

**HARDING COUNTY
SCHOOL DISTRICT NO. 31-1**

INDEPENDENT AUDITOR'S REPORTS,
FINANCIAL STATEMENTS, AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2020

CASEY  **PETERSON**
Leading the Way.

RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

Harding County School District No. 31-1
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June 30, 2020

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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
Harding County School District No. 31-1
Harding 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 Harding County School District No. 31-1, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Harding County School District No. 31-1's basic financial statements and have issued our report thereon dated October 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harding County School District No. 31-1'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 Harding County School District No. 31-1's internal control. Accordingly, we do not express an opinion on the effectiveness of Harding County School District No. 31-1'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Management's Responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harding County School District No. 31-1'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*.

Harding County School District No. 31-1's Response to Findings

Harding County School District No. 31-1's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Management's Responses. Harding County School District No. 31-1'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 12, 2020

Harding County School District No. 31-1
Schedule of Findings and Management's Responses (Unaudited)
For the Year Ended June 30, 2020

2020-001 *Condition:* The small size of the District limits the ability of the Business Office to prepare financial statements being audited which would be required under a properly designed system of internal controls.

Criteria: The District should have an internal control system designed to provide for drafting the financial statements being audited.

Cause: This condition exists due to the small staff size within the finance function of the District. These issues are common in a district of this size.

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

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the District's auditors drafting the financial statements and related notes, because of cost or other considerations.

Management's Response: The Business Manager concurs with the recommendation and will implement various suggestions to improve internal controls whenever cost-effective. However, due to cost restraints, the District will continue to engage the auditor to prepare the financial statements. The District accepts the risk associated with the District's auditor drafting the financial statements.

2020-002 *Condition:* There is a lack of segregation of duties related to numerous accounting functions including the following cycles/processes: cash receipts and payroll disbursement cycles - both governmental and business-type. We specifically noted the following:

- The Business Manager performs most of the functions related to the cash receipts cycle, including opening mail at times, posting receipts to the general ledger, preparing the deposit slip, performing reconciliations, and posting journal entries.
- The Business Manager performs most of the functions related to calculating and disbursing payroll checks including reviewing timesheets, posting payroll expenses to the general ledger, and approving the disbursement of funds.

Criteria: A strong system of internal control over accounting functions allows for segregation of responsibilities among various personnel.

Cause: These conditions are not uncommon for small school districts. The cause of this condition is related to the limited number of staff in the Business Office and lack of involvement of other District employees in the finance function of the District.

Effect: The possibility of fraud or error occurring and not being detected or corrected is present. Also, journal entries were proposed to correct errors identified during the audit.

Auditor's Recommendation: The Business Manager should refrain from handling cash. The Administrative Assistant should open all mail and create a mail log of all cash receipts received. Receipts may then be forwarded to the Business Manager to prepare the deposit slip and post cash receipts to the General Ledger. The deposits should be forwarded to a third employee to take the deposit to the bank. All balance sheet accounts should be reconciled and reviewed monthly. The Superintendent should review payroll reports generated from the accounting software to the bank statement, as well as, review the General Ledger to verify expenses were properly coded. Reconciliations should be performed after each payroll cycle.

Harding County School District No. 31-1
Schedule of Findings and Management's Responses (Unaudited)
For the Year Ended June 30, 2020

Management's Response: The Business Manager is in agreement with the recommendation and will have the Administrative Assistant open the mail and create logs of cash receipts. The Business Manager will then review the log and prepare the deposit slip which will be taken to the bank by another employee. The Superintendent will review payroll reports and compare them to the bank statements on a monthly basis and will review the General Ledger for proper coding of expenses.

Independent Auditor's Report

School Board
Harding County School District No. 31-1
Harding County, South Dakota

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 Harding County School District No. 31-1, as of and for the year ended June 30, 2020, 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harding County School District No. 31-1, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedules of Net Pension Liability (Asset), and Schedule of Pension Contributions, and the Notes to the Required Supplementary Information on pages 7 - 14, 58 - 62, 63, 64, 65, and 66 - 67 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harding County School District No. 31-1's basic financial statements. The list of school district officials is presented for 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 12, 2020, on our consideration of the Harding County School District No. 31-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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 Harding County School District No. 31-1's internal control over financial reporting and compliance.



Casey Peterson, Ltd.

Rapid City, South Dakota
October 12, 2020

Harding County School District No. 31-1 Management's Discussion and Analysis For the Year Ended June 30, 2020

This section of Harding County School District No. 31-1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the FY 19-20, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$111,449 less than the \$4,058,284 governmental and business-type program expenditures.
- In FY 19-20, the total costs of the District's programs decreased from the prior year by 9.37%. This is primarily due to changes in staffing and budget reductions.
- The General Fund reported a \$195,748 decrease in fund balance in FY 19-20. The District budgeted to have no decrease in fund balance.

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, 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 scholarship plans for graduating students - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

**Harding County School District No. 31-1
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Figure A-1				
Major Features of Harding County School District's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
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 business, such as 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 outflows and inflows	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included, deferred outflows and inflows included	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred outflows and inflows	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during 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.

Harding County School District No. 31-1 Management's Discussion and Analysis For the Year Ended June 30, 2020

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

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, 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, School Board, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.), and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing hot lunch services to all students. The 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 Bond Redemption Fund).

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 that can readily be 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 have provided 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.

See independent auditor's report.

