

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHOOL DISTRICT OFFICIALS**  
**JUNE 30, 2020**

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Board Members:

Jerry Weyand, Chairman  
Kelly Aesoph  
Ryan Nelson  
Scott McCloud  
BJ Kalkman

Superintendent:

Scott Lepke

Business Manager:

Lisa Hushka

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## TABLE OF CONTENTS

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	<u>Page</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1 - 2
Schedule of Prior Audit Findings	3
Schedule of Current Audit Findings	4 - 5
Independent Auditors' Report	6 - 7
Basic Financial Statements:	
Government-Wide Financial Statements:	
As of June 30, 2020:	
Statement of Net Position	8
Year Ended June 30, 2020:	
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
As of June 30, 2020:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Year Ended June 30, 2020:	
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	13
Proprietary Funds:	
As of June 30, 2020:	
Statement of Net Position	14

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## TABLE OF CONTENTS (Continued)

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	<u>Page</u>
Year Ended June 30, 2020:	
Statement of Revenues, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Fiduciary Funds:	
As of June 30, 2020:	
Statement of Net Position	17
Year Ended June 30, 2020:	
Statement of Changes in Net Position	18
Notes to the Financial Statements	19 - 39
Required Supplementary Information:	
Year Ended June 30, 2020:	
Budgetary Comparison Schedule - Budgetary Basis - General Fund	40 - 41
Budgetary Comparison Schedule - Budgetary Basis - Capital Outlay Fund	42
Budgetary Comparison Schedule - Budgetary Basis - Special Education Fund	43
Notes to the Required Supplementary Information - Budgetary Comparison Schedules	44
Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset)	45
Schedule of the School District Pension Contributions	46
Notes to the Required Supplementary Information - Pension Schedules	47

**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
-CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

ROY R FAUTH, CPA  
EMILY SCHAEFERS, CPA  
WILLIAM J BACHMEIER, CPA  
CHRISTINE OLSEN, CPA

117 E 3RD STREET • PO Box 127  
MILLER, SD 57362  
605- 853-2744 • 605- 853-2745 (FAX)

WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

School Board  
Faulkton Area Schools District No. 24-4  
Faulk County, 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 the Faulkton Area Schools District No. 24-4, South Dakota (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 January 6, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, that we consider to be material weaknesses as items #2020-01 and #2020-02.

**Compliance and Other Matters**

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

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

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*Nohlman, Bierschbach & Anderson, LLP*

January 6, 2021

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2020**

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PRIOR AUDIT FINDINGS:

Finding #2019-01

A material weakness was reported for a lack of segregation of duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, equity, revenues, and the preparation of trust and agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2020-01.

Finding #2019-02

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This finding is restated as current audit finding #2020-02.

Finding #2019-03

The School District went overbudget in the Capital Project Fund by \$166,950. This finding has been resolved.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2020**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2020-01

Criteria

Internal control can help a School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, equity, revenues, and the preparation of trust and agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner.

Cause

The School District has one employee who prepares all accounting records, so proper segregation of duties for all areas has not been achieved.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Recommendation

We recommend the School Board take a more active role in their oversight of inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, equity, revenues, and the preparation of trust and agency receipts, disbursements, and bank reconciliations.

Views of Responsible Officials

Jerry Weyand is the contact person responsible for the corrective action plan for this comment. Faulkton Area Schools District No. 24-4 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, equity, revenues, and the preparation of trust and agency receipts, disbursements, and bank reconciliations. Faulkton Area Schools District No. 24-4 is aware of this problem and is attempting to provide compensating controls by having board members (2) look through all invoices one by one to make sure nothing is being spent that is not correct. The board chairman also reviews the bank statement every month to detect any suspicious activity. All trust and agency vouchers for payment are reviewed and signed off on by the advisor of said account. All school checks are signed by the business manager and board chairman. However, this lack of segregation of duties regarding inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, equity, revenues, and the preparation of trust and agency receipts, disbursements, and bank reconciliations continues to exist.



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2020**  
**(Continued)**

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Finding #2020-02

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Cause

The School District had some adjustments that needed to be made in order to get their accounting records in accordance with GAAP.

Effect

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

Recommendation

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.

Views of Responsible Officials

Jerry Weyand is the contact person responsible for the corrective action plan for this comment. He stated that the Faulkton School has and will continue to develop policies and procedures that will minimize risk and associated liability to the District.

COMPLIANCE AND OTHER MATTERS:

There are no written compliance and other matters audit findings to report.

Closing Conference

The contents of this report were discussed with Jerry Weyand, Scott Lepke, and Lisa Hushka on November 9, 2020.

**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**PARTNERS**

ROY R FAUTH, CPA  
EMILY-SCHAEFERS, CPA  
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MILLER, SD 57362  
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WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

**INDEPENDENT AUDITORS' REPORT**

School Board  
Faulkton Area Schools District No. 24-4  
Faulk County, 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 Faulkton Area Schools District No. 24-4, South Dakota (School District), as of June 30, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the

aggregate remaining fund information of the Faulkton Area Schools District No. 24-4, 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 Budgetary Comparison Schedules, the Schedule of the School District Pension Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) on pages 40 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.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

