

# HAAKON SCHOOL DISTRICT NO. 27-1

---

Independent Auditor's Reports,  
Financial Statements, and  
Supplementary Information

**June 30, 2021**



**Haakon School District No. 27-1**  
**Table of Contents**  
**June 30, 2021**

---

	<u>PAGE</u>
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1 - 3
Schedule of Findings and Management’s Responses (Unaudited).....	3
Independent Auditor’s Report .....	5 - 7
Management’s Discussion and Analysis.....	9 - 16
 <b>BASIC FINANCIAL STATEMENTS</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	18 - 19
Statement of Activities .....	20 - 21
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds .....	22 - 23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	26 - 29
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	30
Statement of Net Position - Proprietary Fund .....	31
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	32
Statement of Cash Flows - Proprietary Fund.....	33
Statement of Fiduciary Net Position - Fiduciary Funds.....	34
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	35
Notes to the Financial Statements .....	36 - 54
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund - Budgetary Basis.....	56 - 57
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis.....	58
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis.....	59
Schedule of the District’s Proportionate Share of the Net Pension Liability (Asset) .....	60
Schedule of Pension Contributions.....	61
Notes to Required Supplementary Information.....	62 - 63
 <b>OTHER INFORMATION</b>	
School District Officials .....	67



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

School Board  
Haakon School District No. 27-1  
Haakon County, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Haakon School District No. 27-1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Haakon School District No. 27-1's basic financial statements and have issued our report thereon dated October 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Haakon School District No. 27-1'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 Haakon School District No. 27-1 internal control. Accordingly, we do not express an opinion on the effectiveness of Haakon School District No. 27-1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and management's responses as item 2021-001 that we consider to be a material weakness.

**RAPID CITY**

909 ST. JOSEPH STREET, SUITE 101  
RAPID CITY, SD 57701  
605.348.1930

**GILLETTE**

612 S. DOUGLAS HWY  
GILLETTE, WY 82716  
307.682.4795

**FAITH**

127 MAIN ST. S.  
FAITH, SD 57626  
605.791.3142

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haakon School District No. 27-1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### Haakon School District No. 27-1's Response to Findings

Haakon School District No. 27-1's response to the findings identified in our audit is described in the accompanying schedule of findings and management's responses. Haakon School District No. 27-1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of This Report

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



Casey Peterson, LTD

Rapid City, South Dakota

October 26, 2021

**Haakon School District No. 27-1**  
**Schedule of Findings and Management's Responses (Unaudited)**  
**June 30, 2021**

---

2021-001 *Condition:* The District has a limited number of finance staff, causing a concentration of responsibilities within the following processes/cycles: reconciliation of accounts, posting of general journal entries, recognition of revenues, and preparation of the financial statements. The District does review the financial statements, disclosure checklist, and support for proposed audit entries.

*Criteria:* A strong system of internal controls over accounting functions allows for segregation of responsibilities among various personnel including oversight of functions assigned.

*Cause:* The District has a limited number of staff to perform the finance function.

*Effect:* There is a possibility of fraud or errors occurring and not being detected or corrected. Material audit adjustments were required related to year-end reporting for long-term debt, property and equipment, property taxes receivable, and deferred property tax inflows.

*Auditor's Recommendation:* Reconciliations of accounts and journal entries prepared by the Business Manager should be reviewed by the Superintendent or a School Board member with sufficient accounting expertise. Management and those charged with governance should evaluate the finance processes and cycles and determine whether the risks related to a concentration of responsibilities are outweighed by the costs of hiring additional staff.

*Management's Response:* In addition to the review of the financial statements, disclosure checklist, and proposed journal entries as noted above, the District will provide the Balance Sheet and Income Statement from the District's software as well as supporting schedules for financial statements notes. Due to the size of the District, it is not cost-effective to hire additional Finance Office staff, but the District will improve oversight procedures by the Superintendent performing documented reviews of the bank reconciliations and journal entries. The District staff responsible for these actions would be the District's Business Manager and these changes will be ongoing.

*THIS PAGE INTENTIONALLY LEFT BLANK*

## Independent Auditor's Report

School Board  
Haakon School District No. 27-1  
Haakon 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 Haakon School District No. 27-1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

#### **RAPID CITY**

909 ST. JOSEPH STREET, SUITE 101  
RAPID CITY, SD 57701  
605.348.1930

#### **GILLETTE**

612 S. DOUGLAS HWY  
GILLETTE, WY 82716  
307.682.4795

#### **FAITH**

127 MAIN ST. S.  
FAITH, SD 57626  
605.791.3142

### 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 Haakon School District No. 27-1, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2021, Haakon School District No. 27-1 adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, Schedule of Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Supplementary Information on pages 9 - 16, 56 - 59, 60, 61, and 62 - 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Haakon School District No. 27-1's basic financial statements. The list of School District Officials is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The list of School District Officials has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021, on our consideration of Haakon School District No. 27-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Haakon School District No. 27-1's internal control over financial reporting and compliance.

*Casey Peterson, LTD.*

Casey Peterson, LTD

Rapid City, South Dakota

October 26, 2021



# **Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2021**

---

This section of Haakon County School District No. 27-1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- During the 20-21 FY, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$357,104 more than the \$4,248,939 governmental and business-type program expenses.
- The General Fund reported a \$250,086 increase in fund balance in FY 20-21. The Capital Outlay Fund reported an increase of \$301,235. The Special Education Fund reported a decrease of \$64,742.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

See independent auditor's report.

**Haakon School District No. 27-1  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

*Figure A-1*

**Major Features of Haakon School District's Government-wide and Fund Financial Statements**

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

**Government-Wide Statements**

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

See independent auditor's report.

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2021

---

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

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

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

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, Board of Education, fiscal services, etc.), interest expense on long-term debt, and extracurricular activities (sports, debate, music, etc.). Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the District.

## **Fund Financial Statements**

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

- State Law requires some of the funds, such as the Capital Outlay Fund and the Special Education Fund.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The District has three kinds of funds:

- **Governmental Funds** - Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The Food Service Enterprise Fund is the only proprietary fund maintained by the District.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

See independent auditor's report.

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2021

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The District's combined net position increased as follows:

Table A-1  
HAAKON SCHOOL DISTRICT 27-1  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	
Current and Other Assets	\$ 5,346,788	\$ 4,726,338	\$ 39,775	\$ 7,805	\$ 5,386,563	\$ 4,734,143	13.78%
Capital Assets (Net of Depreciation)	11,479,645	11,814,566	154,576	168,013	11,634,221	11,982,579	-2.91%
<b>Total Assets</b>	<u>16,826,433</u>	<u>16,540,904</u>	<u>194,351</u>	<u>175,818</u>	<u>17,020,784</u>	<u>16,716,722</u>	1.82%
<b>Total Deferred Outflows of Resources</b>	<u>567,146</u>	<u>476,703</u>	<u>14,168</u>	<u>-</u>	<u>581,314</u>	<u>476,703</u>	21.94%
Long-term Liabilities Outstanding	7,563,111	7,935,006	-	-	7,563,111	7,935,006	-4.69%
Other Liabilities	307,736	251,770	17,745	12,025	325,481	263,795	23.38%
<b>Total Liabilities</b>	<u>7,870,847</u>	<u>8,186,776</u>	<u>17,745</u>	<u>12,025</u>	<u>7,888,592</u>	<u>8,198,801</u>	-3.78%
<b>Total Deferred Inflows of Resources</b>	<u>1,767,985</u>	<u>1,417,536</u>	<u>11,329</u>	<u>-</u>	<u>1,779,314</u>	<u>1,417,536</u>	25.52%
Net Investment in Capital Assets	3,925,899	3,887,792	154,576	168,013	4,080,475	4,055,805	0.61%
Restricted	2,715,625	2,610,284	2,925	-	2,718,550	2,610,284	4.15%
Unrestricted	1,113,223	915,219	21,944	(4,220)	1,135,167	910,999	24.61%
<b>Total Net Position</b>	<u>7,754,747</u>	<u>7,413,295</u>	<u>179,445</u>	<u>163,793</u>	<u>7,934,192</u>	<u>7,577,088</u>	4.71%
<b>Beginning Net Position</b>	<u>7,413,295</u>	<u>7,411,474</u>	<u>163,793</u>	<u>184,883</u>	<u>7,577,088</u>	<u>7,596,357</u>	
<b>Increase (Decrease) in Net Position</b>	<u>\$ 341,452</u>	<u>\$ 1,821</u>	<u>\$ 15,652</u>	<u>\$ (21,090)</u>	<u>\$ 357,104</u>	<u>\$ (19,269)</u>	
<b>Percentage Change in Net Position</b>	4.61%	0.02%	9.56%	-11.41%	4.71%	-0.25%	

Current and other assets increased mainly due to the District receiving an increase in federal and county funding, which includes CARES ESSER and Coronavirus Relief Funds that were not received in prior years. There were no significant changes to the other liabilities from the prior year. Long-term liabilities decreased due to payments made on long-term debt during FY 20-21.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components: the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of Series 2016 Bonds and compensated absences payable, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and deferred outflows and liabilities and deferred inflows is its net position.

