending	<u>\$ 165,653</u>	<u>\$ 2,419</u>	<u>\$ 168,072</u>

Doland School District 56-2  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2020

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	\$ 19,170	\$ 10,515	\$ 29,685
Cash payments to employees	(48,138)	(16,633)	(64,771)
Cash payments to suppliers	(72,920)	(157)	(73,077)
Net Cash used for Operating Activities	<u>(101,888)</u>	<u>(6,275)</u>	<u>(108,163)</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	3,000	3,000	6,000
Cash reimbursements - state sources	247	-	247
Cash reimbursements - federal sources	88,623	-	88,623
Net Cash from Noncapital Financing Activities	<u>91,870</u>	<u>3,000</u>	<u>94,870</u>
Net Change in Cash and Cash Equivalents	(10,018)	(3,275)	(13,293)
Cash and Cash Equivalents Beginning of Year	<u>10,418</u>	<u>3,985</u>	<u>14,403</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 400</u></u>	<u><u>\$ 710</u></u>	<u><u>\$ 1,110</u></u>
Reconciliation of Operating Loss to Net Cash from used for Operating Activities			
Operating loss	\$ (114,801)	\$ (8,960)	\$ (123,761)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Value of donated commodities used	6,046	-	6,046
Depreciation expense	4,942	-	4,942
Change in assets and liabilities:			
Inventories	(1,470)	-	(1,470)
Pension assets and deferred outflows	2,636	3,020	5,656
Pension liabilities and deferred inflows	262	(335)	(73)
Accounts payable	1,549	-	1,549
Contracts payable	58	-	58
Payroll deductions	7	-	7
Deposits payable	(1,117)	-	(1,117)
Net Cash used for Operating Activities	<u><u>\$ (101,888)</u></u>	<u><u>\$ (6,275)</u></u>	<u><u>\$ (108,163)</u></u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 6,148	\$ -	\$ 6,148
Equipment purchased by Capital Outlay Fund	131,546	-	131,546
Due to General Fund reclassified as transfer	-	10,591	10,591

Doland School District 56-2  
Statement of Fiduciary Net Position  
June 30, 2020

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	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 54,417</u>
Total assets	<u><u>\$ 54,417</u></u>
Liabilities	
Amounts held for others	<u>\$ 54,417</u>
Total liabilities	<u><u>\$ 54,417</u></u>

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

The accounting policies of Doland School District 56-2 conform to generally accepted accounting principles applicable to government entities in the United States of America.

### **Financial Reporting Entity**

The reporting entity of the Doland School District 56-2 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the School District); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the School District's financial statements to be misleading or incomplete.

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

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

### **Basis of Presentation**

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

### **Government-Wide Financial Statements**

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

The statement of net position reports all financial and capital resources in a net position form (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources equals net position). Net position is displayed in three components, as applicable, including 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 School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

### **Fund Financial Statements**

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

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

### **Governmental Funds**

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

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

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

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

### **Proprietary Funds**

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

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 pre-school operations. This fund is financed by tuition charges. This is a major fund.

### **Fiduciary Funds**

Fiduciary funds are never considered to be major funds.

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

### **Measurement Focus and Basis of Accounting**

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

### **Measurement Focus**

#### **Government-Wide Financial Statements**

In the government-wide statement of net position and 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 funds.

**Basis of Accounting**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. "Available" means resources are collected, or to be collected, soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle and, for the School District, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2020, are:

	2020
General Fund	
Due from state government	\$ 104,221
Food Service	
Due from state government	\$ 10,755

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

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

## **Interfund Eliminations and Reclassifications**

### **Government-Wide Financial Statements**

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances, if any.