*Kohlman, Bierschbach & Anderson, LLP*

January 6, 2021

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>PRIMARY GOVERNMENT</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,959,933	\$40,543	\$ 4,000,476
Investments	2,658,797	--	2,658,797
Taxes receivable	1,776,038	--	1,776,038
Inventories	48,151	3,170	51,321
Other assets	182,507	--	182,507
Net pension asset	9,103	97	9,200
Capital Assets:			
Land, improvements, and construction in progress	7,055,062	--	7,055,062
Other capital assets, net of depreciation	<u>1,468,115</u>	<u>6,697</u>	<u>1,474,812</u>
<b>TOTAL ASSETS</b>	<u>17,157,706</u>	<u>50,507</u>	<u>17,208,213</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>472,102</u>	<u>5,743</u>	<u>477,845</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>472,102</u>	<u>5,743</u>	<u>477,845</u>
<b>LIABILITIES:</b>			
Accounts payable	1,635	--	1,635
Other current liabilities	280,461	--	280,461
Unearned revenue	--	7,865	7,865
Noncurrent Liabilities:			
Due within one year	258,902	--	258,902
Due in more than one year	<u>10,283,187</u>	<u>--</u>	<u>10,283,187</u>
<b>TOTAL LIABILITIES</b>	<u>10,824,185</u>	<u>7,865</u>	<u>10,832,050</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	1,975,878	--	1,975,878
Pension related deferred inflows	<u>224,626</u>	<u>2,598</u>	<u>227,224</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,200,504</u>	<u>2,598</u>	<u>2,203,102</u>
<b>NET POSITION:</b>			
Net investment in capital assets	762,815	6,697	769,512
Restricted for:			
Capital outlay purposes	1,689,786	--	1,689,786
Special education purposes	554,572	--	554,572
Capital project purposes	47,623	--	47,623
SDRS pension purposes	256,579	3,242	259,821
Unrestricted	<u>1,293,744</u>	<u>35,848</u>	<u>1,329,592</u>
<b>TOTAL NET POSITION</b>	<u>\$ 4,605,119</u>	<u>\$45,787</u>	<u>\$ 4,650,906</u>

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**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	Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Instruction	\$2,300,305	\$ --	\$180,394	\$(2,119,911)		\$(2,119,911)
Support services	1,295,013	3,596	57,757	(1,233,660)		(1,233,660)
Nonprogrammed charges	44,071	--	--	(44,071)		(44,071)
*Interest on long-term debt	400,868	--	--	(400,868)		(400,868)
Cocurricular activities	<u>260,802</u>	<u>26,661</u>	<u>--</u>	<u>(234,141)</u>		<u>(234,141)</u>
<b>Total Governmental Activities</b>	<b><u>4,301,059</u></b>	<b><u>30,257</u></b>	<b><u>238,151</u></b>	<b><u>(4,032,651)</u></b>		<b><u>(4,032,651)</u></b>
<b>Business-Type Activities:</b>						
Food service	158,950	69,212	53,244		\$(36,494)	(36,494)
Drivers education	<u>4,037</u>	<u>4,750</u>	<u>--</u>		<u>713</u>	<u>713</u>
<b>Total Business-Type Activities</b>	<b><u>162,987</u></b>	<b><u>73,962</u></b>	<b><u>53,244</u></b>		<b><u>(35,781)</u></b>	<b><u>(35,781)</u></b>
<b>Total Primary Government</b>	<b><u>\$4,464,046</u></b>	<b><u>\$104,219</u></b>	<b><u>\$291,395</u></b>	<b><u>(4,032,651)</u></b>	<b><u>(35,781)</u></b>	<b><u>(4,068,432)</u></b>
<b>* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.</b>						
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes				3,738,096	--	3,738,096
Utility taxes				121,738	--	121,738
<b>Revenue from state sources:</b>						
State aid				493,212	--	493,212
Other				74,356	--	74,356
<b>Revenue from federal sources</b>						
Grants and contributions not restricted to specific programs				100	--	100
Unrestricted investment earnings				80,457	--	80,457
Other general revenues				61,005	--	61,005
Transfers				<u>(27,247)</u>	<u>27,247</u>	<u>--</u>
<b>Total General Revenues and Transfers</b>				<b><u>4,549,493</u></b>	<b><u>27,247</u></b>	<b><u>4,576,740</u></b>
<b>CHANGE IN NET POSITION</b>				<b>516,842</b>	<b>(8,534)</b>	<b>508,308</b>
<b>NET POSITION - BEGINNING</b>				<b><u>4,088,277</u></b>	<b><u>54,321</u></b>	<b><u>4,142,598</u></b>
<b>NET POSITION - ENDING</b>				<b><u>\$ 4,605,119</u></b>	<b><u>\$ 45,787</u></b>	<b><u>\$ 4,650,906</u></b>

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and cash equivalents	\$1,605,704	\$1,735,567	\$609,083	\$ --	\$ 9,579	\$3,959,933
Investments	--	--	--	2,658,797	--	2,658,797
Taxes receivable - current	849,050	490,918	170,875	--	259,005	1,769,848
Taxes receivable - delinquent	4,288	1,369	533	--	--	6,190
Accounts receivable, net	1,058	--	--	--	--	1,058
Due from the federal government	59,711	--	--	--	--	59,711
Due from state government	54,490	--	--	--	--	54,490
Due from county government	67,248	--	--	--	--	67,248
Inventory of supplies	48,151	--	--	--	--	48,151
<b>TOTAL ASSETS</b>	<b><u>\$2,689,700</u></b>	<b><u>\$2,227,854</u></b>	<b><u>\$780,491</u></b>	<b><u>\$2,658,797</u></b>	<b><u>\$268,584</u></b>	<b><u>\$8,625,426</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 1,635	\$ --	\$ --	\$ --	\$ --	\$ 1,635
Contracts payable	213,360	--	34,633	--	--	247,993
Payroll deductions and withholdings and employer matching payable	27,914	--	4,554	--	--	32,468
<b>TOTAL LIABILITIES</b>	<b><u>242,909</u></b>	<b><u>--</u></b>	<b><u>39,187</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>282,096</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue - property taxes	4,288	1,369	533	--	--	6,190
Taxes levied for future period	969,641	536,464	186,732	--	283,041	1,975,878
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>973,929</u></b>	<b><u>537,833</u></b>	<b><u>187,265</u></b>	<b><u>--</u></b>	<b><u>283,041</u></b>	<b><u>1,982,068</u></b>
<b>FUND BALANCES:</b>						
Nonspendable	48,151	--	--	--	--	48,151
Restricted	--	1,690,021	554,039	2,658,797	--	4,902,857
Assigned	353,591	--	--	--	--	353,591
Unassigned	1,071,120	--	--	--	(14,457)	1,056,663
<b>TOTAL FUND BALANCES</b>	<b><u>1,472,862</u></b>	<b><u>1,690,021</u></b>	<b><u>554,039</u></b>	<b><u>2,658,797</u></b>	<b><u>(14,457)</u></b>	<b><u>6,361,262</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$2,689,700</u></b>	<b><u>\$2,227,854</u></b>	<b><u>\$780,491</u></b>	<b><u>\$2,658,797</u></b>	<b><u>\$268,584</u></b>	<b><u>\$8,625,426</u></b>

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

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Total Fund Balances - Governmental Funds \$ 6,361,262

Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 9,103

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 8,523,177

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 472,102

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds	\$8,925,000	
Unamortized Premiums	\$ 771,340	
CO Certificates	\$ 675,196	
Early Retirement	\$ 103,391	
Accrued Leave	\$ 37,138	
Accrued Interest	\$ <u>30,024</u>	(10,542,089)

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.