Harding County School District No. 31-1 Management's Discussion and Analysis For the Year Ended June 30, 2020

- **Fiduciary Funds** - The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position decreased as follows:

Table A-1
HARDING COUNTY SCHOOL DISTRICT NO. 31-1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	
Current and Other Assets	\$ 5,719,447	\$ 5,524,231	\$ 28,945	\$ 38,782	\$ 5,748,392	\$ 5,563,013	3.33%
Capital Assets (Net of Depreciation)	9,241,300	9,512,074	18,325	23,761	9,259,625	9,535,835	-2.90%
Total Assets	<u>14,960,747</u>	<u>15,036,305</u>	<u>47,270</u>	<u>62,543</u>	<u>15,008,017</u>	<u>15,098,848</u>	-0.60%
Deferred Outflows of Resources	<u>426,298</u>	<u>649,224</u>	<u>10,937</u>	<u>15,551</u>	<u>437,235</u>	<u>664,775</u>	-34.23%
Long-term Liabilities Outstanding	7,421,522	7,650,083	5,186	5,347	7,426,708	7,655,430	-2.99%
Other Liabilities	242,486	261,085	3,394	3,300	245,880	264,385	-7.00%
Total Liabilities	<u>7,664,008</u>	<u>7,911,168</u>	<u>8,580</u>	<u>8,647</u>	<u>7,672,588</u>	<u>7,919,815</u>	-3.12%
Deferred Inflows of Resources	<u>1,474,822</u>	<u>1,280,981</u>	<u>5,805</u>	<u>3,892</u>	<u>1,480,627</u>	<u>1,284,873</u>	15.24%
Net Investment in Capital Assets	1,961,300	2,032,074	18,325	23,761	1,979,625	2,055,835	-3.71%
Restricted	4,941,850	4,786,395	6,540	11,934	4,948,390	4,798,329	3.13%
Unrestricted	(654,935)	(325,089)	18,957	29,860	(635,978)	(295,229)	115.42%
Total Net Position	<u>6,248,215</u>	<u>6,493,380</u>	<u>43,822</u>	<u>65,555</u>	<u>6,292,037</u>	<u>6,558,935</u>	-4.07%
Beginning Net Position (As Restated)	<u>6,369,021</u>	<u>6,945,014</u>	<u>34,465</u>	<u>78,305</u>	<u>6,403,486</u>	<u>7,023,319</u>	
Increase (Decrease) in Net Position	<u>\$ (120,806)</u>	<u>\$ (451,634)</u>	<u>\$ 9,357</u>	<u>\$ (12,750)</u>	<u>\$ (111,449)</u>	<u>\$ (464,384)</u>	-76.00%
Percentage Increase (Decrease) in Net Position	-1.90%	-6.50%	27.15%	-16.28%	-1.74%	-6.61%	

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 qualified school construction bonds, series 2019 certificates, accrued leave, and an OPEB liability have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities and deferred inflows/outflows of resources is its net position. Deferred outflows of resources represent future outflows of resources that will be used to pay expenses in a future budget year. Deferred inflows of resources represent future inflows of resources that will be used to fund a future budget year.

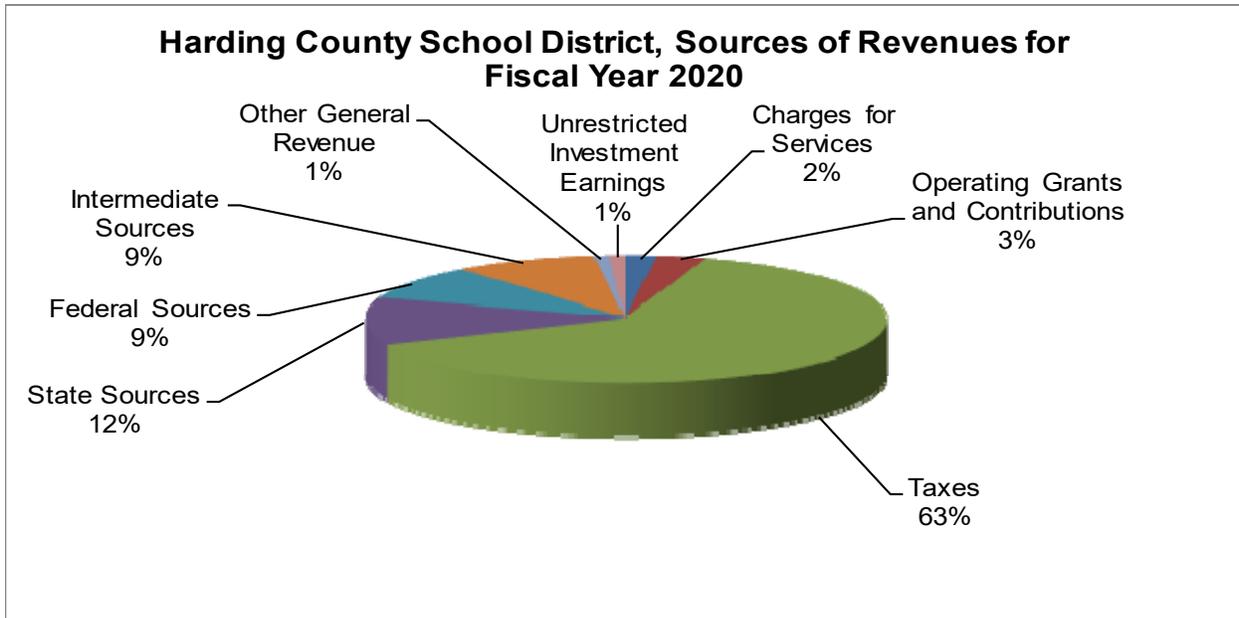
See independent auditor's report.