### **Fund Financial Statements**

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

### **Inventory**

Inventory is stated at the lower of cost or market value. The cost valuation method is first-in, first out (FIFO). Donated commodities are valued based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the fund financial statements, inventories in the General Fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

### **Capital Assets**

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

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

**Government-Wide Statements**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

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

The June 30, 2020, balance of capital assets for governmental activities and for business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statements of activities, with net capital assets reflected in the statement of net position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All land values	N/A	N/A
Improvements	\$ 4,000	Straight-line	20-30 years
Buildings	10,000	Straight-line	20-40 years
Equipment	2,500	Straight-line	5-20 years
Library books	All values	Straight-line	20-30 years
Food service equipment	500	Straight-line	5-15 years

*\*Land is an inexhaustible capital asset and it not depreciated.*

**Fund Financial Statements**

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

**Long-Term Liabilities**

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The School District has long-term liabilities of capital leases.

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

### **Program Revenues**

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

1. Charges for Services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-Specific Capital Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

### **Property Taxes**

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable that is not intended to be used to finance the current year's appropriations and, therefore, are not susceptible to accrual, has been reported as a deferred inflow of resources 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 an amount not collected during the fiscal period or within the "availability period."

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

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

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

### **Cash and Cash Equivalents**

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

## Equity Classifications

### Government-Wide Statements

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

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

### Fund Financial Statements

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

### Application of Net Position

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

### Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual restraints. Includes fund balance amounts related to noncurrent portions of long-term interfund receivables (reported in “Advance to” asset accounts).
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the School Board, and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Fund balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund Special Education Fund	Property taxes Grants and property taxes

**Deferred Outflows and Inflows of Resources**

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

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

**Pensions**

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



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

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

**Deposits**

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

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

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the Federal Depository Insurance Corporation (FDIC) maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2020, all of the School District's deposits were covered by insurance or collateral in accordance with the depository risk policy.

The actual bank balances at June 30, 2020, were as follows:

Insured (FDIC/NCUA)	\$ 711,440
Uninsured, collateral jointly held by state's/School District's agent in the name of the state and the pledging financial institution.	1,888,795
Total deposits	\$ 2,600,235

Reconciliation of the carrying amounts of deposits to government-wide statement of net position at June 30, 2020, is as follows:

Cash and cash equivalents	\$ 2,512,700
Add: Agency fund cash (not included in government-wide statement of net position)	54,417
Total carrying amounts of deposits	\$ 2,567,117

## **Investments**

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

There were no investments held by the School District as of June 30, 2020.

## **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District has adopted a policy for custodial credit risk, but the adopted policy is no more restrictive than existing South Dakota Codified Law.

## **Interest Rate Risk**

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

## **Credit Risk**

State law limits eligible investments for the School District, as discussed above. The School District's investment policy does not further limit its investment choices.

## **Concentration of Credit Risk**

The School District places no limit on the amount that may be invested in any one issuer.

## **Assignment of Investment Income**

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

## **Note 3 - Receivables and Payables**

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables to be collected within one year.

**Note 4 - Changes in Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

<u>Primary Government Governmental Activities</u>	<u>Balance 7/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/20</u>
Capital assets, not being depreciated:				
Land	\$ 65,146	\$ -	\$ -	\$ 65,146
Construction in progress	450,135	2,748,019	3,198,154	-
Total capital assets not being depreciated	<u>515,281</u>	<u>2,748,019</u>	<u>3,198,154</u>	<u>65,146</u>
Capital assets being depreciated:				
Improvements other than buildings	134,971	-	20,151	114,820
Buildings	1,408,446	3,198,154	454,026	4,152,574
Machinery and equipment	695,133	96,409	24,702	766,840
Total capital assets being depreciated	<u>2,238,550</u>	<u>3,294,563</u>	<u>498,879</u>	<u>5,034,234</u>
Less accumulated depreciation for:				
Improvements other than buildings	67,498	2,632	10,781	59,349
Buildings	741,386	20,164	337,149	424,401
Machinery and equipment	477,047	64,588	17,990	523,645
Total accumulated depreciation	<u>1,285,931</u>	<u>87,384</u>	<u>365,920</u>	<u>1,007,395</u>
Total capital assets being depreciated, net	<u>952,619</u>	<u>3,207,179</u>	<u>132,959</u>	<u>4,026,839</u>
Governmental activity capital assets, net	<u>\$ 1,467,900</u>	<u>\$ 5,955,198</u>	<u>\$ 3,331,113</u>	<u>\$ 4,091,985</u>