Taxes Receivable	\$ <u>6,190</u>	6,190
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (224,626)

Net Position - Governmental Activities \$ 4,605,119

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Bond Redemption Fund	Total Governmental Funds
<b>REVENUES:</b>						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$1,974,414	\$1,069,117	\$393,979	\$ --	\$282,903	\$ 3,720,413
Prior years' ad valorem taxes	6,153	3,089	1,187	--	--	10,429
Utility taxes	121,738	--	--	--	--	121,738
Penalties and interest on taxes	3,534	1,674	647	--	61	5,916
Earnings on investments and deposits	276	--	--	80,181	--	80,457
Cocurricular activities:						
Admissions	23,181	--	--	--	--	23,181
Other student activity income	3,480	--	--	--	--	3,480
Other revenue from local sources:						
Rentals	100	--	--	--	--	100
Contributions and donations	100	--	--	--	--	100
Charges for services	3,294	--	302	--	--	3,596
Other	8,666	--	--	--	--	8,666
Revenue from Intermediate Sources:						
County sources:						
County apportionment	51,857	--	--	--	--	51,857
Revenue from State Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid	567,568	--	--	--	--	567,568
Restricted grants-in-aid	2,279	--	--	--	--	2,279
Revenue from Federal Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid received from federal government through an intermediate source	7,431	215	80	--	50	7,776
Restricted grants-in-aid received from federal government through the state	<u>156,596</u>	<u>--</u>	<u>79,276</u>	<u>--</u>	<u>--</u>	<u>235,872</u>
<b>TOTAL REVENUES</b>	<u>2,930,667</u>	<u>1,074,095</u>	<u>475,471</u>	<u>80,181</u>	<u>283,014</u>	<u>4,843,428</u>
<b>EXPENDITURES:</b>						
Instruction:						
Regular programs:						
Elementary	999,283	25,001	--	--	--	1,024,284
Middle/Junior high	163,999	6,006	--	--	--	170,005
High school	437,771	5,737	--	--	--	443,508
Preschool services	24,104	--	--	--	--	24,104
Special programs:						
Programs for special education	--	--	314,268	--	--	314,268
Educationally deprived	108,083	--	--	--	--	108,083
Support Services:						
Students:						
Guidance	31,433	--	--	--	--	31,433
Health	1,054	--	--	--	--	1,054
Psychological	--	--	11,443	--	--	11,443
Speech pathology	--	--	65,119	--	--	65,119
Student therapy services	--	--	8,085	--	--	8,085



	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Bond Redemption Fund	Total Governmental Funds
Instructional staff:						
Improvement of instruction	12,080	--	--	--	--	12,080
Educational media	76,042	44,795	--	--	--	120,837
General administration:						
Board of education	43,570	2,700	--	--	--	46,270
Executive administration	136,753	--	--	--	--	136,753
School administration:						
Office of the principal	121,716	--	--	--	--	121,716
Other	349	--	--	--	--	349
Business:						
Fiscal services	68,215	12,433	--	--	--	80,648
Operation and maintenance of plant	344,469	64,715	--	--	--	409,184
Student transportation	133,541	--	--	--	--	133,541
Food services	--	2,261	--	--	--	2,261
Special education:						
Administrative costs	--	--	16,529	--	--	16,529
Nonprogrammed Charges:						
Early retirement payments	31,623	--	--	--	--	31,623
Debt Services	--	40,815	--	96,000	297,471	434,286
Cocurricular Activities:						
Male activities	45,905	--	--	--	--	45,905
Female activities	43,143	--	--	--	--	43,143
Transportation	30,050	--	--	--	--	30,050
Combined activities	81,067	16,530	--	--	--	97,597
Capital Outlay	--	818,487	--	6,406,420	--	7,224,907
<b>TOTAL EXPENDITURES</b>	<b>2,934,250</b>	<b>1,039,480</b>	<b>415,444</b>	<b>6,502,420</b>	<b>297,471</b>	<b>11,189,065</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(3,583)</b>	<b>34,615</b>	<b>60,027</b>	<b>(6,422,239)</b>	<b>(14,457)</b>	<b>(6,345,637)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	157,000	--	--	--	--	157,000
Transfers out	(38,000)	(157,000)	--	--	--	(195,000)
General long-term debt issued	--	707,000	--	8,925,000	--	9,632,000
Sale of surplus property	1,852	--	--	--	--	1,852
Compensation for loss of general capital assets	382	--	--	--	--	382
Premium on debt issued	--	--	--	802,978	--	802,978
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>121,234</b>	<b>550,000</b>	<b>--</b>	<b>9,727,978</b>	<b>--</b>	<b>10,399,212</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>117,651</b>	<b>584,615</b>	<b>60,027</b>	<b>3,305,739</b>	<b>(14,457)</b>	<b>4,053,575</b>
<b>FUND BALANCE - BEGINNING</b>	<b>1,355,211</b>	<b>1,105,406</b>	<b>494,012</b>	<b>(646,942)</b>	<b>--</b>	<b>2,307,687</b>
<b>FUND BALANCE - ENDING</b>	<b>\$1,472,862</b>	<b>\$1,690,021</b>	<b>\$554,039</b>	<b>\$2,658,797</b>	<b>\$ (14,457)</b>	<b>\$ 6,361,262</b>

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

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Net Change in Fund Balances - Total Governmental Funds \$ 4,053,575

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 7,224,907

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (74,857)

In the statement of activities, losses \$24,810 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$0 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (24,810)

The receipt of donated capital assets from the Food Service Fund is not reported on the fund statements, but is reported as a transfer in on the government-wide statements. 11,502

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.

CO Certificate	\$ 31,804	
Early Retirement	\$ <u>31,623</u>	63,427

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.