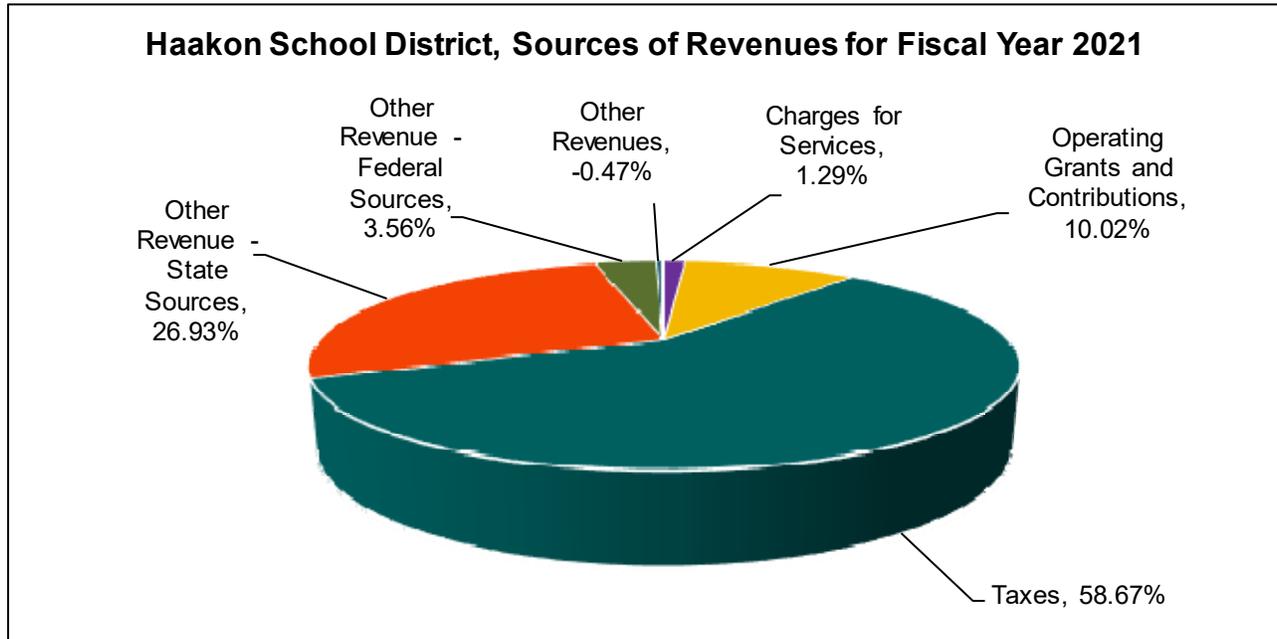
See independent auditor's report.

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2021

## Changes in Net Position

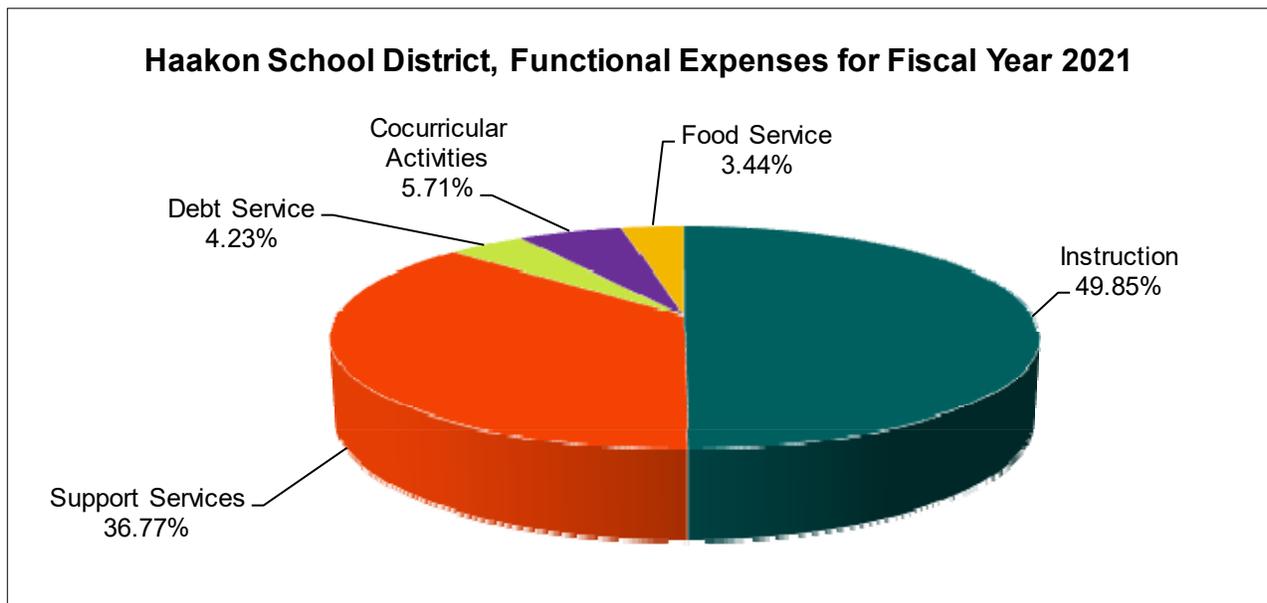
The District's revenues totaled \$4,606,043 (see Table A-2). Over half of the District's revenue comes from property and other taxes, while approximately 30% comes from state aid. (See Figure A-2).

Figure A-2



The total cost of all programs and services was \$4,248,939 (See Table A-2). The District's expenses cover a range of services encompassing instruction, support services, cocurricular activities, and food services (see Figure A-3).

Figure A-3



See independent auditor's report.

**Haakon School District No. 27-1  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

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

Table A-2  
HAAKON SCHOOL DISTRICT 27-1  
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 26,045	\$ 27,097	\$ 33,582	\$ 71,592	\$ 59,627	\$ 98,689	-39.58%
Operating Grants and Contributions	333,298	221,987	128,075	44,083	461,373	266,070	73.40%
General Revenues							
Taxes	2,702,412	2,460,673	-	-	2,702,412	2,460,673	9.82%
Revenue State Sources	1,240,322	1,263,804	-	-	1,240,322	1,263,804	-1.86%
Revenue Federal Sources	163,844	11,370	-	-	163,844	11,370	1341.02%
Other General Revenue	51,504	31,378	-	-	51,504	31,378	64.14%
Unrestricted Investment Earnings	19,021	45,745	-	-	19,021	45,745	-58.42%
Loss on Disposal of Assets	(92,060)	(7,583)	-	-	(92,060)	(7,583)	1114.03%
<b>Total Revenues</b>	<b>4,444,386</b>	<b>4,054,471</b>	<b>161,657</b>	<b>115,675</b>	<b>4,606,043</b>	<b>4,170,146</b>	<b>10.45%</b>
<b>Expenses</b>							
Instruction	2,117,905	2,018,969	-	-	2,117,905	2,018,969	4.90%
Support Services	1,562,618	1,638,761	-	-	1,562,618	1,638,761	-4.65%
Debt Service	179,797	183,927	-	-	179,797	183,927	-2.25%
Cocurricular Activities	242,614	210,993	-	-	242,614	210,993	14.99%
Food Service	-	-	146,005	136,765	146,005	136,765	6.76%
<b>Total Expenses</b>	<b>4,102,934</b>	<b>4,052,650</b>	<b>146,005</b>	<b>136,765</b>	<b>4,248,939</b>	<b>4,189,415</b>	<b>1.42%</b>
<b>Increase (Decrease) in Net Position</b>	<b>341,452</b>	<b>1,821</b>	<b>15,652</b>	<b>(21,090)</b>	<b>357,104</b>	<b>(19,269)</b>	<b>1953.26%</b>
<b>Beginning Net Position</b>	<b>7,413,295</b>	<b>7,411,474</b>	<b>163,793</b>	<b>184,883</b>	<b>7,577,088</b>	<b>7,596,357</b>	<b>-0.25%</b>
<b>Ending Net Position</b>	<b>\$ 7,754,747</b>	<b>\$ 7,413,295</b>	<b>\$ 179,445</b>	<b>\$ 163,793</b>	<b>\$ 7,934,192</b>	<b>\$ 7,577,088</b>	<b>4.71%</b>