Harding County School District No. 31-1 Management's Discussion and Analysis For the Year Ended June 30, 2020

Changes in Net Position

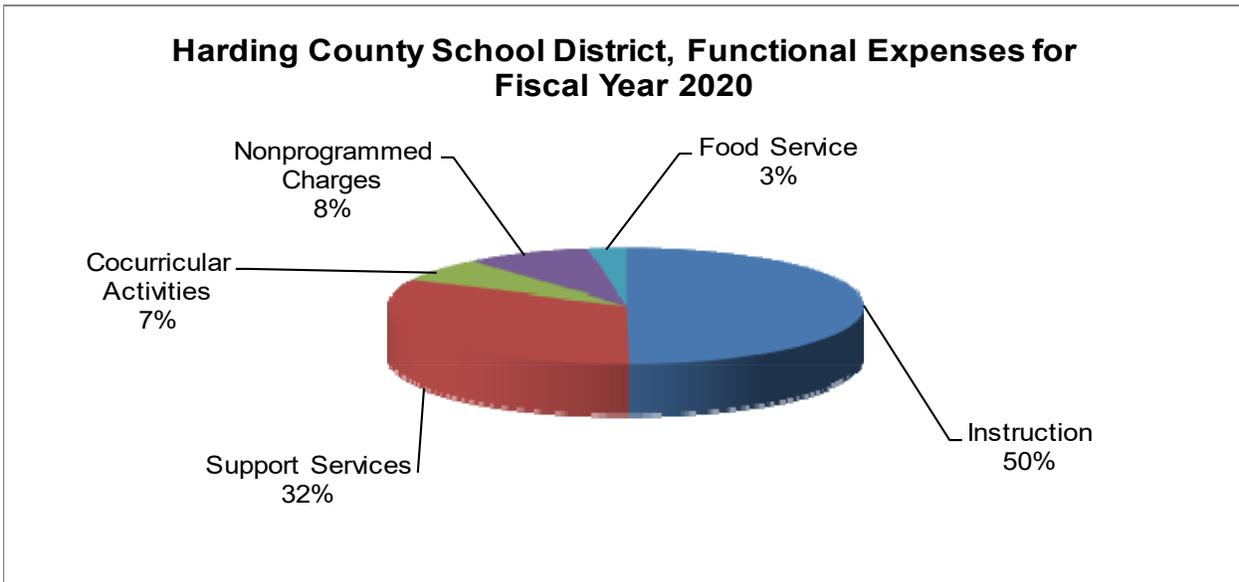
The District's revenues totaled \$3,946,835 (See Table A-2). Approximately 64% of the District's revenue comes from property and other taxes, while approximately 12% comes from state aid. (See Figure A-2).

Figure A-2



The total cost of all programs and services decreased from the prior year. The District's expenses cover a range of services, encompassing instruction, support services, co-curricular activities, and food services (see Figure A-3).

Figure A-3



See independent auditor's report.

Harding County School District No. 31-1 Management's Discussion and Analysis For the Year Ended June 30, 2020

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
HARDING COUNTY SCHOOL DISTRICT NO. 31-1
Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	
Revenues							
Program Revenues:							
Charges for Services	\$ 13,799	\$ 14,806	\$ 47,946	\$ 69,787	\$ 61,745	\$ 84,593	-27.01%
Operating Grants and Contributions	69,128	75,629	47,873	32,265	117,001	107,894	8.44%
General Revenues:							
Taxes	2,536,320	2,367,117	-	-	2,536,320	2,367,117	7.15%
Revenue State Sources	479,571	534,857	-	-	479,571	534,857	-10.34%
Revenue Federal Sources	344,570	401,637	-	-	344,570	401,637	-14.21%
Revenue Intermediate Sources	335,697	436,834	-	-	335,697	436,834	-23.15%
Other General Revenue	30,683	17,020	-	-	30,683	17,020	80.28%
Unrestricted Investment Earnings	41,142	63,441	106	162	41,248	63,603	-35.15%
Total Revenues	3,850,910	3,911,341	95,925	102,214	3,946,835	4,013,555	-1.66%
Expenses							
Instruction	2,022,765	2,086,617	-	-	2,022,765	2,086,617	-3.06%
Support Services	1,305,856	1,430,585	-	-	1,305,856	1,430,585	-8.72%
Cocurricular Activities	272,704	313,863	-	-	272,704	313,863	-13.11%
Nonprogrammed Charges	349,391	526,910	-	-	349,391	526,910	-33.69%
Food Service	-	-	107,568	119,964	107,568	119,964	-10.33%
Total Expenses	3,950,716	4,357,975	107,568	119,964	4,058,284	4,477,939	-9.37%
Excess Before Transfers and Gains	(99,806)	(446,634)	(11,643)	(17,750)	(111,449)	(464,384)	-76.00%
Transfers and Gains:							
Transfers In (Out)	(21,000)	(5,000)	21,000	5,000	-	-	0.00%
Total Transfers and Gains	(21,000)	(5,000)	21,000	5,000	-	-	0.00%
Increase (Decrease) in Net Position	(120,806)	(451,634)	9,357	(12,750)	(111,449)	(464,384)	-76.00%
Beginning Net Position, As Previously Reported	6,493,380	6,945,014	65,555	78,305	6,558,935	7,023,319	-6.61%
Prior Period Adjustment	(124,359)	-	(31,090)	-	(155,449)	-	0.00%
Beginning Net Position, As Restated	6,369,021	6,945,014	34,465	78,305	6,403,486	7,023,319	-8.83%
Ending Net Position	\$ 6,248,215	\$ 6,493,380	\$ 43,822	\$ 65,555	\$ 6,447,486	\$ 6,558,935	-1.70%

GOVERNMENTAL ACTIVITIES

The governmental activities showed a decrease in revenues and expenditures. Revenues decreased mainly due to decreases in state, federal, and county funding as compared to prior years. The decrease in expenditures was a result of changes in staffing.