Bond	\$8,925,000	
CO Certificate	\$ <u>707,000</u>	(9,632,000)

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria." 1,338

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.

Sick Leave	\$ 9,415	
Early Retirement	\$ <u>44,071</u>	(53,486)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

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Accrued Interest	\$ 30,024	
Pension	\$ <u>258,924</u>	(288,948)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		7,534
Governmental funds report the effect of premiums when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the total amount of the premiums due to initial issuance.		(802,978)
Government funds report the effect of premiums when the debt is first issued: whereas, these amounts are deferred and amortized in the statement of activities. This is the total amount of the premiums amortized in the current period.		<u>31,638</u>
Change in Net Position of Governmental Activities		\$ <u>516,842</u>

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 32,855	\$7,688	\$ 40,543
Inventories - materials and supplies	781	--	781
Inventories - stores for resale	1,656	--	1,656
Inventory of donated food	<u>733</u>	<u>--</u>	<u>733</u>
Total Current Assets	<u>36,025</u>	<u>7,688</u>	<u>43,713</u>
Noncurrent Assets:			
Net pension asset	97	--	97
Capital Assets:			
Machinery and equipment - local funds	28,079	--	28,079
Less: accumulated depreciation	<u>(21,382)</u>	<u>--</u>	<u>(21,382)</u>
Total Noncurrent Assets	<u>6,794</u>	<u>--</u>	<u>6,794</u>
<b>TOTAL ASSETS</b>	<u><b>42,819</b></u>	<u><b>7,688</b></u>	<u><b>50,507</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>5,743</u>	<u>--</u>	<u>5,743</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>5,743</b></u>	<u><b>--</b></u>	<u><b>5,743</b></u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Unearned revenue	<u>7,865</u>	<u>--</u>	<u>7,865</u>
<b>TOTAL LIABILITIES</b>	<u><b>7,865</b></u>	<u><b>--</b></u>	<u><b>7,865</b></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension related deferred inflows	<u>2,598</u>	<u>--</u>	<u>2,598</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>2,598</b></u>	<u><b>--</b></u>	<u><b>2,598</b></u>
<b>NET POSITION:</b>			
Net investment in capital assets	6,697	--	6,697
Restricted for:			
SDRS purposes	3,242	--	3,242
Unrestricted net position	<u>28,160</u>	<u>7,688</u>	<u>35,848</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 38,099</b></u>	<u><b>\$7,688</b></u>	<u><b>\$45,787</b></u>

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
<b>OPERATING REVENUE:</b>			
Food Sales:			
Student	\$ 50,389	\$ --	\$ 50,389
Adult	3,858	--	3,858
Ala Carte	10,937	--	10,937
Other Charges for Goods and Services	<u>4,028</u>	<u>4,750</u>	<u>8,778</u>
<b>TOTAL OPERATING REVENUE</b>	<u>69,212</u>	<u>4,750</u>	<u>73,962</u>
<b>OPERATING EXPENSES:</b>			
Salaries	18,898	3,750	22,648
Employee benefits	13,595	287	13,882
Purchased services	112,579	--	112,579
Supplies	1,702	--	1,702
Cost of sales - purchased	2,219	--	2,219
Cost of sales - donated	6,623	--	6,623
Depreciation	<u>3,334</u>	<u>--</u>	<u>3,334</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>158,950</u>	<u>4,037</u>	<u>162,987</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(89,738)</u>	<u>713</u>	<u>(89,025)</u>
<b>NONOPERATING REVENUE:</b>			
Other local revenue	500	--	500
State grants	446	--	446
Federal grants	45,675	--	45,675
Donated food	6,623	--	6,623
<b>NONOPERATING EXPENSE:</b>			
Loss on disposal of capital assets	<u>(11,502)</u>	<u>--</u>	<u>(11,502)</u>
<b>TOTAL NONOPERATING REVENUE</b>	<u>41,742</u>	<u>--</u>	<u>41,742</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(47,996)</u>	<u>713</u>	<u>(47,283)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>749</u>	<u>--</u>	<u>749</u>
<b>TRANSFERS IN</b>	<u>35,000</u>	<u>3,000</u>	<u>38,000</u>
<b>CHANGE IN NET POSITION</b>	<u>(12,247)</u>	<u>3,713</u>	<u>(8,534)</u>
<b>NET POSITION - BEGINNING</b>	<u>50,346</u>	<u>3,975</u>	<u>54,321</u>
<b>NET POSITION - ENDING</b>	<u>\$ 38,099</u>	<u>\$7,688</u>	<u>\$ 45,787</u>

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 75,692	\$ 4,750	\$ 80,442
Cash payments to employees for services	(29,721)	(4,037)	(33,758)
Cash payments to suppliers of goods or services	(116,342)	--	(116,342)
Net cash provided (used) by operating activities	<u>(70,371)</u>	<u>713</u>	<u>(69,658)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from General Fund	35,000	3,000	38,000
Other local revenue	500	--	500
Operating grants	46,121	--	46,121
Net cash provided by noncapital financing activities	<u>81,621</u>	<u>3,000</u>	<u>84,621</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>--</u>	<u>--</u>	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>--</u>	<u>--</u>	<u>--</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	11,250	3,713	14,963
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>21,605</u>	<u>3,975</u>	<u>25,580</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 32,855</u>	<u>\$ 7,688</u>	<u>\$ 40,543</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>			
<b>OPERATING INCOME (LOSS)</b>	\$ (89,738)	\$ 713	\$ (89,025)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Depreciation	3,334	--	3,334
Value of donated commodities used	6,623	--	6,623
Change in assets and liabilities:			
Receivables	3,328	--	3,328
Inventories	(3,170)	--	(3,170)
Pension related deferred outflows	2,401	--	2,401
Net pension asset	(74)	--	(74)
Unearned revenue	6,480	--	6,480
Pension related deferred inflows	<u>445</u>	<u>--</u>	<u>445</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (70,371)</u>	<u>\$ 713</u>	<u>\$ (69,658)</u>

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	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Loss on disposal of capital assets not affecting operating income	\$ 11,502	\$ --	\$ 11,502
Value of commodities received	\$ 6,623	\$ --	\$ 6,623
Equipment purchased by Capital Outlay Fund	\$ 749	\$ --	\$ 749