**GOVERNMENTAL ACTIVITIES**

The governmental activities showed an increase in revenues and expenses were stable. The increase in revenues was primarily a result of an increase in federal and county funding as compared to prior years, mainly due to the District receiving CARES ESSER and Coronavirus Relief Funds in the current year.

**BUSINESS-TYPE ACTIVITIES**

Revenues and expenses of the District's business-type activities (Food Service Operation) increased in FY 20-21 as shown in Table A-2.

See independent auditor's report.

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2021

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund's fund balance increased in the current year due to the District receiving more federal and tax revenues compared to the prior year, which resulted in revenues exceeding expenditures in the current year. The Capital Outlay Fund's fund balance increased due to revenues exceeding expenses in the current year. The Special Education Fund's fund balance decreased due to the District having more operational expenses than revenues in the current year. The Bond Redemption Fund's fund balances did not have any significant changes.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant changes to the General Fund budget this fiscal year overall. Some areas were increased only based on need.

## CAPITAL ASSET ADMINISTRATION

Capital Assets decreased for the District due to depreciation expense exceeding capital purchases made during the fiscal year.

**Table A-3  
HAAKON SCHOOL DISTRICT 27-1  
Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total Dollar Change 2020-2021	Total Percentage Change 2020-2021
	2021	2020	2021	2020		
Land	\$ 26,020	\$ 26,020	\$ -	\$ -	\$ -	0.00%
Buildings	10,408,884	10,739,049	-	-	(330,165)	-3.07%
Improvements Other Than Buildings	11,684	16,546	-	-	(4,862)	-29.38%
Machinery and Equipment	1,033,057	1,032,951	154,576	168,013	(13,331)	-1.29%
<b>Total Capital Assets (Net)</b>	<b>\$ 11,479,645</b>	<b>\$ 11,814,566</b>	<b>\$ 154,576</b>	<b>\$ 168,013</b>	<b>\$ (348,358)</b>	<b>-33.75%</b>

Capital asset purchases during the year ended June 30, 2021 included HVAC equipment, a scissor lift, and new textbooks.

## LONG-TERM DEBT

At year-end, the District had \$7,563,111 in bonds and other long-term obligations as shown on Table A-4 below.

**Table A-4  
HAAKON SCHOOL DISTRICT 27-1  
Outstanding Debt and Obligations**

	Governmental Activities		Business-Type Activities		Total Dollar Change 2020-2021	Total Percentage Change 2020-2021
	2021	2020	2021	2020		
Series 2016 Bond	\$ 7,430,000	\$ 7,795,000	\$ -	\$ -	\$ (365,000)	-4.68%
Series 2016 Bond Premium	123,746	131,774	-	-	(8,028)	-6.09%
Compensated Absences	9,365	8,232	-	-	1,133	13.76%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 7,563,111</b>	<b>\$ 7,935,006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (371,895)</b>	<b>-4.69%</b>

See independent auditor's report.

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2021

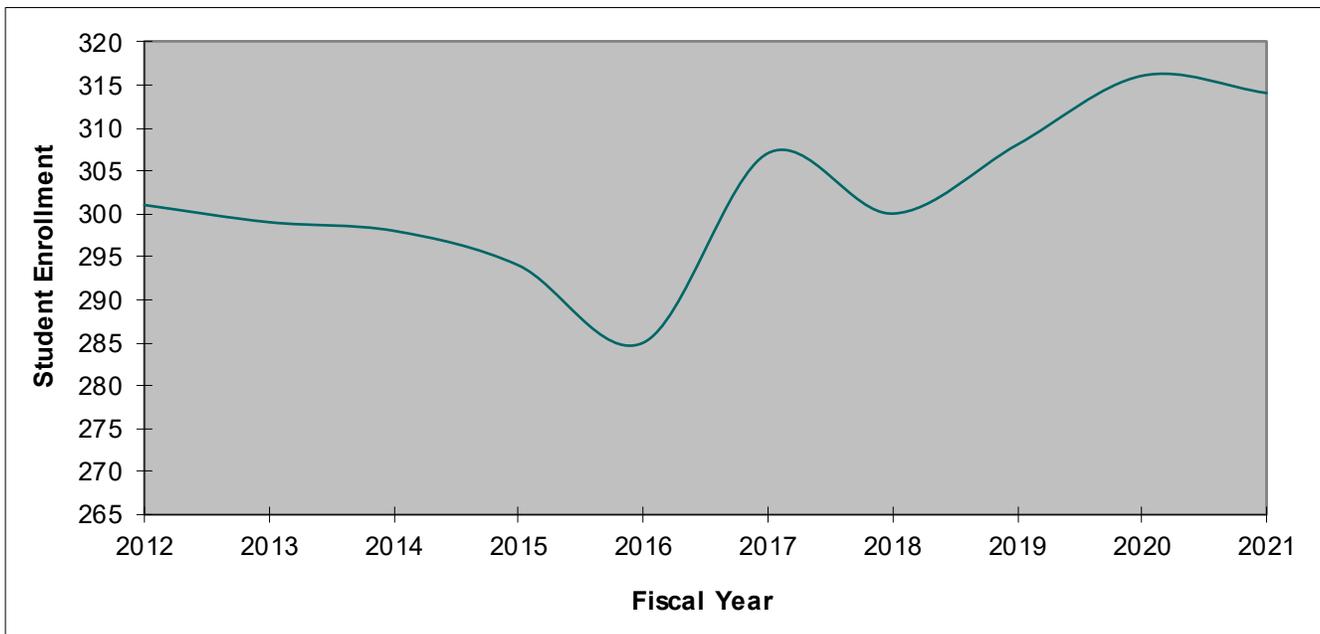
The District is liable for the accrued vacation leave payable to the Superintendent, Business Manager, and head custodian.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown little change. Local revenues have ultimately remained steady, slightly increasing due to property values. No significant increases in revenue in this area are expected.

One of the primary sources of revenue of the District is based on a target teacher salary allocation received from the State of South Dakota. The state aid formula was modified beginning in FY17. The state aid formula aims for a target teacher salary and establishes needs based on that number along with enrollment. The average daily membership (ADM) has decreased this year from 316 to 314. The impact of this new formula on the stability of the District's revenues is not fully known. This is expected to reduce funding available to the District in future years. The Capital Outlay levy has been modified to limit future growth in collections which may impair the District's ability to fund future capital projects.

The District's enrollment for the last ten years has been as follows:



## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Haakon School District Business Office, PO Box 730, 330 Scottie Ave, Philip, SD 57567.

See independent auditor's report.