See independent auditor's report.

Harding County School District No. 31-1 Management's Discussion and Analysis For the Year Ended June 30, 2020

BUSINESS-TYPE ACTIVITIES

The business-type activities showed a decrease in revenues and expenditures. The decrease was related to reduced meal sales and staffing required due to school closure related to the Coronavirus pandemic.

GENERAL FUND BUDGETARY HIGHLIGHTS

The most significant change to the budget was a decrease in budgeted expenses. The District is working to decrease expenses where possible to help its overall fund balance.

CAPITAL ASSET ADMINISTRATION

There were no significant changes in capital assets for the District.

**Table A-3
HARDING COUNTY SCHOOL DISTRICT NO. 31-1
Capital Assets, Net of Depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Dollar</u>	<u>Total</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percentage</u>
					<u>2019-2020</u>	<u>2019-2020</u>
Land	\$ 151,139	\$ 151,139	\$ -	\$ -	\$ -	0.00%
Buildings	8,417,698	8,633,562	-	-	(215,864)	-2.56%
Improvements Other Than Buildings	292,178	313,796	-	-	(21,618)	-7.40%
Machinery and Equipment	<u>380,285</u>	<u>413,577</u>	<u>18,325</u>	<u>23,761</u>	<u>(38,728)</u>	-10.18%
Total Capital Assets (Net)	<u>\$ 9,241,300</u>	<u>\$ 9,512,074</u>	<u>\$ 18,325</u>	<u>\$ 23,761</u>	<u>\$ (276,210)</u>	

Capital asset purchases during the year ended June 30, 2020 were primarily related to the purchase of textbooks and other equipment.

LONG-TERM DEBT

At year-end, the District had \$7,421,552 in Capital Outlay Certificates and other long-term obligations. This is a decrease of \$227,957 as shown in Table A-4 below.

**Table A-4
HARDING COUNTY SCHOOL DISTRICT NO. 31-1
Outstanding Debt and Obligations**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Dollar</u>	<u>Total</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percentage</u>
					<u>2019-2020</u>	<u>2019-2020</u>
Capital Outlay Certificates	\$ 7,280,000	\$ 7,480,000	\$ -	\$ -	\$ (200,000)	-2.75%
OPEB Liability	91,861	126,862	2,351	3,277	(35,927)	-39.11%
Accrued Leave Liability	<u>49,661</u>	<u>43,221</u>	<u>2,835</u>	<u>1,305</u>	<u>7,970</u>	16.05%
Total Outstanding Debt and Obligations	<u>\$ 7,421,522</u>	<u>\$ 7,650,083</u>	<u>\$ 5,186</u>	<u>\$ 4,582</u>	<u>\$ (227,957)</u>	-3.07%

See independent auditor's report.

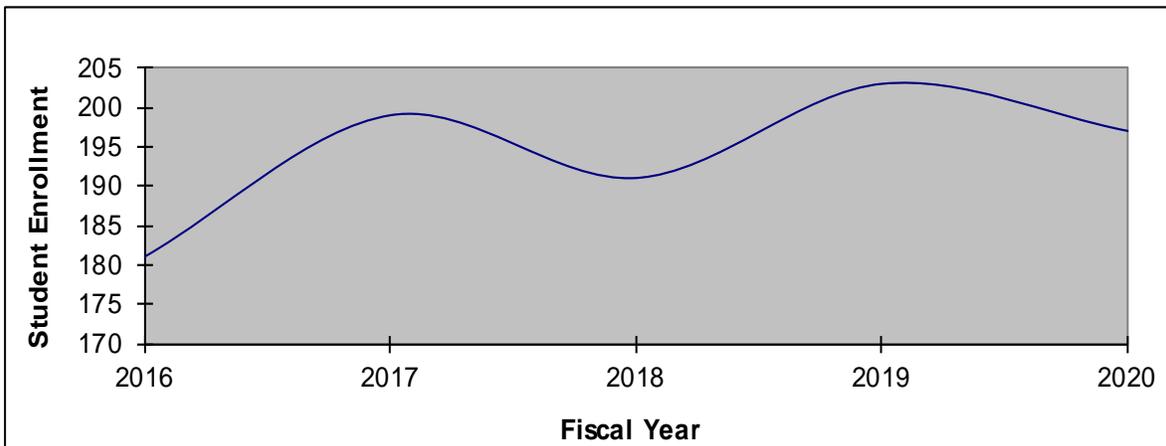
Harding County School District No. 31-1 Management's Discussion and Analysis For the Year Ended June 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position continues to remain fairly consistent due to federal grants received by the District. Local revenues have ultimately remained steady, and mineral severance payments have been sporadic. Future revenue increases are expected due to a modification in the District's state aid funding formula.

One of the primary sources of revenue to the District is based on a per-student allocation received from the State of South Dakota. The state aid formula has decreased in recent years due to the economic conditions of the State. However, due to a change in the formula, increased revenues are expected. The Capital Outlay levy has also been modified to limit future growth in collections which may impair the District's ability to fund future capital projects.

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



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Harding County School District Business Office, 12474 Tipperary Street, Buffalo, SD 57720.

See independent auditor's report.