Depreciation expense was charged to functions as follows:

Governmental activities:			
Instruction			\$ 18,123
Support services			57,874
Co-curricular			11,387
Total depreciation expense - governmental activities			<u>\$ 87,384</u>

<u>Business-Type Activities</u>	<u>Balance 7/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/20</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 63,980	\$ 131,546	\$ -	\$ 195,526
Totals	<u>63,980</u>	<u>131,546</u>	<u>-</u>	<u>195,526</u>
Less accumulated depreciation for:				
Machinery and equipment	32,424	4,942	-	37,366
Total accumulated depreciation	<u>32,424</u>	<u>4,942</u>	<u>-</u>	<u>37,366</u>
Total capital assets being depreciated, net	<u>31,556</u>	<u>126,604</u>	<u>-</u>	<u>158,160</u>
Business-type activities capital assets, net	<u>\$ 31,556</u>	<u>\$ 126,604</u>	<u>\$ -</u>	<u>\$ 158,160</u>

Depreciation expense was charged to functions as follows:

Business-type activities:			
Food services			\$ 4,942
Total depreciation expense - business-type activities			<u>\$ 4,942</u>

**Note 5 - Other Long-Term Liabilities**

A summary of the changes in long-term liabilities for the year ended June 30, 2020, is as follows:

Purpose	Amounts Outstanding 7/1/19	Issued	Retired	Amounts Outstanding 6/30/20	Due in One Year
Capital Lease	\$ 15,666	\$ -	\$ 6,693	\$ 8,973	\$ 6,725
	<u>\$ 15,666</u>	<u>\$ -</u>	<u>\$ 6,693</u>	<u>\$ 8,973</u>	<u>\$ 6,725</u>

The capital lease payable at June 30, 2020, has the following terms:

A&B Business, printers and copiers, matures October 15, 2021, 0.477% interest, monthly payments of \$562.73, paid by the Capital Outlay Fund.	<u>\$ 8,973</u>
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Scheduled payments on the capital lease are as follows:

Year	Principal	Interest
2021	\$ 6,725	\$ 28
2022	2,248	2
	<u>\$ 8,973</u>	<u>\$ 30</u>

**Note 6 - Restricted Net Position**

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 681,425
Special Education	Law	541,573
SDRS Pension Purposes	Pension Plan	<u>203,455</u>
Total restricted net position		<u>\$ 1,426,453</u>

**Note 7 - Joint Ventures**

**North Central Special Education Cooperative**

The School District participates in the North Central Special Education Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing special education and other services to the member school districts.

All members participate equally. Members of the Co-op are as follows:

Doland School District	Frederick Area School District
Groton Area School District	Hitchcock-Tulare School District
Langford Area School District	Northwestern Area School District
Warner School District	Leola School District
Edmunds Central School District	

The North Central Special Education Cooperative's governing board is composed of one representative from each school district, who is the Superintendent. The governing board oversees adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity interest in the net assets 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 for this joint venture are available from the North Central Special Education Cooperative.

At June 30, 2020, this joint venture had total assets and fund equity of \$291,596.

**Great Lakes Consortium**

The School District participates in the Great Lakes Consortium for the purpose of providing educational services to the member school districts. The members of the consortium are as follows, with each member district having a determined allocation:

Clark School District	Doland School District
Hitchcock-Tulare School District	Redfield School District
Webster Area School District	Wolsey-Wessington School District

The vocational instructors from each participating School District request funds which are approved by the state. Any allocation of, and spending of, funds is also approved by the state. Doland School District 56-2 acts as the fiscal agent for this consortium.

The School District retains no equity interest in the net assets of the consortium, but does have a responsibility to fund deficits of the consortium in proportion to the relative determined allocation.

Financial data for this venture is available from Doland School District 56-2. At June 30, 2020, this venture had no fund equity and no long-term debt.