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS:</b>		
Cash and cash equivalents	\$22,629	\$97,103
Certificates of deposit	<u>4,000</u>	<u>--</u>
<b>TOTAL ASSETS</b>	<u>\$26,629</u>	<u>\$97,103</u>
<b>LIABILITIES:</b>		
Amounts held for others	\$ --	\$97,103
<b>TOTAL LIABILITIES</b>	<u>--</u>	<u>\$97,103</u>
<b>NET POSITION:</b>		
Held in trust for scholarships	<u>26,629</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$26,629</u>	

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



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

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	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Contributions and donations	\$ 3,171
Earnings from investments and deposits	<u>145</u>
TOTAL ADDITIONS	<u>3,316</u>
DEDUCTIONS:	
Other deductions	<u>2,780</u>
TOTAL DEDUCTIONS	<u>2,780</u>
CHANGE IN NET POSITION	536
NET POSITION - BEGINNING	<u>26,093</u>
NET POSITION - ENDING	<u>\$26,629</u>

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Faulkton Area Schools District No. 24-4 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the 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 reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 1 - (Continued)

categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

The funds of the School District financial reporting entity are described below within their respective fund types:

**Governmental Funds:**

**General Fund** - A fund established by South Dakota Codified Law (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 Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**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.

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

**Bond Redemption Fund** - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

**Capital Projects Funds** - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 1 - (Continued)

The Capital Project Fund is the only capital projects fund maintained by the School District. This is a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Drivers Education Fund - A fund used to record financial transactions related to drivers' education operations. This fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust fund:  
Scholarships.

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

To hold money for classes and organizations of the School.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 1 - (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

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, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2020, are for federal, state, and county reimbursements.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 1 - (Continued)

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

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. 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 Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction-period interest is capitalized in accordance with USGAAP.

The total June 30, 2020 balance of capital assets for governmental activities includes approximately 2 percent for which the costs were determined by estimates of the original costs. The total June 30, 2020 balance of capital assets for business-type activities includes approximately 18 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 1 - (Continued)

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	N/A	N/A
Improvements	\$15,000	Straight-line	8 - 50 years
Buildings	\$50,000	Straight-line	75 - 100 years
Machinery and Equipment - Governmental Activities	\$ 5,000	Straight-line	5 - 20 years
Machinery and Equipment - Business- Type Activities	\$ 500	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

**Fund Financial Statements:**

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

f. Long-Term Liabilities:

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

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

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.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 1 - (Continued)

g. 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 two 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.

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

j. Equity Classifications:

Government-Wide Financial Statements:

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

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



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 1 - (Continued)

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.

k. 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.

l. Fund Balance Classification Policies and Procedures:

In accordance with Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that 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 and does not lapse at year-end.

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

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 Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as inventory.

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

NOTE 1 - (Continued)

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	Property Taxes
Special Education Fund	Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

Faulkton Area Schools District No. 24-4  
Disclosure of Fund Balances Reported on Balance Sheet  
Governmental Funds  
June 30, 2020

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Capital Project Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	\$ 48,151	\$ --	\$ --	\$ --	\$ --	\$ 48,151
<b>Restricted for:</b>						
Capital Outlay Fund	--	1,690,021	--	--	--	1,690,021
Special Education Fund	--	--	554,039	--	--	554,039
Capital Project Fund	--	--	--	2,658,797	--	2,658,797
<b>Assigned to:</b>						
Unemployment	34,029	--	--	--	--	34,029
Subsequent year's budget	319,562	--	--	--	--	319,562
<b>Unassigned</b>	<u>1,071,120</u>	--	--	--	(14,457)	<u>1,056,663</u>
<b>Total Fund Balances</b>	<u>\$1,472,862</u>	<u>\$1,690,021</u>	<u>\$554,039</u>	<u>\$2,658,797</u>	<u>\$(14,457)</u>	<u>\$6,361,262</u>

m. Pensions:

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 2 - DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

The School District follows the practice of aggregating the cash assets of all the funds except for the Trust and Agency 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 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

**Fair Value Measurement** - The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

As of June 30, 2020, the School District had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	\$2,658,797	\$2,658,797

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

**Concentration of Credit Risk** - The School District places no limit on the amount that may be invested in any one issuer. More than 5 percent on the School District's investments are in SDFIT- 100%.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 2 - (Continued)

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust funds, which retains their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectibles have been determined to be immaterial, and have not been recorded on the financial statements.

NOTE 4 - INVENTORY

Inventory held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an 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.

NOTE 5 - PROPERTY TAXES

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

NOTE 5 - (Continued)

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

Primary Government

	<u>Balance</u> <u>07/01/19</u>	<u>Increases</u>	<u>Transfer from</u> <u>Food Service</u> <u>Fund</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/20</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,700	\$ --	\$ --	\$ --	\$ 1,700
Construction in progress	<u>646,942</u>	<u>6,406,420</u>	<u>--</u>	<u>--</u>	<u>7,053,362</u>
Total capital assets, not being depreciated	<u>648,642</u>	<u>6,406,420</u>	<u>--</u>	<u>--</u>	<u>7,055,062</u>
Capital assets, being depreciated:					
Improvements	437,823	59,524	--	30,601	466,746
Buildings	501,348	708,417	--	--	1,209,765
Machinery and equipment	<u>394,014</u>	<u>50,546</u>	<u>38,016</u>	<u>8,099</u>	<u>474,477</u>
Total capital assets, being depreciated	<u>1,333,185</u>	<u>818,487</u>	<u>38,016</u>	<u>38,700</u>	<u>2,150,988</u>
Less accumulated depreciation for:					
Improvements	97,281	19,470	--	7,140	109,611
Buildings	300,732	25,567	--	--	326,299
Machinery and equipment	<u>197,379</u>	<u>29,820</u>	<u>26,514</u>	<u>6,750</u>	<u>246,963</u>
Total accumulated depreciation	<u>595,392</u>	<u>74,857</u>	<u>26,514</u>	<u>13,890</u>	<u>682,873</u>
Total capital assets, being depreciated, net	<u>737,793</u>	<u>743,630</u>	<u>11,502</u>	<u>24,810</u>	<u>1,468,115</u>
Governmental activity capital assets, net	<u>\$1,386,435</u>	<u>\$7,150,050</u>	<u>\$11,502</u>	<u>\$24,810</u>	<u>\$8,523,177</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$23,123
Support services	17,682