BASIC FINANCIAL STATEMENTS

Harding County School District No. 31-1
Statement of Net Position
For the Year Ended June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,667,684	291	1,667,975
Taxes Receivable	947,344	-	947,344
Accounts Receivable, Net	208	19,165	19,373
Due From Other Governments	85,828	-	85,828
Inventories	-	9,272	9,272
Restricted Assets:			
Net Pension Asset	8,440	217	8,657
Cash Restricted for Retirement of Capital Outlay Certificates	2,974,969	-	2,974,969
Insurance Deposit	34,974	-	34,974
Capital Assets:			
Land	151,139	-	151,139
Other Capital Assets, Net of Depreciation	<u>9,090,161</u>	<u>18,325</u>	<u>9,108,486</u>
TOTAL ASSETS	<u>14,960,747</u>	<u>47,270</u>	<u>15,008,017</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	<u>426,298</u>	<u>10,937</u>	<u>437,235</u>
LIABILITIES			
Accounts Payable	6,323	-	6,323
Accrued Expenses	236,163	3,394	239,557
Noncurrent Liabilities:			
Due Within One Year	221,415	2,835	224,250
Due in More than One Year	<u>7,200,107</u>	<u>2,351</u>	<u>7,202,458</u>
TOTAL LIABILITIES	<u>7,664,008</u>	<u>8,580</u>	<u>7,672,588</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	1,249,954	-	1,249,954
OPEB-related Deferred Inflows	45,017	1,191	46,208
Pension-related Deferred Inflows	<u>179,851</u>	<u>4,614</u>	<u>184,465</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,474,822</u>	<u>5,805</u>	<u>1,480,627</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	1,961,300	18,325	1,979,625
Restricted for:			
Capital Outlay	1,318,745	-	1,318,745
Special Education	87,649	-	87,649
SDRS Pension Purposes	254,887	6,540	261,427
Bond Redemption	3,280,569	-	3,280,569
Unrestricted	<u>(654,935)</u>	<u>18,957</u>	<u>(635,978)</u>
TOTAL NET POSITION	<u>\$ 6,248,215</u>	<u>\$ 43,822</u>	<u>\$ 6,292,037</u>

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Instruction	\$ 2,022,765	\$ -
Support Services	1,305,856	-
Cocurricular Activities	272,704	13,799
Interest on Long-term Debt*	<u>349,391</u>	<u>-</u>
Total Governmental Activities	<u>3,950,716</u>	<u>13,799</u>
BUSINESS-TYPE ACTIVITIES		
Food Service	<u>107,568</u>	<u>47,946</u>
Total Primary Government	<u>\$ 4,058,284</u>	<u>\$ 61,745</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
\$ 59,073	\$ -	\$ (1,963,692)	\$ -	\$ (1,963,692)
10,055	-	(1,295,801)	-	(1,295,801)
-	-	(258,905)	-	(258,905)
-	-	(349,391)	-	(349,391)
69,128	-	(3,867,789)	-	(3,867,789)
47,873	-	-	(11,749)	(11,749)
\$ 117,001	\$ -	(3,867,789)	(11,749)	(3,879,538)
GENERAL REVENUES AND TRANSFERS				
Taxes:				
Property Taxes		2,353,674	-	2,353,674
Gross Receipts Taxes		182,646	-	182,646
Revenue From State Sources:				
State Aid		479,571	-	479,571
Revenue From Federal Sources		344,570	-	344,570
Revenue From Intermediate Sources		335,697	-	335,697
Unrestricted Investment Earnings		41,142	106	41,248
Other General Revenues		30,683	-	30,683
Transfers		(21,000)	21,000	-
Total General Revenues and Transfers		3,746,983	21,106	3,768,089
CHANGE IN NET POSITION		(120,806)	9,357	(111,449)
NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED				
		6,493,380	65,555	6,558,935
PRIOR PERIOD ADJUSTMENT				
		(124,359)	(31,090)	(155,449)
NET POSITION - BEGINNING, AS RESTATED				
		6,369,021	34,465	6,403,486
NET POSITION - ENDING				
		\$ 6,248,215	\$ 43,822	\$ 6,292,037

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Balance Sheet - Governmental Funds
June 30, 2020

	<u>General Fund</u>	<u>Capital Outlay Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 24,828	\$ 658,111
Taxes Receivable - Current	297,825	369,470
Taxes Receivable - Delinquent	32,275	10,717
Accounts Receivable	208	-
Due From Other Governments	85,828	-
Advance to Other Funds	-	775,000
Insurance Deposit	34,974	-
Restricted Assets:		
Cash Restricted for Debt Service	-	-
TOTAL ASSETS	<u>\$ 475,938</u>	<u>\$ 1,813,298</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 3,314	\$ -
Payroll Contracts Payable	160,805	-
Payroll Deductions and Employer Matching Payable	49,450	-
Advance from Other Funds	<u>275,000</u>	<u>-</u>
Total Liabilities	<u>488,569</u>	<u>-</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Future Periods	441,899	503,001
Delinquent Property Taxes not Available	<u>32,275</u>	<u>10,717</u>
Total Deferred Inflows of Resources	<u>474,174</u>	<u>513,718</u>
Fund Balances:		
Nonspendable:		
Advances to Other Funds	-	775,000
Restricted:		
For Capital Outlay	-	524,580
For Special Education	-	-
For Bond Redemption	-	-
Unassigned	<u>(486,805)</u>	<u>-</u>
Total Fund Balances	<u>(486,805)</u>	<u>1,299,580</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 475,938</u>	<u>\$ 1,813,298</u>

The accompanying notes are an integral part of this statement.

Special Education Fund	Bond Redemption Fund	Total Governmental Funds
\$ 149,131	\$ 835,614	\$ 1,667,684
125,410	105,851	898,556
2,819	2,977	48,788
-	-	208
-	-	85,828
-	-	775,000
-	-	34,974
-	2,974,969	2,974,969
\$ 277,360	\$ 3,919,411	\$ 6,486,007
\$ 3,009	\$ -	\$ 6,323
19,505	-	180,310
6,403	-	55,853
-	500,000	775,000
28,917	500,000	1,017,486
164,064	140,991	1,249,955
2,819	2,977	48,788
166,883	143,968	1,298,743
-	-	775,000
-	-	524,580
81,560	-	81,560
-	3,275,443	3,275,443
-	-	(486,805)
81,560	3,275,443	4,169,778
\$ 277,360	\$ 3,919,411	\$ 6,486,007

The accompanying notes are an integral part of this statement.