## BASIC FINANCIAL STATEMENTS

**Haakon School District No. 27-1**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,291,099	\$ 33,090	\$ 3,324,189
Certificates of Deposit	702,828	-	702,828
Taxes Receivable	1,118,806	-	1,118,806
Due From Other Governments	230,616	-	230,616
Inventories	-	6,599	6,599
Restricted Assets:			
Net Pension Asset	<u>3,439</u>	<u>86</u>	<u>3,525</u>
	<u>5,346,788</u>	<u>39,775</u>	<u>5,386,563</u>
Capital Assets:			
Land	26,020	-	26,020
Buildings	14,329,878	-	14,329,878
Improvements	106,324	-	106,324
Equipment	1,398,945	221,030	1,619,975
Less: Accumulated Depreciation	<u>(4,381,522)</u>	<u>(66,454)</u>	<u>(4,447,976)</u>
Total Capital Assets, Net of Depreciation	<u>11,479,645</u>	<u>154,576</u>	<u>11,634,221</u>
<b>TOTAL ASSETS</b>	<u>16,826,433</u>	<u>194,351</u>	<u>17,020,784</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension-related Deferred Outflows	<u>567,146</u>	<u>14,168</u>	<u>581,314</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
Accrued Expenses	307,736	3,747	311,483
Unearned Revenue	-	13,998	13,998
Long-term Liabilities:			
Due Within One Year	379,365	-	379,365
Due in More than One Year	<u>7,183,746</u>	<u>-</u>	<u>7,183,746</u>
<b>TOTAL LIABILITIES</b>	<u>7,870,847</u>	<u>17,745</u>	<u>7,888,592</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Levied for Future Periods	1,314,504	-	1,314,504
Pension-related Deferred Inflows	<u>453,481</u>	<u>11,329</u>	<u>464,810</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,767,985</u>	<u>11,329</u>	<u>1,779,314</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,925,899	154,576	4,080,475
Restricted for:			
Debt Repayment	204,757	-	204,757
Capital Outlay	1,859,930	-	1,859,930
Special Education	533,834	-	533,834
Proportionate Share of Net Pension Asset	117,104	2,925	120,029
Unrestricted	<u>1,113,223</u>	<u>21,944</u>	<u>1,135,167</u>
<b>TOTAL NET POSITION</b>	<u>\$ 7,754,747</u>	<u>\$ 179,445</u>	<u>\$ 7,934,192</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Charges for Services
<b>GOVERNMENTAL ACTIVITIES</b>		
Instruction	\$ 2,117,905	\$ -
Support Services	1,562,618	3,213
Cocurricular Activities	242,614	22,832
Interest on Long-term Debt *	<u>179,797</u>	<u>-</u>
Total Governmental Activities	4,102,934	26,045
<b>BUSINESS-TYPE ACTIVITIES</b>		
Food Service	<u>146,005</u>	<u>33,582</u>
Total Primary Government	<u>\$ 4,248,939</u>	<u>\$ 59,627</u>

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

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 324,959	\$ -	\$ (1,792,946)	\$ -	\$ (1,792,946)
8,339	-	(1,551,066)	-	(1,551,066)
-	-	(219,782)	-	(219,782)
-	-	(179,797)	-	(179,797)
333,298	-	(3,743,591)	-	(3,743,591)
128,075	-	-	15,652	15,652
<u>\$ 461,373</u>	<u>\$ -</u>	<u>-</u>	<u>15,652</u>	<u>(3,727,939)</u>
<b>GENERAL REVENUES</b>				
Taxes:				
Property Taxes		2,570,386	-	2,570,386
Gross Receipts Taxes		132,026	-	132,026
Revenue from State Sources:				
State Aid		1,240,322	-	1,240,322
Revenue from Federal Sources		163,844	-	163,844
Revenue from Intermediate Sources		12,456	-	12,456
Unrestricted Investment Earnings		19,021	-	19,021
Other General Revenues		39,048	-	39,048
Loss on Disposal of Assets		(92,060)	-	(92,060)
Total General Revenues		4,085,043	-	4,085,043
<b>CHANGE IN NET POSITION</b>		341,452	15,652	357,104
<b>NET POSITION - BEGINNING</b>		7,413,295	163,793	7,577,088
<b>NET POSITION - ENDING</b>		<u>\$ 7,754,747</u>	<u>\$ 179,445</u>	<u>\$ 7,934,192</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,293,536	\$ 1,193,684
Certificates of Deposit	-	702,828
Advance Payments	3,000	-
Taxes Receivable, Current	456,231	192,793
Taxes Receivable, Delinquent	3,968	1,281
Due From Other Governments	<u>156,771</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,913,506</u></b>	<b><u>\$ 2,090,586</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 19,814	\$ -
Contracts Payable	191,524	-
Payroll Deductions and Employer Matching Payable	<u>31,825</u>	<u>-</u>
Total Liabilities	<u>243,163</u>	<u>-</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Future Periods	540,206	228,094
Delinquent Taxes not Available	<u>3,968</u>	<u>1,281</u>
Total Deferred Inflows of Resources	<u>544,174</u>	<u>229,375</u>
Fund Balances:		
Restricted:		
For Retirement of Debt	-	-
For Capital Outlay	-	1,861,211
For Special Education	-	-
Unassigned	<u>1,126,169</u>	<u>-</u>
Total Fund Balances	<u>1,126,169</u>	<u>1,861,211</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 1,913,506</u></b>	<b><u>\$ 2,090,586</u></b>

The accompanying notes are an integral part of this statement.

Special Education Fund	Bond Redemption Fund	Total Governmental Funds
\$ 551,472	\$ 249,407	\$ 3,288,099
-	-	702,828
-	-	3,000
225,090	236,786	1,110,900
1,094	1,563	7,906
<u>73,845</u>	<u>-</u>	<u>230,616</u>
<u>\$ 851,501</u>	<u>\$ 487,756</u>	<u>\$ 5,343,349</u>
\$ 28,534	\$ -	\$ 48,348
15,661	-	207,185
<u>4,953</u>	<u>-</u>	<u>36,778</u>
<u>49,148</u>	<u>-</u>	<u>292,311</u>
266,331	279,873	1,314,504
<u>1,094</u>	<u>1,563</u>	<u>7,906</u>
<u>267,425</u>	<u>281,436</u>	<u>1,322,410</u>
-	206,320	206,320
-	-	1,861,211
534,928	-	534,928
<u>-</u>	<u>-</u>	<u>1,126,169</u>
<u>534,928</u>	<u>206,320</u>	<u>3,728,628</u>
<u>\$ 851,501</u>	<u>\$ 487,756</u>	<u>\$ 5,343,349</u>

The accompanying notes are an integral part of this statement.

*THIS PAGE INTENTIONALLY LEFT BLANK*

**Haakon School District No. 27-1**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Position**  
**June 30, 2021**

---

Total Fund Balances - Governmental Funds	\$	3,728,628
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		11,479,645
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
General Obligation Debt		(7,553,746)
Compensated Absences		(9,365)
Interest Payable		(15,425)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year-end consisted of:		
Property Taxes Receivable		7,906
Net pension asset reported in governmental activities is not an available financial resource and, therefore, are not reported in the funds.		3,439
Pension-related deferred outflows are components of pension liability (asset) and changes are not reported in the funds.		567,146
Pension-related deferred inflows are components of pension liability (asset) and changes are not reported in the funds.		<u>(453,481)</u>
Net Position - Governmental Activities	\$	<u>7,754,747</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
<b>REVENUES</b>		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 1,041,160	\$ 452,364
Tax Deed Revenue	46,089	-
Gross Receipts Taxes	132,026	-
Penalties and Interest on Taxes	2,108	876
Cocurricular Activities	22,832	-
Earnings on Deposits	4,411	11,823
Other Local Revenue	<u>32,450</u>	<u>13,986</u>
Total Revenue from Local Sources	<u>1,281,076</u>	<u>479,049</u>
Revenue from Intermediate Sources:		
County Sources	<u>12,456</u>	<u>-</u>
Revenue from State Sources:		
Unrestricted Grants-in-aid	1,240,322	-
Restricted Grants-in-aid	<u>3,345</u>	<u>-</u>
Total Revenue from State Sources	<u>1,243,667</u>	<u>-</u>
Revenue from Federal Sources:		
Unrestricted Grants-in-aid	153,900	-
Restricted Grants-in-aid	<u>207,688</u>	<u>62,242</u>
Total Revenue from Federal Sources	<u>361,588</u>	<u>62,242</u>
Total Revenues	<u>2,898,787</u>	<u>541,291</u>

The accompanying notes are an integral part of this statement.