## **Note 8 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, the School District managed its risks as follows:

### **Employee Health Insurance**

The School District is a member of the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

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

### **Liability Insurance**

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

### **Workers' Compensation**

The School 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, 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 workers' compensation coverage to obtain lower costs for that coverage, to develop a comprehensive loss control program to give its employees safe and sanitary working conditions, and to promptly report to and cooperate with the fund to resolve any worker's compensation coverage for its employees, under a retrospectively-rated policy. The premiums are accrued based on the ultimate cost of the experience-to-date of the fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual and has reinsurance which covers up to \$1,000,000 per individual, per incident.

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

### Unemployment Benefits

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

The School District has assigned equity in the General Fund in the amount of \$79,909 for the payment of future unemployment benefits.

No unemployment benefits were paid during the years ended June 30, 2020 and 2019. At June 30, 2020, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

### Note 9 - Post-employment Healthcare Plan

#### Plan Description

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

#### Benefits Provided

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. A teacher or administrator, who retires from the School District on or after the age of 55 and with at least 3 years of consecutive service with the School District, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

#### Employees Covered by Benefit Terms

At the valuation date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>31</u>
	<u><u>35</u></u>

**Total OPEB Liability**

The School District's total OPEB liability of \$111,353 as of June 30, 2020, was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Actuarial Assumptions**

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

Inflation	See SDRS Actuarial Assumptions
Salary increases	See SDRS Actuarial Assumptions
Discount rate	3.50 percent*
Healthcare cost trend rate	6.50% grading to 4.70% over 45 years

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

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

**Other Assumptions**

Mortality	97% of RP-2014 White Collar Mortality Tables for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2017	
Disability	See SDRS Actuarial Assumptions	
Withdrawal	See sample rates	
Retirement	See SDRS Actuarial Assumptions	
Age Difference	Spouses same age as participants	
Retiree Plan Participation	Future Retirees Electing Coverage:	25%
	Current Retirees Electing Coverage:	Actual
Percent of Retirees Electing Family Coverage	Future Retirees Electing Coverage:	25%
	Current Retirees Electing Coverage:	Actual



**Changes in the Total OPEB Liability**

Balance at June 30, 2019	\$ 160,858
Changes from the Prior Year:	
Service cost	10,415
Interest cost	6,202
Effect of economic/demographic gains or losses	7,247
Effect of assumption changes or inputs	(51,163)
Benefit payments	<u>(22,206)</u>
Total changes	<u>(49,505)</u>
Balance at June 30, 2020	<u><u>\$ 111,353</u></u>

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 117,201	\$ 111,353	\$ 106,049

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Total OPEB liability	\$ 104,233	\$ 111,353	\$ 119,978

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

For the year ended June 30, 2020, the School District recognized a reduction of health insurance expense of \$37,529 due to OPEB. At June 30, 2020, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,363	\$ -
Changes of assumptions	-	52,144
	\$ 6,363	\$ 52,144

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

Years Ended June 30,	OPEB Expense
2021	\$ (6,387)
2022	(6,387)
2023	(6,387)
2024	(6,387)
2025	(6,387)
Thereafter	(13,846)
	\$ (45,781)

## **Note 10 - Pension Plan**

### **Plan Information**

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

### **Benefits Provided**

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

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

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

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

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

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

**Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The School District’s share of contributions to the SDRS for the fiscal years ending June 30, 2020, 2019, and 2018, were \$74,081, \$74,533, and \$77,563, respectively, equal to the required contributions each year.