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Harding County School District No. 31-1
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Funds	\$	4,169,778
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.		9,241,300
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General Obligation Debt		(7,330,000)
OPEB Liability		(91,861)
Accrued Leave Liability		(49,661)
Unamortized Discounts		50,000
Unavailable property taxes that are not available to pay for current period expenditures are reported in the governmental funds as deferred inflows.		48,789
Net pension asset reported in the governmental activities is not an available financial resource and, therefore, is not reported in the funds.		8,440
OPEB-related deferred inflows are components of the Total OPEB Liability and are, therefore, not reported in the funds.		(45,017)
Pension-related deferred outflows are components of net pension asset and, therefore, are not reported in the funds.		426,298
Pension-related deferred inflows are components of net pension asset and, therefore, are not reported in the funds.		<u>(179,851)</u>
Net Position - Governmental Activities	\$	<u>6,248,215</u>

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Capital Outlay Fund
REVENUES		
Revenue from Local Sources:		
Taxes:		
Ad Valorem Taxes	\$ 891,120	\$ 929,311
Gross Receipts Taxes	182,646	-
Penalties and Interest on Taxes	1,708	678
Earnings on Investments and Deposits	566	3,924
Admission Charges for Cocurricular Activities	13,799	-
Other Local Revenue	30,683	-
Total Revenue from Local Sources	<u>1,120,522</u>	<u>933,913</u>
Revenue from Intermediate Sources:		
County Sources:		
County Apportionment	32,323	-
Lease of County-owned land	16,952	29,559
Other	188,356	-
Total Revenue from Intermediate Sources	<u>237,631</u>	<u>29,559</u>
Revenue from State Sources:		
Grants-in-aid:		
Unrestricted Grants-in-aid	479,571	-
Revenue from Federal Sources:		
Grants-in-aid:		
Unrestricted Grants-in-aid	85,795	-
Restricted Grants-in-aid	69,128	-
Total Revenue from Federal Sources	<u>154,923</u>	<u>-</u>
TOTAL REVENUES	<u>1,992,647</u>	<u>963,472</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>
\$ 296,229	\$ 248,634	\$ 2,365,294
-	-	182,646
193	161	2,740
954	35,698	41,142
-	-	13,799
-	-	<u>30,683</u>
<u>297,376</u>	<u>284,493</u>	<u>2,636,304</u>
-	-	32,323
10,037	8,470	65,018
-	<u>50,000</u>	<u>238,356</u>
<u>10,037</u>	<u>58,470</u>	<u>335,697</u>
-	-	<u>479,571</u>
-	258,775	344,570
-	-	<u>69,128</u>
-	<u>258,775</u>	<u>413,698</u>
<u>307,413</u>	<u>601,738</u>	<u>3,865,270</u>

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2020

	General Fund	Capital Outlay Fund
EXPENDITURES		
Instructional Services:		
Regular Programs	1,276,050	48,720
Special Programs	72,909	-
Total Instructional Services	<u>1,348,959</u>	<u>48,720</u>
Support Services:		
Pupils	26,681	-
Instructional Staff	119,691	2,448
General Administration	178,434	1,829
School Administration	141,200	-
Business	584,106	65,650
Central	130	-
Special Education	-	-
Total Support Services	<u>1,050,242</u>	<u>69,927</u>
Cocurricular Activities:		
Male Activities	63,407	2,442
Female Activities	45,811	1,934
Transportation	34,184	-
Combined Activities	45,542	-
Total Cocurricular Activities	<u>188,944</u>	<u>4,376</u>
Debt Service	-	263,691
Capital Outlay	-	46,030
TOTAL EXPENDITURES	<u>2,588,145</u>	<u>432,744</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(595,498)	530,728
OTHER FINANCING SOURCES (USES)		
Operating Transfers In (Out)	<u>399,750</u>	<u>(420,750)</u>
NET CHANGE IN FUND BALANCES	(195,748)	109,978
FUND BALANCE - BEGINNING BALANCE	<u>(291,057)</u>	<u>1,189,602</u>
FUND BALANCE - ENDING BALANCE	<u>\$ (486,805)</u>	<u>\$ 1,299,580</u>

The accompanying notes are an integral part of this statement.

Special Education Fund	Bond Redemption Fund	Total Governmental Funds
-	-	1,324,770
<u>264,763</u>	-	<u>337,672</u>
<u>264,763</u>	-	<u>1,662,442</u>
34,845	-	61,526
-	-	122,139
-	-	180,263
-	-	141,200
-	-	649,756
-	-	130
<u>23,763</u>	-	<u>23,763</u>
<u>58,608</u>	-	<u>1,178,777</u>
-	-	65,849
-	-	47,745
-	-	34,184
-	-	45,542
<u>-</u>	<u>-</u>	<u>193,320</u>
<u>-</u>	<u>285,699</u>	<u>549,390</u>
<u>-</u>	<u>-</u>	<u>46,030</u>
<u>323,371</u>	<u>285,699</u>	<u>3,629,959</u>
(15,958)	316,039	235,311
<u>-</u>	<u>-</u>	<u>(21,000)</u>
(15,958)	316,039	214,311
<u>97,518</u>	<u>2,959,404</u>	<u>3,955,467</u>
<u>\$ 81,560</u>	<u>\$ 3,275,443</u>	<u>\$ 4,169,778</u>