<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
\$ 465,046	\$ 555,658	\$ 2,514,228
-	-	46,089
-	-	132,026
793	1,075	4,852
-	-	22,832
2,214	573	19,021
<u>161</u>	<u>-</u>	<u>46,597</u>
<u>468,214</u>	<u>557,306</u>	<u>2,785,645</u>
<u>-</u>	<u>-</u>	<u>12,456</u>
-	-	1,240,322
<u>-</u>	<u>-</u>	<u>3,345</u>
<u>-</u>	<u>-</u>	<u>1,243,667</u>
9,944	-	163,844
<u>78,839</u>	<u>-</u>	<u>348,769</u>
<u>88,783</u>	<u>-</u>	<u>512,613</u>
<u>556,997</u>	<u>557,306</u>	<u>4,554,381</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds (Continued)**  
**For the Year Ended June 30, 2021**

	General Fund	Capital Outlay Fund
<b>EXPENDITURES</b>		
Instructional Services:		
Regular Programs	1,327,983	101,679
Special Programs	123,046	-
Total Instruction	<u>1,451,029</u>	<u>101,679</u>
Support Services:		
Pupils	60,922	-
Instructional Staff	33,675	3,641
General Administration	158,197	1,350
School Administration	185,064	5,400
Business	566,231	41,294
Central	2,510	-
Special Education	-	-
Total Support Services	<u>1,006,599</u>	<u>51,685</u>
Cocurricular Activities:		
Male Activities	56,805	-
Female Activities	32,881	-
Transportation	22,926	-
Combined Activities	78,461	24,535
Total Cocurricular Activities	<u>191,073</u>	<u>24,535</u>
Debt Service	-	-
Capital Outlay	-	62,157
Total Expenditures	<u>2,648,701</u>	<u>240,056</u>
<b>NET CHANGE IN FUND BALANCES</b>	250,086	301,235
<b>FUND BALANCE - BEGINNING</b>	<u>876,083</u>	<u>1,559,976</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,126,169</u>	<u>\$ 1,861,211</u>

The accompanying notes are an integral part of this statement.

Special Education Fund	Bond Redemption Fund	Total Governmental Funds
-	-	1,429,662
<u>325,902</u>	-	<u>448,948</u>
<u>325,902</u>	-	<u>1,878,610</u>
123,102	-	184,024
-	-	37,316
-	-	159,547
-	-	190,464
-	-	607,525
-	-	2,510
<u>172,735</u>	-	<u>172,735</u>
<u>295,837</u>	-	<u>1,354,121</u>
-	-	56,805
-	-	32,881
-	-	22,926
<u>-</u>	<u>-</u>	<u>102,996</u>
<u>-</u>	<u>-</u>	<u>215,608</u>
<u>-</u>	<u>553,189</u>	<u>553,189</u>
<u>-</u>	<u>-</u>	<u>62,157</u>
<u>621,739</u>	<u>553,189</u>	<u>4,063,685</u>
(64,742)	4,117	490,696
<u>599,670</u>	<u>202,203</u>	<u>3,237,932</u>
<u>\$ 534,928</u>	<u>\$ 206,320</u>	<u>\$ 3,728,628</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2021**

---

Net Change in Fund Balances - Total Governmental Funds	\$	490,696
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(238,526)
In the Statement of Activities, losses on disposal of capital assets are reported while the governmental funds only report the proceeds from disposal of capital assets.		(96,396)
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		(13,599)
Pension expenses in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.		(172,983)
Governmental funds do not reflect the change in compensated absences, but the Statement of Activities reflects the change in these accruals through expenses.		(1,133)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term debt liabilities in the Statement of Net Position.		365,000
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		365
Amortization of premium		<u>8,028</u>
Change in Net Position of Governmental Activities	\$	<u><u>341,452</u></u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2021**

	Food Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 33,090
Inventory	6,599
Net Pension Asset	86
Total Current Assets	39,775
Noncurrent Assets:	
Machinery and Equipment - Local Funds	221,030
Less Accumulated Depreciation	(66,454)
Total Noncurrent Assets	154,576
<b>TOTAL ASSETS</b>	<b>194,351</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension-related Deferred Outflows	14,168
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,168</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	489
Contracts Payable	2,059
Payroll Deductions and Employer Matching Payable	1,199
Unearned Revenue	13,998
<b>TOTAL LIABILITIES</b>	<b>17,745</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension-related Deferred Inflows	11,329
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>11,329</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	154,576
Proportionate Share of Net Pension Asset	2,925
Unrestricted	21,944
<b>TOTAL NET POSITION</b>	<b>\$ 179,445</b>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Revenues, Expenses and Changes in Fund**  
**Net Position - Proprietary Fund**  
**For the Year Ended June 30, 2021**

	Food Service Fund
<b>OPERATING REVENUE</b>	
Sales to Pupils	\$ 16,605
Sales to Adults	1,211
Sales a la Carte	6,606
Other Sales	9,160
Total Operating Revenue	33,582
<b>OPERATING EXPENSES</b>	
Salaries	40,738
Employee Benefits	10,886
Purchased Services	1,142
Supplies	199
Cost of Sales - Purchased Food	68,301
Cost of Sales - Donated Food	10,544
Miscellaneous	758
Depreciation	13,437
Total Operating Expenses	146,005
<b>OPERATING LOSS</b>	(112,423)
<b>NONOPERATING REVENUE</b>	
State Sources:	
Cash Reimbursements	550
Federal Sources:	
Cash Reimbursements	117,688
Donated Food	9,638
Other Revenue	199
Total Nonoperating Revenue	128,075
<b>CHANGE IN NET POSITION</b>	15,652
<b>NET POSITION - BEGINNING</b>	163,793
<b>NET POSITION- ENDING</b>	\$ 179,445

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended June 30, 2021**

	Food Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 38,454
Payments to Suppliers	(69,852)
Payments to Employees	<u>(53,858)</u>
Net Cash Used by Operating Activities	(85,256)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Subsidies	<u>115,356</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	30,100
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>2,990</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 33,090</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (112,423)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	13,437
Cost of Sales - Donated Food	10,544
Change in Assets and Liabilities:	
Inventory	192
Unearned Revenue	4,872
Accounts Payable	356
Pension Activity	(2,726)
Payroll Deductions and Employer Matching Payable	<u>492</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (85,256)</u></u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Value of Commodities Received	<u><u>\$ 9,638</u></u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2021**

---

	<u>Custodial Funds</u>	<u>Private- Purpose Trust Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 152,197	\$ -
Certificates of Deposit	(10,987)	158,925
Investments in Assets Held by Others	<u>-</u>	<u>108,129</u>
<b>TOTAL ASSETS</b>	<u>\$ 141,210</u>	<u>\$ 267,054</u>
<b>NET POSITION</b>		
Restricted for:		
Individuals, Organizations, and Other Governments	<u>\$ 141,210</u>	<u>\$ 267,054</u>
<b>TOTAL NET POSITION</b>	<u>\$ 141,210</u>	<u>\$ 267,054</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Changes in Fiduciary Net Position - Fiduciary Funds**  
**For the Year Ended June 30, 2021**

---

	<u>Custodial Funds</u>	<u>Private- Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Private Donations	\$ 237,328	\$ 8,146
Interest Earnings	<u>-</u>	<u>14,247</u>
Total Additions	<u>237,328</u>	<u>22,393</u>
<b>DEDUCTIONS</b>		
Payments for Student Activities	217,323	-
Trust Deductions for Scholarships	<u>-</u>	<u>4,550</u>
Total Deductions	<u>217,323</u>	<u>4,550</u>
<b>CHANGE IN NET POSITION</b>	<u>20,005</u>	<u>17,843</u>
<b>NET POSITION - BEGINNING</b>	-	249,211
<b>RESTATEMENT - IMPLEMENTATION OF GASB 84 (SEE NOTE 15)</b>	<u>121,205</u>	<u>-</u>
<b>NET POSITION - BEGINNING, AS RESTATED</b>	<u>121,205</u>	<u>249,211</u>
<b>NET POSITION - ENDING</b>	<u>\$ 141,210</u>	<u>\$ 267,054</u>

The accompanying notes are an integral part of these financial statements.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

The reporting entity of Haakon County School District No. 27-1 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*Government-wide Financial Statements:*

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities.

The statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

Governmental Funds:

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

*Special Revenue Fund Types* - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

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

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

*Debt Service Funds* - Debt service funds are used to account for accumulations 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.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Proprietary Funds:

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

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

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

*Private-purpose Trust Fund Types* - Private-purpose trust funds are used to account for all trust arrangements under which principal and income benefits individuals, private organizations, or other governments. The District maintains several Scholarship Funds. The purpose of these funds is to provide scholarships to qualifying students.

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

**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 and similar fiduciary fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

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. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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

**D. CASH AND CASH EQUIVALENTS**

For the purpose of preparing the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**E. INVENTORY**

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

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

Inventory in the governmental funds and governmental activities consist of expendable supplies held for consumption. In the government-wide financial statements and in the enterprise fund, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the governmental funds, the cost of inventory purchased is recorded as an expenditure at the time inventory items are consumed. Inventories reported in the governmental fund financial statements are equally offset by a Nonspendable Fund Balance unless included in accounts payable, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. As of June 30, 2021, there was no inventory reported in governmental funds.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. RESTRICTED ASSETS**

The District has reported restricted assets in the Statement of Net Position. The amounts reported as restricted for Net Pension Asset represent the District's proportionate share of the Net Pension Asset of the South Dakota Retirement System.

**G. CAPITAL ASSETS**

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

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

*Fund Financial Statements:*

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

*Government-wide Financial Statements:*

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	-----
Buildings	5,000	50 yrs
Improvements	5,000	20 yrs
Equipment (government-wide)	5,000	5-15 yrs
Equipment (proprietary funds)	1,000	5-15 yrs

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. LONG-TERM LIABILITIES**

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

*Government-wide Financial Statements:*

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences and bonds payable.

*Compensated Absences* - Accrued leave payable is accounted for using the methods described below related to long-term liabilities. Vacation leave is earned by 12-month employees at varying rates depending on years of service. Sick leave is earned by the employees based on their contracts. Upon termination, employees are entitled to receive compensation for their accrued vacation; employees are not entitled to compensation for sick leave balances. Accrued leave payable balances, which require an accrual in the financial statements, are reported in Note 5 as compensated absences. For employees normally paid out of the governmental funds, these amounts are charged as an expenditure at the time of separation. Compensated absences for governmental activities typically have been liquidated from the General Fund.

*Fund Financial Statements:*

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

**I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 8.

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. NET POSITION AND FUND BALANCE

*Government-wide Financial Statements:*

Equity on the Statement of Net Position includes the following three components:

*Net Investment in Capital Assets* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of capital outlay certificates, bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* - Consists of net position with constraints placed on its use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation.

*Unrestricted* - Represents all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

*Fund Financial Statements:*

The District classifies governmental fund balances as follows:

*Nonspendable* - Includes fund amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Constraints are placed on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law by constitutional provisions or enabling legislation.

*Assigned* - Amounts that are constrained by the District's intent to be used for specific purposes but that are not considered restricted or committed. The Board and management have the authority to assign fund balances.

*Unassigned* - Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

The District uses restricted amounts first when both 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 District would first use *assigned* and then *unassigned* amounts of unrestricted fund balance when expenditures are made.

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

Proprietary net position is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS**

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

**L. PROGRAM REVENUES**

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

*Charges for Services* - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

*Program Revenues - Operating Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

*Program Revenues - Capital Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

**M. UNEARNED REVENUE**

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

**N. PENSIONS**

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

**O. IMPLEMENTATION OF GASB STATEMENT NO. 84**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities, and (2) greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning balances is disclosed in Note 15.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. The General, Capital Outlay, Special Education, and Debt Redemption funds participate in the internal cash pool. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

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

The District's policy is to report at cost plus interest and credit all income from investments and deposits to the fund making the investment, except capital credits which are reported entirely in the General Fund.

*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.

*Credit Risk* - State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices. As of June 30, 2021, the following investments were held with the South Dakota Community Foundation for scholarships (Note 9):

Investment	Credit	Level	Total	Amount Due in Less Than One Year
Interest in Assets Held by Others	N/A	3	\$ 108,129	\$ -

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

Interest in Assets Held by Others include assets the District transferred to the South Dakota Community Foundation. These assets are invested in various asset classes. The SDCF allocates an amount each year that can be distributed for scholarships.

*Custodial Credit Risk - Deposits* - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Concentration of Credit Risk* - The District places no limit on the amount that may be deposited with any one financial institution. The District's deposits are with one financial institution; the District's deposits were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

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

**NOTE 3 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments included in the fund financial statements consisted of \$141,058 due from the South Dakota Department of Education, \$5,926 from the U.S. Department of Education, and \$83,632 due from Haakon County at June 30, 2021.

**NOTE 4 - CHANGES IN CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2021</u>
Governmental Activities:				
Capital Assets Not				
Being Depreciated:				
Land	\$ 26,020	\$ -	\$ -	\$ 26,020
Total Capital Assets				
Not Being Depreciated	<u>26,020</u>	<u>-</u>	<u>-</u>	<u>26,020</u>
Capital Assets Being Depreciated:				
Buildings	14,598,242	-	(268,364)	14,329,878
Improvements	106,324	-	-	106,324
Equipment	<u>1,361,437</u>	<u>62,158</u>	<u>(24,650)</u>	<u>1,398,945</u>
Total Capital Assets Being				
Depreciated	<u>16,066,003</u>	<u>62,158</u>	<u>(293,014)</u>	<u>15,835,147</u>
Less Accumulated Depreciation for:				
Buildings	3,859,193	233,554	(171,753)	3,920,994
Improvements	89,778	4,862	-	94,640
Equipment	<u>328,486</u>	<u>62,052</u>	<u>(24,650)</u>	<u>365,888</u>
Total Accumulated Depreciation	<u>4,277,457</u>	<u>300,468</u>	<u>(196,403)</u>	<u>4,381,522</u>
Total Capital Assets Being				
Depreciated, Net	<u>11,788,546</u>	<u>(238,310)</u>	<u>(96,611)</u>	<u>11,453,625</u>
Net Capital Assets	<u>\$ 11,814,566</u>	<u>\$ (238,310)</u>	<u>\$ (96,611)</u>	<u>\$ 11,479,645</u>
Business-type Activities:				
Equipment	\$ 226,013	\$ -	\$ (4,983)	\$ 221,030
Less Accumulated Depreciation	<u>58,000</u>	<u>13,437</u>	<u>(4,983)</u>	<u>66,454</u>
Net Capital Assets	<u>\$ 168,013</u>	<u>\$ (13,437)</u>	<u>\$ -</u>	<u>\$ 154,576</u>

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 4 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$	239,080
Support Services		40,515
Cocurricular Activities		<u>20,873</u>
Total Depreciation Expense	\$	<u>300,468</u>

Depreciation expense for the business-type activities was charged to the Food Service Fund.

**NOTE 5 - LONG-TERM LIABILITIES**

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt					
Series 2016 Bond Premium	\$ 131,774	\$ -	\$ 8,028	\$ 123,746	\$ -
Series 2016 Bond	7,795,000	-	365,000	7,430,000	370,000
Other Liabilities:					
Compensated Absences	<u>8,232</u>	<u>15,071</u>	<u>13,938</u>	<u>9,365</u>	<u>9,365</u>
Total Long-term Liabilities	<u>\$ 7,935,006</u>	<u>\$ 15,071</u>	<u>\$ 386,966</u>	<u>\$ 7,563,111</u>	<u>\$ 379,365</u>

Series 2016 Bonds, Interest varying between 1-3%, due in semi-annual installments until maturity on 12/01/2037 \$ 7,430,000

Series 2016 Bond Premiums, amortized over 20 years 123,746  
\$ 7,553,746

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

Year Ending June 30,	General Obligation Debt		
	Principal	Interest	Totals
2022	370,000	182,695	\$ 552,695
2023	375,000	177,665	552,665
2024	380,000	172,095	552,095
2025	385,000	165,300	550,300
2026	390,000	157,550	547,550
2027-2031	2,085,000	657,150	2,742,150
2032-2036	2,390,000	341,550	2,731,550
2037-2038	<u>1,055,000</u>	<u>31,875</u>	<u>1,086,875</u>
	<u>\$ 7,430,000</u>	<u>\$ 1,885,880</u>	<u>\$ 9,315,880</u>