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

At June 30, 2019, SDRS is 100.09% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of SDRS for the School District as of the measurement period ending June 30, 2019, and reported by the School District as of June 30, 2020, are as follows:

Proportionate share of total pension liability	\$ 7,280,992
Less proportionate share of net position restricted for pension benefits	<u>7,287,183</u>
Proportionate share of net pension asset	<u><u>\$ (6,191)</u></u>

At June 30, 2020, the School District reported an asset of \$6,191 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was based on a projection of the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District’s proportion was 0.0584246%, which is an decrease of 0.0042326% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized an increase of pension expense of \$175,280. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 24,286	\$ 2,802
Changes in assumption	213,835	87,662
Net difference between projected and actual earnings on pension plan investments	-	35,668
Changes in proportion and difference between School District contributions and proportionate share of contributions	16,604	5,410
School District contributions subsequent to the measurement date	74,081	-
	\$ 328,806	\$ 131,542

There is \$74,081 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	Amount
2021	\$ 135,983
2022	(17,200)
2023	(9,600)
2024	14,000
	\$ 123,183

### Actuarial Assumptions

The total pension asset in the June 30, 2019, 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 COLAs	1.88%

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

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of 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%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%
	<u>100.0%</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 plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

### Sensitivity of Asset to Changes in the Discount Rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 1,027,653	\$ (6,191)	\$ (848,587)

**Pension Plan Fiduciary Net Position**

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

**Note 11 - Commitments and Contingencies**

**Litigation**

At June 30, 2020, the School District was not involved in any litigation.

**Commitments**

At June 30, 2020, the School District has remaining commitments of approximately \$23,000 on the school improvements project.

**Note 12 - Interfund Transfers**

Interfund transfers for the year ended June 30, 2020, were as follows:

Transfers From:	Transfers To:			Total
	General Fund	Food Service Fund	Other Enterprise Fund	
General Fund	\$ -	\$ 3,000	\$ 13,591	\$ 16,591
Capital Outlay Fund	7,970	-	-	7,970
Special Education Fund	528	-	-	528
	\$ 8,498	\$ 3,000	\$ 13,591	\$ 25,089

**Note 13 - Subsequent Events**

After June 30, 2020, the School District entered into contracts for projects for a new gym floor for approximately \$27,000, a playground project for approximately \$30,000, and a basketball hoop project for approximately \$11,600.



Required Supplementary Information  
June 30, 2020

## Doland School District 56-2



Doland School District 56-2  
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2020

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	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 10,415	\$ 10,512	\$ 11,536
Interest	6,202	6,073	5,249
Effect of economic/demographic gains or losses	7,247	-	-
Effect of assumption changes or inputs	(51,163)	(2,815)	(7,211)
Benefit payments	<u>(22,206)</u>	<u>(23,881)</u>	<u>(22,289)</u>
Net change in total OPEB liability	(49,505)	(10,111)	(12,715)
Total OPEB liability - beginning	<u>160,858</u>	<u>170,969</u>	<u>183,684</u>
Total OPEB liability - ending	<u>\$ 111,353</u>	<u>\$ 160,858</u>	<u>\$ 170,969</u>
Covered-employee payroll	N/A	N/A	N/A
District's total OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A

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

**Plan Assets**

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

**Changes in Benefits**

None.

**Changes in Assumptions**

Estimated claim costs were updated to reflect anticipated experience pursuant to a review of the medical provisions and current premiums. The medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application.