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 214,311
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<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 exceeded capital outlays in the current period.</p>	(270,774)
<p>Governmental funds do not reflect the change in long-term debt obligations, OPEB liability, or accrued leave liability, but the Statement of Activities reflects the change in these accruals through expenses.</p>	198,560
<p>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 statements require the amounts to be "available."</p>	(14,521)
<p>Pension expenses in the Statement of Activities do not provide current financial resources and are not reported as revenues in the funds.</p>	(243,370)
<p>OPEB 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.</p>	(12)
<p>Unamortized discounts associated with general obligation debt are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities. This is the amount by which the unamortized premiums exceeded deferrals for the current period.</p>	<u>(5,000)</u>
Change in Net Position of Governmental Activities	<u>\$ (120,806)</u>

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Net Position - Proprietary Fund
June 30, 2020

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	291
Accounts Receivable, Net		19,165
Inventory		9,272
Net Pension Asset		<u>217</u>
Total Current Assets		<u>28,945</u>

Noncurrent Assets:

Machinery and Equipment - Local Funds		67,426
Less: Accumulated Depreciation		<u>(49,101)</u>
Total Noncurrent Assets		<u>18,325</u>

TOTAL ASSETS

47,270

DEFERRED OUTFLOWS OF RESOURCES

Pension-related Deferred Outflows		<u>10,937</u>
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LIABILITIES

Current Liabilities:

Payroll Contracts Payable		2,250
Payroll Deductions and Employer Matching Payable		1,144
Accrued Leave Payable		<u>2,835</u>
Total Current Liabilities		6,229

Noncurrent Liabilities:

OPEB Liability		<u>2,351</u>
Total Liabilities		<u>8,580</u>

DEFERRED INFLOWS OF RESOURCES

OPEB-related Deferred Inflows		1,191
Pension-related Deferred Inflows		<u>4,614</u>

TOTAL DEFERRED INFLOWS OF RESOURCES

5,805

NET POSITION

Net Investment in Capital Assets		18,325
Restricted for Net Pension Asset		6,540
Unrestricted		<u>18,957</u>

TOTAL NET POSITION

43,822

TOTAL LIABILITIES AND NET POSITION

\$ 58,207

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Revenues, Expenses and Changes in Fund
Net Position - Proprietary Fund
For the Year Ended June 30, 2020

	Food Service Fund
OPERATING REVENUE	
Sales to Pupils	\$ 43,284
Sales to Adults	3,736
Milk Sales	699
Other Local Revenue	227
Total Operating Revenue	47,946
OPERATING EXPENSES	
Salaries	42,165
Employee Benefits	21,404
Supplies	1,746
Cost of Sales - Purchased Food	31,382
Cost of Sales - Donated Food	5,135
Depreciation - Local Funds	5,436
Miscellaneous	300
Total Operating Expenses	107,568
OPERATING LOSS	(59,622)
NONOPERATING REVENUE	
Local Sources:	
Earnings on Investments and Deposits	106
State Sources:	
Cash Reimbursement	314
Federal Sources:	
Cash Reimbursement	22,843
Other Grants	18,394
Donated Food	6,322
Total Nonoperating Revenue	47,979
TRANSFERS	
Transfers In	21,000
CHANGE IN NET POSITION	9,357
NET POSITION - BEGINNING BALANCE, AS PREVIOUSLY REPORTED	65,555
PRIOR PERIOD ADJUSTMENT	(31,090)
NET ASSETS - BEGINNING BALANCE, AS RESTATED	34,465
NET POSITION - ENDING BALANCE	\$ 43,822

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2020

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 35,379
Payments to Suppliers	(33,825)
Payments to Employees	(57,310)
	(55,756)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Repayment of Advance from General Fund	(6,638)
Operating Subsidies	41,579
Transfers from the General Fund	21,000
	55,941
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	106
	291
NET INCREASE IN CASH AND CASH EQUIVALENTS	
	291
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	
	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	
	\$ 291
RECONCILIATION OF OPERATING LOSS TO NET	
CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (59,622)
Adjustments to Reconcile Operating Loss to Net Cash Used by	
Operating Activities:	
Depreciation Expense	5,436
Cost of Sales - Donated Food	5,135
OPEB Expense	5
Pension Expense	5,395
Change in Assets and Liabilities:	
Accounts Receivable	(12,567)
Inventory	(397)
Accrued Leave Payable	765
Contracts Payable	83
Benefits Payable	11
	(55,756)
NET CASH USED BY OPERATING ACTIVITIES	
	\$ (55,756)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of Commodities Received	\$ 6,322

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 59,129</u>
LIABILITIES	
Amounts Held for Others	<u>\$ 59,129</u>

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The reporting entity of Harding County School District No. 31-1 (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 participates in a cooperative service unit with several other school districts. See the note entitled "Joint Venture" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. These 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 positions are displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a 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 program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FUND TYPES AND MAJOR FUNDS

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

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% 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% 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. This is a major fund.

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

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

Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of taxes restricted to use for the payment of principal and interest on general obligation debt. The District maintains one bond redemption fund for the payment of the District's Qualified School Construction Bonds and Capital Outlay Certificates. This is a major fund.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

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.

Agency Fund Types - Agency funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of the results of operations. The District maintains a variety of agency funds to hold assets as an agent in a trustee capacity for various classes, clubs, and similar groups.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting

Government-wide Financial Statements:

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

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

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

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

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

E. 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.

F. 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, governmental funds, and the enterprise fund, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statements are equally offset by non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Non-spendable fund balances related to inventory are reported net of any related liability (accounts payable).