Compensated absence payments are made from the fund that the payroll expenditures are charged. Generally, payments are made from the General Fund.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 6 - RESTRICTED NET POSITION**

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

<u>Purpose</u>	<u>Restricted By</u>	
Major Purposes:		
Capital Outlay	Law	\$ 1,859,930
Special Education	Law	533,834
Debt Services	Debt Covenants	204,757
Share of Net Pension Asset	Law	<u>120,029</u>
Total		<u>\$ 2,718,550</u>

**NOTE 7 - PROPERTY TAX**

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

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 are not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

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

**NOTE 8 - PENSION PLAN**

Plan Information

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

Benefits Provided

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 8 - PENSION PLAN (CONTINUED)**

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

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

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

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

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

**Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$108,053, \$106,873, and \$107,778, respectively, equal to the required contributions each year.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 8 - PENSION PLAN (CONTINUED)**

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

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

Proportionate Share of Pension Liability	\$ 9,977,032
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>9,980,557</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (3,525)</u>

At June 30, 2021, the District reported a liability (asset) of \$(3,525) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the District's proportion was 0.08116030% which is an increase (decrease) of (0.0033234)% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense (reduction of pension expense) of \$170,058. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 13,484	\$ 2,761
Changes in Assumption	113,536	457,897
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	327,611	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	18,630	4,152
District Contributions Subsequent to the Measurement Date	<u>108,053</u>	<u>-</u>
Total	<u>\$ 581,314</u>	<u>\$ 464,810</u>

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 8 - PENSION PLAN (CONTINUED)**

\$108,053 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2022	\$ (34,030)
2023	(26,142)
2024	7,021
2025	61,602
2026	-
Thereafter	<u>-</u>
Total	<u>\$ 8,451</u>

Actuarial Assumptions

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

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

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

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 8 - PENSION PLAN (CONTINUED)**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for 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, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension (Asset)/Liability	<u>\$ 1,367,379</u>	<u>\$ (3,525)</u>	<u>\$ (1,124,897)</u>

Pension Plan Fiduciary Net Position

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 9 - INVESTMENTS IN ASSETS HELD BY OTHERS**

The District has unconditional rights to assets held by the South Dakota Community Foundation (Community Foundation). The value of investments held by the Community Foundation on the District's behalf was \$108,129 as of the year ended June 30, 2021. The interest in the Community Foundation is reported at fair market value each year. Assets held by the Community Foundation are used to pay scholarships and are reported as a component of the fiduciary funds.

**NOTE 10 - INTERFUND TRANSFERS**

There were no interfund transfers made by the District for the year ended June 30, 2021.

**NOTE 11 - RISK MANAGEMENT**

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

Employee Health Insurance

The District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits. Unemployment claims, if any, are intended to be paid from current year appropriations, normally from the General Fund.

Claims are billed by the state quarterly. During the year ended June 30, 2021 no claims had been filed for unemployment benefits, and none deemed to be material are anticipated in the next fiscal year.

Liability Insurance

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

Worker's Compensation

The District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool (the Pool) which provides workers' compensation insurance coverage for participating members of the Pool. The objective of the Pool is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report and to cooperate with the Pool to resolve any worker's compensation claims.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 11 - RISK MANAGEMENT (CONTINUED)**

The District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Pool members. The District may also be responsible for additional assessments in the event the Pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the Pool of all participants for the year in which the shortfall occurs. The Pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the Pool in excess of the retained risk. The Pool pays the first \$500,000 of any claim per individual. The Pool has reinsurance which covers up to \$1,000,000 per individual, per incident. There was no additional assessment charged to Pool members for the year ended June 30, 2021.

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

**NOTE 12 - JOINT VENTURE**

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

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

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

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

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

Separate financial statements (unaudited) may be obtained by writing to BHSSC, PO Box 218, Sturgis, SD 57785. At June 30, 2021, this joint venture had assets of \$8,862,200, liabilities of \$948,939, deferred inflows of \$1,521,480, and net position of \$6,797,657.

The District paid \$7,233 for the contract for services with the Co-op during the year ended June 30, 2021.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2021**

---

**NOTE 13 - OPERATING LEASES**

In May 2017, the District entered into a five-year lease agreement for office equipment. Minimum monthly lease payments under this lease are \$414. The District recognized \$4,963 of expenses under this lease for the year ended June 30, 2021. Future minimum lease payments are \$4,136 for the year ended June 30, 2022.

**NOTE 14 - CONCENTRATIONS**

The District is dependent upon program revenues and operating revenues from the State of South Dakota for its primary existence.

**NOTE 15 - ADOPTION OF NEW STANDARD AND RESTATEMENT**

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

	Custodial Funds
Net Position July 1, 2020, as Previously Reported	\$ -
Restatement for Recognition Change:	
Implementation of GASB 84	121,205
Net Position July 1, 2020, as Restated	\$ 121,205

**NOTE 16 - EMERGING ACCOUNTING PRONOUNCEMENTS**

In June 2017, the Government Accounting Standards Board issued GASB Statement No. 87, *Leases*. GASB 87 affects any government entity that enters into a lease. The main difference between previous GAAP and GASB 87 is the recognition of lease assets and lease liabilities for the lessee and the recognition of a lease receivable and deferred inflow of resources for the lessor. The effective date for GASB 87 was postponed 18 months as a result of GASB Statement No. 95 issued May 2020 in response to the COVID-19 pandemic. GASB 87 is effective for years beginning after June 15, 2021. The District has not yet implemented this update and is in the process of assessing the effect on the financial statements.

**NOTE 17 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**Haakon School District No. 27-1**  
**Budgetary Comparison Schedule - General Fund - Budgetary Basis**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUE</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,015,384	\$ 1,015,384	\$ 1,041,160	\$ 25,776
Tax Deed Revenue	-	-	46,089	46,089
Gross Receipts Taxes	126,368	126,368	132,026	5,658
Penalties and Interest on Taxes	500	500	2,108	1,608
Cocurricular Activities	24,000	24,000	22,832	(1,168)
Earnings on Deposits	12,000	12,000	4,411	(7,589)
Other Local Revenue	<u>28,420</u>	<u>28,420</u>	<u>32,450</u>	<u>4,030</u>
Total Revenue from Local Sources	<u>1,206,672</u>	<u>1,206,672</u>	<u>1,281,076</u>	<u>74,404</u>
Revenue from Intermediate Sources:				
County Sources	<u>8,000</u>	<u>8,000</u>	<u>12,456</u>	<u>4,456</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	1,227,369	1,227,369	1,240,322	12,953
Restricted Grants-in-aid	-	-	3,345	3,345
Total Revenue from State Sources	<u>1,227,369</u>	<u>1,227,369</u>	<u>1,243,667</u>	<u>16,298</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	153,025	79,507	153,900	74,393
Restricted Grants-in-aid	<u>229,068</u>	<u>196,847</u>	<u>207,688</u>	<u>10,841</u>
Total Revenue from Federal Sources	<u>382,093</u>	<u>276,354</u>	<u>361,588</u>	<u>85,234</u>
<b>TOTAL REVENUE</b>	<u>2,824,134</u>	<u>2,718,395</u>	<u>2,898,787</u>	<u>180,392</u>

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

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	1,365,292	1,403,435	1,327,983	75,452
Special Programs	<u>93,377</u>	<u>125,898</u>	<u>123,046</u>	<u>2,852</u>
Total Instruction	<u>1,458,669</u>	<u>1,529,333</u>	<u>1,451,029</u>	<u>78,304</u>
Support Services:				
Pupils	60,965	62,954	60,922	2,032
Instructional Staff	36,416	38,893	33,675	5,218
General Administration	160,990	162,979	158,197	4,782
School Administration	174,869	181,831	185,064	(3,233)
Business	745,896	561,912	566,231	(4,319)
Central	<u>2,000</u>	<u>2,000</u>	<u>2,510</u>	<u>(510)</u>
Total Support Services	<u>1,181,136</u>	<u>1,010,569</u>	<u>1,006,599</u>	<u>3,970</u>
Cocurricular Activities:				
Male Activities	61,599	60,099	56,805	3,294
Female Activities	36,364	36,864	32,881	3,983
Activity Transportation	33,829	33,829	22,926	10,903
Combined Activities	<u>97,157</u>	<u>97,157</u>	<u>78,461</u>	<u>18,696</u>
Total Cocurricular Activities	<u>228,949</u>	<u>227,949</u>	<u>191,073</u>	<u>36,876</u>
Contingencies	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<b>TOTAL EXPENDITURES</b>	<u>2,898,754</u>	<u>2,797,851</u>	<u>2,648,701</u>	<u>149,150</u>
<b>NET CHANGE IN FUND BALANCES</b>	(74,620)	(79,456)	250,086	329,542
<b>FUND BALANCE - BEGINNING</b>	<u>876,083</u>	<u>876,083</u>	<u>876,083</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 801,463</u>	<u>\$ 796,627</u>	<u>\$ 1,126,169</u>	<u>\$ 329,542</u>