Doland School District 56-2  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 1,075,759	\$ 1,075,759	\$ 1,149,235	\$ 73,476
Prior year's ad valorem taxes	4,328	4,328	4,519	191
Tax deed revenue	-	-	9,096	9,096
Gross receipts taxes	76,861	76,861	76,373	(488)
Penalties and interest on taxes	2,404	2,404	2,891	487
Earnings on investments and deposits	3,407	3,407	6,173	2,766
Co-curricular activities:				
Admissions	2,469	2,469	2,858	389
Rentals	621	621	284	(337)
Other pupil activity income	635	635	1,160	525
Other revenue from local sources:				
Contributions and donations	4,984	4,984	3,269	(1,715)
Refund of prior period expenditures	658	658	1,634	976
Judgements	-	-	1,500	1,500
Charges for services	22,767	22,767	1,938	(20,829)
Other	773	773	987	214
Revenue from intermediate sources				
County sources:				
County apportionment	8,662	8,662	8,346	(316)
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	385,483	385,483	339,631	(45,852)
Restricted grants-in-aid	10,421	10,421	8,149	(2,272)
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	8,762	8,762	150,921	142,159
Total revenues	<u>1,608,994</u>	<u>1,608,994</u>	<u>1,768,964</u>	<u>159,970</u>
<b>Expenditures</b>				
Instruction				
Regular programs:				
Elementary	637,000	637,000	503,917	133,083
Middle/junior high	91,000	107,607	100,008	7,599
High school	336,000	336,000	322,286	13,714
Special programs:				
Educationally deprived	80,000	149,599	144,593	5,006
Support services				
Pupils:				
Guidance	1,000	1,000	717	283
Health	700	1,305	946	359
Support services - instructional staff:				
Educational media	39,150	39,438	38,326	1,112
Support services - general administration:				
Board of education	32,726	35,526	28,141	7,385
Executive administration	120,000	120,000	105,702	14,298
Support services - school administration:				
Office of the principal	43,000	43,000	43,499	(499)
Other	266	266	209	57

Doland School District 56-2  
 Budgetary Comparison Schedule – Budgetary Basis – General Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Support services - business:				
Fiscal services	99,234	99,234	98,507	727
Operation and maintenance of plant	182,000	182,000	172,450	9,550
Pupil transportation	100,500	100,500	69,484	31,016
Co-curricular activities:				
Male activities	12,715	12,715	10,565	2,150
Female activities	9,675	9,675	4,915	4,760
Transportation	4,090	4,090	4,089	1
Combined activities	6,640	16,296	13,051	3,245
Contingencies	60,000	60,000	-	
Amount transferred		(43,023)	-	16,977
Total expenditures	<u>1,855,696</u>	<u>1,912,228</u>	<u>1,661,405</u>	<u>250,823</u>
Excess of Revenue over (under) Expenditures	<u>(246,702)</u>	<u>(303,234)</u>	<u>107,559</u>	<u>410,793</u>
Other Financing Sources (Uses)				
Transfers in	-	-	8,498	8,498
Transfers out	(600)	(600)	(16,591)	(15,991)
Sale of surplus property	-	-	100	100
Total other financing sources (uses)	<u>(600)</u>	<u>(600)</u>	<u>(7,993)</u>	<u>(7,393)</u>
Net Change in Fund Balances	(247,302)	(303,834)	99,566	403,400
Fund Balance - Beginning	<u>671,010</u>	<u>671,010</u>	<u>671,010</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 423,708</u>	<u>\$ 367,176</u>	<u>\$ 770,576</u>	<u>\$ 403,400</u>

Doland School District 56-2  
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 915,506	\$ 915,506	\$ 778,397	\$ (137,109)
Prior year's ad valorem taxes	2,603	2,603	1,922	(681)
Penalties and interest on taxes	2,019	2,019	1,965	(54)
Earnings on investments and deposits	11,273	11,273	4,310	(6,963)
Other revenue from local sources:				
Contributions and donations	-	-	2,750	2,750
<b>Total revenues</b>	<b>931,401</b>	<b>931,401</b>	<b>789,344</b>	<b>(142,057)</b>
<b>Expenditures</b>				
Instruction				
Regular programs:				
Elementary	25,000	30,266	9,492	20,774
Middle/junior high	10,000	10,000	1,050	8,950
High school	15,000	63,928	50,948	12,980
Special programs:				
Programs for special education	5,000	5,000	-	5,000
Support services				
Support services - instructional staff:				
Educational media	11,000	11,000	6,905	4,095
Support services - business:				
Fiscal services	4,000	5,960	4,051	1,909
Facilities acquisition and construction	3,091,648	6,300,452	2,928,991	3,371,461
Operation and maintenance of plant	8,352	8,352	62,777	(54,425)
Pupil transportation	-	2,900	2,800	100
Debt Services	-	-	6,753	(6,753)
Co-curricular activities:				
Male activities	5,000	5,000	-	5,000
Female activities	5,000	5,000	-	5,000
<b>Total expenditures</b>	<b>3,180,000</b>	<b>6,447,858</b>	<b>3,073,767</b>	<b>3,374,091</b>
Excess of Revenue over (under) Expenditures	(2,248,599)	(5,516,457)	(2,284,423)	3,232,034
<b>Other Financing Sources</b>				
Transfers out	-	-	(7,970)	(7,970)
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>(7,970)</b>	<b>(7,970)</b>
Net Change in Fund Balance	(2,248,599)	(5,516,457)	(2,292,393)	3,224,064
Fund Balance - Beginning	2,971,970	2,971,970	2,971,970	-
Fund Balance (Deficit) - Ending	\$ 723,371	\$ (2,544,487)	\$ 679,577	\$ 3,224,064