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

NOTE 6 - (Continued)

Cocurricular activities	34,052
Total depreciation expense - governmental activities	<u>\$74,857</u>

	<u>Balance</u> <u>07/01/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/20</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$80,543	\$ 749	\$53,213	\$28,079
Less accumulated depreciation for:				
Machinery and equipment	<u>59,758</u>	<u>3,334</u>	<u>41,710</u>	<u>21,382</u>
Business-type activity capital assets, net	<u>\$20,785</u>	<u>\$(2,585)</u>	<u>\$11,503</u>	<u>\$ 6,697</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food services	<u>\$3,334</u>

Construction Work in Progress at June 30, 2020, is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru</u> <u>6/30/20</u>	<u>Committed</u>	<u>Required</u> <u>Future</u> <u>Financing</u>
School construction/ remodel project	<u>\$9,074,582</u>	<u>\$7,053,362</u>	<u>\$2,021,220</u>	<u>\$--</u>

NOTE 7 - LONG-TERM LIABILITIES

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

PRIMARY GOVERNMENT

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds Payable:					
General Obligation	\$ --	\$ 8,925,000	\$ --	\$ 8,925,000	\$ 95,000
Capital Outlay Certificates	--	707,000	31,804	675,196	62,832
Unamortized Premiums	--	802,978	31,638	771,340	31,638
Early Retirement Payable	90,943	44,071	31,623	103,391	35,597
Accrued Compensated Absences	27,723	9,415	--	37,138	3,811

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

NOTE 7 - (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued Interest	--	30,024	--	30,024	30,024
Total Governmental Activities	<u>\$118,666</u>	<u>\$10,518,488</u>	<u>\$95,065</u>	<u>\$10,542,089</u>	<u>\$258,902</u>

Compensated absences for governmental activities typically have been liquidated from the fund from which the employee's most recent compensation has been paid. Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2020, are comprised of the following:

**PRIMARY GOVERNMENT**

**General Obligation Bonds:**

General Obligation Bonds, Series 2019, requires semi-annual payments of not more than \$559,850 for the year, from the Bond Redemption Fund with a varying interest rate from 3.0% to 4.0% with the final payment to be made December 1, 2044. \$8,925,000

**Capital Outlay Certificates:**

Limited Tax General Obligation Certificates, Series 2019, requires semi-annual payments of \$81,630.60 for the year, with the first payment due June 1, 2020, from the Capital Outlay Fund with an interest rate of 2.85% with the final payment to be made December 1, 2029. \$ 675,196

**Compensated Absences:**

Payable for accrued sick leave generally paid from the fund from which the employee's most recent compensation had been paid. \$ 37,138

**Early Retirement Payable:**

Payments to qualified individuals electing early retirement paid from General Fund for the year ended June 30, 2020, and maturing in the years ending June 30, 2021, through June 30, 2025. (Generally, certified staff, after serving in the School District for at least 15 years and being not less than 55 years of age, or after serving for at least 25 years and being less than 55 years of age as of July first of the fiscal year retirement begins, may qualify for the District's retirement benefits subject to specified application procedures and policy prescribed limitation provisions. Benefits generally are paid by lump sum based on the number of years' service to the School District multiplied by \$100 plus \$480 per month for 60 months with start date options for payment provided.) There are currently 4 employees receiving early retirement benefits. \$ 103,391

**Accrued Interest:**

Interest due in December on the General Obligation Bonds and Capital Outlay Certificates. \$ 30,024

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 - (Continued)**

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2020, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
June 30, 2020

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Early Retirement Benefits Payable	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2021	\$ 95,000	\$ 339,150	\$ 62,832	\$ 18,799	\$ 35,597	\$ 193,429	\$ 357,949
2022	225,000	332,750	64,635	16,995	33,897	323,532	349,745
2023	235,000	323,550	66,491	15,140	16,949	318,440	338,690
2024	245,000	313,950	68,399	13,231	8,474	321,873	327,181
2025	255,000	303,950	70,362	11,268	8,474	333,836	315,218
2026 - 2030	1,435,000	1,355,350	342,477	24,862	--	1,777,477	1,380,212
2031 - 2035	1,745,000	1,038,350	--	--	--	1,745,000	1,038,350
2036 - 2040	2,125,000	652,550	--	--	--	2,125,000	652,550
2041 - 2044	<u>2,565,000</u>	<u>207,725</u>	--	--	--	<u>2,565,000</u>	<u>207,725</u>
	<u>\$8,925,000</u>	<u>\$4,867,325</u>	<u>\$675,196</u>	<u>\$100,295</u>	<u>\$103,391</u>	<u>\$9,703,587</u>	<u>\$4,967,620</u>

**NOTE 8 - OPERATING LEASES**

The School District leased the community center from the City of Faulkton during the construction of the new school building. The lease ended September 30, 2020. Monthly payments of \$1,250 per month were paid from the Capital Outlay Fund with a total paid of \$16,250 for 13 months during the year ended June 30, 2020.

A gym has been leased for a fifteen-year period with the first payment made in January 2005 as a nonrefundable deposit in the amount of \$150,000 and rental payments being made each July and December from the Capital Outlay Fund with a total paid of \$42,500 during the year ended June 30, 2020. The lease ended December 15, 2019.

Copier and printing equipment has been leased through one contract for a 60 month period for the contract, which began with the first lease payment in July 2017. The lease payments are being paid from the Capital Outlay Fund with a total paid of \$5,632 during the year ended June 30, 2020.

The following are the minimum payments required for the existing operating leases:

Year	Capital Outlay Fund
2021	\$ 9,382
2022	<u>5,632</u>
Total	<u>\$15,014</u>



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 9 - RESTRICTED NET POSITION**

Restricted net position for the year ended June 30, 2020, were as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay Purposes	Law	\$1,689,786
Special Education Purposes	Law	554,572
Capital Project Purposes	Law	47,623
SDRS Pension Purposes	Law	<u>259,821</u>
 Total Restricted Net Position		 <u>\$2,551,802</u>

These balances are restricted due to federal grant and statutory requirements.