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

**Haakon School District No. 27-1**  
**Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 455,000	\$ 455,000	\$ 452,364	\$ (2,636)
Penalties and Interest on Taxes	1,500	1,500	876	(624)
Earnings on Deposits	5,000	5,000	11,823	6,823
Other Local Revenue	-	-	13,986	13,986
Total Revenue from Local Sources	<u>461,500</u>	<u>461,500</u>	<u>479,049</u>	<u>17,549</u>
Revenue from Federal Sources:				
Restricted Grants-in-aid	-	62,242	62,242	-
<b>TOTAL REVENUES</b>	<u>461,500</u>	<u>523,742</u>	<u>541,291</u>	<u>17,549</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	176,820	176,820	110,629	66,191
Total Instruction	<u>176,820</u>	<u>176,820</u>	<u>110,629</u>	<u>66,191</u>
Support Services:				
Instructional Staff	7,000	7,000	5,124	1,876
General Administration	1,500	1,500	1,350	150
School Administration	6,000	6,000	5,400	600
Business	106,660	158,384	93,018	65,366
Total Support Services	<u>121,160</u>	<u>172,884</u>	<u>104,892</u>	<u>67,992</u>
Cocurricular Activities:				
Transportation	-	-	-	-
Combined Activities	14,600	25,118	24,535	583
Total Cocurricular Activities	<u>14,600</u>	<u>25,118</u>	<u>24,535</u>	<u>583</u>
Debt Services	325	325	-	325
<b>TOTAL EXPENDITURES</b>	<u>312,905</u>	<u>375,147</u>	<u>240,056</u>	<u>135,091</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	148,595	148,595	301,235	152,640
<b>OTHER FINANCING SOURCES</b>				
Transfers Out	50,000	50,000	-	(50,000)
<b>NET CHANGE IN FUND BALANCES</b>	198,595	198,595	301,235	102,640
<b>FUND BALANCE - BEGINNING</b>	<u>1,559,976</u>	<u>1,559,976</u>	<u>1,559,976</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,758,571</u>	<u>\$ 1,758,571</u>	<u>\$ 1,861,211</u>	<u>\$ 102,640</u>

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

**Haakon School District No. 27-1**  
**Budgetary Comparison Schedule - Special Education Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUE</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 527,500	\$ 527,500	\$ 465,046	\$ (62,454)
Penalties and Interest on Taxes	500	500	793	293
Earnings on Deposits	8,000	8,000	2,214	(5,786)
Other Local Revenue	150	150	161	11
Total Revenue from Local Sources	<u>536,150</u>	<u>536,150</u>	<u>468,214</u>	<u>(67,936)</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	-	9,945	9,944	(1)
Restricted Grants-in-aid	<u>78,839</u>	<u>78,839</u>	<u>78,839</u>	<u>-</u>
Total Revenue from Federal Sources	<u>78,839</u>	<u>88,784</u>	<u>88,783</u>	<u>(1)</u>
<b>TOTAL REVENUE</b>	<u>614,989</u>	<u>624,934</u>	<u>556,997</u>	<u>(67,937)</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	<u>484,926</u>	<u>494,871</u>	<u>325,902</u>	<u>168,969</u>
Support Services:				
Pupils	97,544	97,544	123,102	(25,558)
Instructional Staff	2,000	2,000	-	2,000
Business	8,000	8,000	-	8,000
Special Education	<u>33,117</u>	<u>33,117</u>	<u>172,735</u>	<u>(139,618)</u>
Total Support Services	<u>140,661</u>	<u>140,661</u>	<u>295,837</u>	<u>(155,176)</u>
<b>TOTAL EXPENDITURES</b>	<u>625,587</u>	<u>635,532</u>	<u>621,739</u>	<u>13,793</u>
<b>NET CHANGE IN FUND BALANCES</b>	(10,598)	(10,598)	(64,742)	(54,144)
<b>FUND BALANCE - BEGINNING</b>	<u>599,670</u>	<u>599,670</u>	<u>599,670</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 589,072</u>	<u>\$ 589,072</u>	<u>\$ 534,928</u>	<u>\$ (54,144)</u>

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

**Haakon School District No. 27-1**  
**Schedule of the District's Proportionate Share**  
**of the Net Pension Liability (Asset)**  
**South Dakota Retirement System**

Year*	District's Proportion of Net Pension Liability/Asset	District's Proportionate Share of Net Pension Liability (Asset) (a)	District's Covered- employee Payroll (b)	District's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll (a/b)	Plan Fiduciary Net Pension as a Percentage of its Total Pension Liability/Asset
2021	.08116030	\$ (3,525)	\$ 1,781,222	-0.20%	100.04%
2020	.08448370	\$ (8,953)	\$ 1,796,298	-0.50%	100.09%
2019	.08551460	\$ (1,994)	\$ 1,777,758	-0.11%	100.02%
2018	.09060300	\$ (8,222)	\$ 1,840,867	-0.45%	100.10%
2017	.07935390	\$ 268,050	\$ 1,508,912	17.76%	96.89%
2016	.08602920	\$ (364,874)	\$ 1,570,655	-23.23%	104.10%
2015	.08498910	\$ (612,312)	\$ 1,486,226	-41.20%	107.26%

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

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

**Haakon School District No. 27-1  
Schedule of Pension Contributions  
South Dakota Retirement System**

Year*	Contractually- required Contribution (a)	Contributions in Relation to the Contractually- required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered- employee Payroll (c)	Contributions as a Percentage of Covered- employee Payroll (b/c)
2021	\$ 108,053	\$ 108,053	\$ -	\$ 1,800,888	6.00%
2020	\$ 106,873	\$ 106,873	\$ -	\$ 1,781,222	6.00%
2019	\$ 107,778	\$ 107,778	\$ -	\$ 1,796,298	6.00%
2018	\$ 106,666	\$ 106,666	\$ -	\$ 1,777,758	6.00%
2017	\$ 110,452	\$ 110,452	\$ -	\$ 1,840,867	6.00%
2016	\$ 90,580	\$ 90,580	\$ -	\$ 1,508,912	6.00%
2015	\$ 94,239	\$ 94,239	\$ -	\$ 1,570,655	6.00%

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

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

**Haakon School District No. 27-1**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2021**

---

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
3. The proposed budget is published for public review no later than July 15 of each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except Trust and Agency Funds.
6. After adoption by the School Board, the operating budget is legally binding, and 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 District budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

**NOTE 3 - PENSION PLAN**

Changes from Prior Valuation

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

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

See independent auditor's report.

**Haakon School District No. 27-1**  
**Notes to the Required Supplementary Information (Continued)**  
**For the Year Ended June 30, 2021**

---

**NOTE 3 - PENSION PLAN (CONTINUED)**

Benefit Provision Changes

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

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

See independent auditor's report.

*THIS PAGE INTENTIONALLY LEFT BLANK*

## OTHER INFORMATION

*THIS PAGE INTENTIONALLY LEFT BLANK*

**Haakon School District No. 27-1  
School District Officials  
June 30, 2021**

---

BOARD MEMBERS

Chairman - Mark Radway  
Vice Chairman - Jake Fitzgerald  
Scott Brech  
Jeff Gabriel  
Doug Thorson  
Anita Peterson  
Jari Spry

SUPERINTENDENT

Jeffery Rickman

BUSINESS MANAGER

Britni Ross

See independent auditor's report.