Doland School District 56-2  
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 223,839	\$ 223,839	\$ 134,664	\$ (89,175)
Prior year's ad valorem taxes	1,398	1,398	650	(748)
Penalties and interest on taxes	846	846	335	(511)
Earnings on investments and deposits	2,576	2,576	1,822	(754)
Other revenue from local sources				
Charges for services	282	282	208	(74)
Revenue from federal sources				
Restricted grants-in-aid received from federal government through the state	944	944	-	(944)
Total revenues	<u>229,885</u>	<u>229,885</u>	<u>137,679</u>	<u>(92,206)</u>
<b>Expenditures</b>				
Instruction				
Special programs:				
Programs for special education	343,500	343,500	205,472	138,028
Support services				
Pupils:				
Psychological	5,190	5,190	3,915	1,275
Speech pathology	13,000	13,000	9,964	3,036
Student therapy services	45,810	45,810	15,604	30,206
Support services - special education:				
Administrative costs	13,400	13,400	12,060	1,340
Transportation costs	500	500	189	311
Total expenditures	<u>421,400</u>	<u>421,400</u>	<u>247,204</u>	<u>174,196</u>
Excess of Revenue over (under) Expenditures	<u>(191,515)</u>	<u>(191,515)</u>	<u>(109,525)</u>	<u>81,990</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(528)	(528)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(528)</u>	<u>(528)</u>
Net Change in Fund Balance	(191,515)	(191,515)	(110,053)	81,462
Fund Balance - Beginning	<u>651,154</u>	<u>651,154</u>	<u>651,154</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 459,639</u>	<u>\$ 459,639</u>	<u>\$ 541,101</u>	<u>\$ 81,462</u>

**Note 1 - Basis of Presentation**

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

**Note 2 - Budgetary Legal Requirements****Budgets and Budgetary Accounting**

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

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

Doland School District 56-2  
 Schedule of Employer's Share of Net Pension Liability (Asset)  
 Year Ended June 30, 2020

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2020	0.0584%	\$ (6,191)	\$ 1,242,638	-0.5%	100.09%
SDRS	6/30/2019	0.0627%	(1,461)	1,289,231	-0.1%	100.02%
SDRS	6/30/2018	0.0623%	(5,658)	1,264,159	-0.4%	100.10%
SDRS	6/30/2017	0.0608%	205,513	1,156,881	17.8%	96.89%
SDRS	6/30/2016	0.0548%	(232,517)	1,000,901	-23.2%	104.1%
SDRS	6/30/2015	0.0564%	(406,533)	986,748	-41.2%	107.3%

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

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



Doland School District 56-2  
 Schedule of Employer's Contributions  
 Year Ended June 30, 2020

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2020	\$ 74,081	\$ 74,081	\$ -	\$ 1,234,985	6.0%
SDRS	6/30/2019	74,533	74,533	-	1,242,638	6.0%
SDRS	6/30/2018	77,563	77,563	-	1,289,231	6.0%
SDRS	6/30/2017	75,850	75,850	-	1,264,159	6.0%
SDRS	6/30/2016	69,413	69,413	-	1,156,881	6.0%
SDRS	6/30/2015	60,054	60,054	-	1,000,901	6.0%

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

**Changes of Benefit Terms**

No significant changes.