**NOTE 10 - INTERFUND TRANSFERS**

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

<u>Transfers from:</u>	<u>Transfers to:</u>			
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Drivers Education Fund</u>	<u>Total</u>
General Fund	\$ --	\$35,000	\$3,000	\$ 38,000
Capital Outlay Fund	<u>157,000</u>	<u>--</u>	<u>--</u>	<u>157,000</u>
	<u>\$157,000</u>	<u>\$35,000</u>	<u>\$3,000</u>	<u>\$195,000</u>

The School District transferred money from the General Fund to the Food Service Fund to provide money for general operation of the lunch program and to the Drivers Education Fund to provide money for general operation of the drivers education program. The School District transferred money from the Capital Outlay Fund to the General Fund to provide money for the general operation of the school.

**NOTE 11 - PENSION PLAN**

**Plan Information:**

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 11 - (Continued)

**Benefits Provided:**

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 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 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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 11 - (Continued)

share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019 and 2018, were \$118,213, \$110,756, and \$103,299, respectively, equal to the required contributions each year.

**Pension 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 shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2020, are as follows:

Proportionate share of pension liability	\$10,819,435
Less proportionate share of net pension restricted for pension benefits	<u>10,828,635</u>
Proportionate share of net pension asset	\$ <u>(9,200)</u>

At June 30, 2020, the School District reported an asset of \$9,200 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability 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 .0868180%, which is an increase of .0040027% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$254,161. 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	\$ 36,089	\$ 4,164
Changes in assumption	317,756	130,264
Net difference between projected and actual earnings on pension plan investments	--	53,002
Changes in proportion and difference between School District contributions and proportionate share of contributions	5,787	39,794
School District contributions subsequent to the measurement date	<u>118,213</u>	<u>---</u>
<b>Total</b>	<b><u>\$477,845</u></b>	<b><u>\$227,224</u></b>

\$118,213 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 11 - (Continued)**

Year Ending June 30:

2021	\$188,393
2022	(44,508)
2023	(27,117)
2024	<u>15,640</u>
 Total	 <u>\$132,408</u>

**Actuarial Assumptions:**

The total pension liability (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 percent
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, adjusted to 2006 and 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 of 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 a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<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	<u>2.0%</u>	0.9%
 Total	 <u>100.0%</u>	

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 11 - (Continued)

**Discount Rate:**

The discount rate used to measure the total pension liability 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.

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

The following presents the School District's proportionate share of net pension asset 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 (5.5%) 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)	<u>\$1,527,075</u>	<u>\$(9,200)</u>	<u>\$(1,260,987)</u>

**Pension Plan Fiduciary Net Position:**

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

NOTE 12 - RISK MANAGEMENT

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

**Employee Health Insurance:**

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not have a lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims in excess of this 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 omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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NOTE 12 - (Continued)

Workers' Compensation:

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

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 Fund Balance in the General Fund in the amount of \$34,029 for the payment of future unemployment benefits.

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

NOTE 13 - LITIGATION

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

NOTE 14 - SUBSEQUENT EVENTS

The School District has evaluated all subsequent events through January 6, 2021, the date on which the financial statements were available to be issued. The School District has determined there are none.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$2,021,463	\$2,021,463	\$1,974,414	\$ (47,049)
Prior years' ad valorem taxes	1,000	1,000	6,153	5,153
Utility taxes	114,000	114,000	121,738	7,738
Penalties and interest on taxes	3,000	3,000	3,534	534
Earnings on investments and deposits	400	400	276	(124)
Cocurricular activities:				
Admissions	26,000	26,000	23,181	(2,819)
Other student activity income	3,300	3,300	3,480	180
Other revenue from local sources:				
Rentals	500	500	100	(400)
Contributions and donations	--	--	100	100
Charges for services	3,200	3,200	3,294	94
Other	8,000	8,000	8,666	666
Revenue from Intermediate Sources:				
County sources:				
County apportionment	18,000	18,000	51,857	33,857
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	504,173	504,173	567,568	63,395
Restricted grants-in-aid	--	--	2,279	2,279
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	7,431	7,431
Restricted grants-in-aid received from federal government through the state	<u>95,200</u>	<u>95,200</u>	<u>156,596</u>	<u>61,396</u>
<b>TOTAL REVENUES</b>	<u><b>2,798,236</b></u>	<u><b>2,798,236</b></u>	<u><b>2,930,667</b></u>	<u><b>132,431</b></u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	1,028,000	1,028,000	999,283	28,717
Middle/Junior high	164,600	164,600	163,999	601
High school	431,700	431,700	437,771	(6,071)
Preschool services	29,300	29,300	24,104	5,196



	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Special programs:				
Educationally deprived	108,400	108,400	108,083	317
Support Services:				
Students:				
Guidance	33,450	33,450	31,433	2,017
Health	2,000	2,000	1,054	946
Instructional staff:				
Improvement of instruction	14,400	14,400	12,080	2,320
Educational media	85,850	85,850	76,042	9,808
General administration:				
Board of education	37,490	37,490	43,570	(6,080)
Executive administration	179,900	179,900	136,753	43,147
School administration:				
Office of the principal	94,100	94,100	121,716	(27,616)
Other	500	500	349	151
Business:				
Fiscal services	68,060	68,060	68,215	(155)
Operation and maintenance of plant	407,200	407,200	344,469	62,731
Student transportation services	194,950	194,950	133,541	61,409
Nonprogrammed Charges:				
Early retirement payments	33,000	33,000	31,623	1,377
Cocurricular Activities:				
Male activities	55,575	55,575	45,905	9,670
Female activities	40,750	40,750	43,143	(2,393)
Transportation	39,000	39,000	30,050	8,950
Combined activities	109,145	109,145	81,067	28,078
Contingencies	90,000	90,000		
Amount transferred		--		<u>90,000</u>
<b>TOTAL EXPENDITURES</b>	<u>3,247,370</u>	<u>3,247,370</u>	<u>2,934,250</u>	<u>313,120</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>				
<b>    EXPENDITURES</b>	<u>(449,134)</u>	<u>(449,134)</u>	<u>(3,583)</u>	<u>445,551</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	225,000	225,000	157,000	(68,000)
Transfers out	(38,000)	(38,000)	(38,000)	--
Sale of surplus property	--	--	1,852	1,852
Compensation for loss of general capital assets	--	--	382	<u>382</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>187,000</u>	<u>187,000</u>	<u>121,234</u>	<u>(65,766)</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**  
**(Continued)**