**Changes of Assumptions**

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018, and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018, and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

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.



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

The School Board  
Doland School District 56-2  
Doland, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Doland School District 56-2 (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated May 17, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) 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 the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2020-001, 2020-002, 2020-003, and 2020-004 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Doland School District's Response to Findings**

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

### **Purpose of this Report**

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

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

Aberdeen, South Dakota  
May 17, 2021

## **Status of Prior Audit Recommendations**

### **Finding 2019-001 Lack of Segregation of Duties**

*Initial Fiscal Year Finding Occurred: 2008*

*Finding Summary:* Doland School District 56-2 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures and payroll functions because of a lack of segregation of duties.

*Status:* This has not been corrected and is restated as current audit finding 2020-001.

### **Finding 2019-002 Preparation of Financial Statements, Footnotes and Material Journal Entries**

*Initial Fiscal Year Finding Occurred: 2008*

*Finding Summary:* Doland School District 56-2 does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

*Status:* This has not been corrected and is restated as current audit finding 2020-002.

### **Finding 2019-003 Reconciliation of Bank Deposits**

*Initial Fiscal Year Finding Occurred: 2016*

*Finding Summary:* The Business Manager, when preparing the monthly bank reconciliations, did not balance the reconciled amount to the general ledger, resulting in misstatements that were corrected through adjusting journal entries.

*Status:* This has not been corrected and is restated as current audit finding 2020-003.

## **Current Audit Findings and Recommendations**

### **Finding 2020-001 Lack of Segregation of Duties**

*Criteria:* A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and that reconciliation procedures are performed on a timely basis.

*Condition:* Doland School District 56-2 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures, payroll functions, and review of manual adjusting journal entries because of a lack of segregation of duties.

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

*Effect:* This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected.

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

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

#### **Finding 2020-002 Preparation of Financial Statements, Footnotes and Material Journal Entries**

*Criteria:* An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

*Condition:* Doland School District 56-2 does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

*Cause:* The School District does not have adequate staff trained to prepare the financial statements and footnotes.

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

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

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

#### **Finding 2020-003 Reconciliation of Bank Deposits**

*Criteria:* A good system of internal controls provides that the bank accounts are reconciled to the amounts recorded in the general ledger at the end of each month and differences are reviewed and corrected in a timely manner.

*Condition:* The Business Manager, when preparing the month bank reconciliations, did not balance the reconciled amount to the general ledger, resulting in misstatements that were corrected through adjusting journal entries.

*Cause:* The Business Manager, when performing the monthly bank reconciliations process, did not compare the reconciled balance to the general ledger and review and correct any differences in a timely manner.

*Effect:* This condition increases the risk that the report amount of cash, revenues, and expenditures could be misstated.

*Recommendation:* We recommend that the Business Manager reconcile all checking and savings accounts to the general ledger at the end of the month and post correcting entries as needed to bring the general ledger balances into agreement with the reconciled balances. We also recommend that someone other than the preparer review the reconciliations for accuracy, propriety, and agreement to the general ledger.

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

#### **Finding 2020-004 Capital Assets**

*Criteria:* A good system of internal controls provides for the proper accounting of transactions related to capital assets and the proper reconciliation of capital assets which includes the preparation of supporting schedules for capital asset activity.

*Condition:* During the course of our engagement, we identified errors and inconsistencies in supporting documentation utilized to reconcile capital asset activity and as a result of our procedures, proposed adjusting journal entries to related capital asset accounts.

*Cause:* Inadequate procedures and controls over the identification of capital asset transactions for summarizing and recording capital asset activity did not identify all applicable capital assets transactions and resulted in need for audit adjustments.

*Effect:* This deficiency increases the likelihood of misstatements within the financial statements regarding capital assets and related accounts.

*Recommendation:* We recommend revising existing procedures and controls to ensure that capital asset activity is properly identified and summarized to facilitate the recording of capital asset activity for purposes of accurate presentation in the fund and government wide financial statements.

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