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	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	(262,134)	(262,134)	117,651	379,785
FUND BALANCE - BEGINNING	<u>1,355,211</u>	<u>1,355,211</u>	<u>1,355,211</u>	--
FUND BALANCE - ENDING	<u>\$1,093,077</u>	<u>\$1,093,077</u>	<u>\$1,472,862</u>	<u>\$379,785</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,071,000	\$1,071,000	\$1,069,117	\$ (1,883)
Prior years' ad valorem taxes	--	--	3,089	3,089
Penalties and interest on taxes	--	--	1,674	1,674
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	215	215
<b>TOTAL REVENUES</b>	<u><b>1,071,000</b></u>	<u><b>1,071,000</b></u>	<u><b>1,074,095</b></u>	<u><b>3,095</b></u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	77,478	77,478	31,471	46,007
Middle/Junior high	12,395	12,395	6,006	6,389
High school	22,521	22,521	5,737	16,784
Support Services:				
Instructional staff:				
Educational media	61,000	61,000	44,795	16,205
General administration:				
Board of education	3,000	3,000	2,700	300
Business:				
Fiscal services	13,000	13,000	12,433	567
Facilities acquisition and construction	--	707,000	708,417	(1,417)
Operation and maintenance of plant	202,000	202,000	144,539	57,461
Student transportation services	25,000	25,000	23,776	1,224
Food services	2,150	2,150	2,261	(111)
Debt Services	--	--	40,815	(40,815)
Cocurricular Activities:				
Male activities	11,300	11,300	--	11,300
Combined activities	8,600	8,600	16,530	(7,930)
<b>TOTAL EXPENDITURES</b>	<u><b>438,444</b></u>	<u><b>1,145,444</b></u>	<u><b>1,039,480</b></u>	<u><b>105,964</b></u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>632,556</u>	<u>(74,444)</u>	<u>34,615</u>	<u>109,059</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(225,000)</u>	<u>(225,000)</u>	<u>(157,000)</u>	<u>68,000</u>
Proceeds of general long-term liabilities	<u>--</u>	<u>707,000</u>	<u>707,000</u>	<u>--</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(225,000)</u>	<u>482,000</u>	<u>550,000</u>	<u>68,000</u>
NET CHANGE IN FUND BALANCES	<u>407,556</u>	<u>407,556</u>	<u>584,615</u>	<u>177,059</u>
FUND BALANCE - BEGINNING	<u>1,105,406</u>	<u>1,105,406</u>	<u>1,105,406</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,512,962</u>	<u>\$1,512,962</u>	<u>\$1,690,021</u>	<u>\$177,059</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - SPECIAL EDUCATION FUND**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$371,800	\$371,800	\$393,979	\$22,179
Prior years' ad valorem taxes	--	--	1,187	1,187
Penalties and interest on taxes	--	--	647	647
Other revenue from local sources:				
Charges for services	--	--	302	302
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	80	80
Restricted grants-in-aid received from federal government through the state	<u>78,242</u>	<u>78,242</u>	<u>79,276</u>	<u>1,034</u>
<b>TOTAL REVENUES</b>	<u>450,042</u>	<u>450,042</u>	<u>457,471</u>	<u>25,429</u>
<b>EXPENDITURES:</b>				
Instruction:				
Special programs:				
Programs for special education	358,817	358,817	314,268	44,549
Support Services:				
Students:				
Psychological	15,000	15,000	11,443	3,557
Speech pathology	74,075	74,075	65,119	8,956
Student therapy services	15,000	15,000	8,085	6,915
Special education:				
Administrative costs	<u>17,150</u>	<u>17,150</u>	<u>16,529</u>	<u>621</u>
<b>TOTAL EXPENDITURES</b>	<u>480,042</u>	<u>480,042</u>	<u>415,444</u>	<u>64,598</u>
<b>NET CHANGE IN FUND BALANCES</b>	(30,000)	(30,000)	60,027	90,027
<b>FUND BALANCE - BEGINNING</b>	<u>494,012</u>	<u>494,012</u>	<u>494,012</u>	--
<b>FUND BALANCE - ENDING</b>	<u>\$464,012</u>	<u>\$464,012</u>	<u>\$554,039</u>	<u>\$ 90,027</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**JUNE 30, 2020**

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NOTE 1 - Budgets and Budgetary Accounting

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary 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 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Student Transportation function of government, along with all other current Student Transportation related expenditures.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (ASSET)**  
**SOUTH DAKOTA RETIREMENT SYSTEM**

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	Last 6 Fiscal Years*					
	(Dollar amounts in thousands)					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0868180%	0.0828153%	0.0800901%	0.0680608%	0.0819404%	0.0842701%
District's proportionate share of net pension liability (asset)	\$(9)	\$(2)	\$(7)	\$230	\$(348)	\$(607)
District's covered payroll	\$1,846	\$1,722	\$1,620	\$1,294	\$1,496	\$1,474
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.49%	0.12%	0.43%	17.77%	23.26%	41.18%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS**  
**SOUTH DAKOTA RETIREMENT SYSTEM**

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	Last 10 Fiscal Years (Dollar amounts in thousands)									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 118	\$ 111	\$ 103	\$ 97	\$ 78	\$ 90	\$ 88	\$ 95	\$ 91	\$ 91
Contributions in relation to the contractually required contribution	\$ 118	\$ 111	\$ 103	\$ 97	\$ 78	\$ 90	\$ 88	\$ 95	\$ 91	\$ 91
District's covered payroll	\$1,970	\$1,846	\$1,722	\$1,620	\$1,294	\$1,496	\$1,474	\$1,587	\$1,508	\$1,509
Contributions as a percentage of covered payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**AND SCHEDULE OF PENSION CONTRIBUTIONS**  
**YEAR ENDED JUNE 30, 2020**

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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 June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.