G. INTERFUND ELIMINATIONS AND RECLASSIFICATION

Government-wide Financial Statements:

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

In order to minimize the gross-up effect on assets and liabilities within the governmental activities column of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental activities column.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" assets accounts) are equally offset by non-spendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources." As of the year ended June 30, 2020, the District's interfund receivables were not current.

H. RESTRICTED ASSETS

The District has reported restricted assets for various funds on the Statement of Net Position. The amounts reported as investments restricted for retirement of capital outlay certificates consist of tax receipts collected for the retirement of capital outlay certificates.

I. CAPITAL ASSETS

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

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

Government-wide Financial Statements:

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	-----
Buildings	5,000	50 yrs
Improvements	5,000	20 yrs
Equipment	5,000	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.

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.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. LONG-TERM LIABILITIES

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

Government-wide Financial Statements:

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of capital outlay certificates, OPEB liability, and accrued leave liability.

Accrued Leave Liability - Accrued leave liability is the annual leave earned by employees. Twelve-month employees earn 4 days of personal leave each year. Sick leave is earned at the rate of 8 days per year, but employees cannot accumulate more than 55 total days of sick leave. Any unused personal leave and sick leave that exceeds the cumulative total is paid back to the employee at one-half of the Board-approved substitute rate at the end of the school year.

Fund Financial Statements:

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

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

The District's 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 collected within the available period that are intended to finance the next fiscal year. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes collected that are intended to finance the next fiscal year, pension-related inflows, and OPEB-related inflows. The District reports OPEB and pension-related deferred inflows of resources in the proprietary fund statements and business-type activity statements for the current year.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. NET POSITION AND FUND BALANCE

Government-wide Financial Statements:

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. 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 or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

Fund Financial Statements:

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

Non-spendable - Includes 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 through constitutional provisions or enabling legislation.

Assigned - Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The Board has given management the authority to assign fund balances.

Unassigned - Represents fund balance that has not been assigned to other funds and that has not been restricted or assigned.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use assigned then unassigned amounts of unrestricted fund balance when eligible expenditures are made. The District does not have a minimum fund balance policy.

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

M. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

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

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. PROGRAM REVENUES

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

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

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

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

O. PENSIONS

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. The General, Capital Outlay, Special Education, and Bond 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% 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.

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.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020, the District had the following investment:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
SD FIT	Unrated	Varies	\$ 2,974,969

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

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2020, the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

Custodial Credit Risk - Investments - The risk that, in the event of the counterparty to a transaction, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments in external investment pools and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form. As of June 30, 2020, the District's investments were not exposed to custodial credit risk, as they were maintained in an external investment pool.

Concentration of Credit Risk - The District places no limit on the amount that may be deposited or invested with any one financial institution or issuer. 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. All the District's investments are in SD FIT.

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

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

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments included in the fund financial statements consisted of \$74,251 due from the South Dakota Department of Education and \$11,577 from the Federal government at June 30, 2020.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 4 - CHANGES IN CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 151,139	\$ -	\$ -	\$ 151,139
Capital Assets Being Depreciated:				
Buildings	10,765,505	-	-	10,765,505
Improvements	581,621	5,788	-	587,409
Equipment	<u>1,380,830</u>	<u>40,242</u>	<u>-</u>	<u>1,421,072</u>
Total Capital Assets Being Depreciated	<u>12,727,956</u>	<u>46,030</u>	<u>-</u>	<u>12,773,986</u>
Less Accumulated Depreciation for:				
Buildings	2,131,943	215,864	-	2,347,807
Improvements	267,825	27,406	-	295,231
Equipment	<u>967,253</u>	<u>73,534</u>	<u>-</u>	<u>1,040,787</u>
Total Accumulated Depreciation	<u>3,367,021</u>	<u>316,804</u>	<u>-</u>	<u>3,683,825</u>
Total Capital Assets Being Depreciated, Net	<u>9,360,935</u>	<u>(270,774)</u>	<u>-</u>	<u>9,090,161</u>
Net Capital Assets	<u>\$ 9,512,074</u>	<u>\$ (270,774)</u>	<u>\$ -</u>	<u>\$ 9,241,300</u>
Business-type Activities:				
Equipment	\$ 67,427	\$ -	\$ -	67,427
Less: Accumulated Depreciation	<u>43,666</u>	<u>5,436</u>	<u>-</u>	<u>49,102</u>
Net Capital Assets	<u>\$ 23,761</u>	<u>\$ (5,436)</u>	<u>\$ -</u>	<u>\$ 18,325</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 189,856
Support Services	58,984
Cocurricular Activities	<u>67,964</u>
Total Depreciation Expense	<u>\$ 316,804</u>

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt					
Capital Outlay					
Certificates	\$ 7,535,000	\$ -	\$ 205,000	\$ 7,330,000	\$ 210,000
Unamortized Discounts	(55,000)	-	(5,000)	(50,000)	-
	<u>7,480,000</u>	<u>-</u>	<u>200,000</u>	<u>7,280,000</u>	<u>210,000</u>
Other Liabilities:					
OPEB Liability	126,862	-	35,001	91,861	-
Accrued Leave Liability	43,221	15,540	9,100	49,661	11,415
Total Other Liabilities	<u>170,083</u>	<u>15,540</u>	<u>44,101</u>	<u>141,522</u>	<u>11,415</u>
Total Long-term Liabilities	<u>\$ 7,650,083</u>	<u>\$ 15,540</u>	<u>\$ 244,101</u>	<u>\$ 7,421,522</u>	<u>\$ 221,415</u>
Business-type Activities:					
Other Liabilities:					
OPEB Liability	\$ 3,277	\$ -	\$ 926	\$ 2,351	\$ -
Accrued Leave Liability	2,070	765	-	2,835	2,835
Total Long-term Liabilities	<u>\$ 5,347</u>	<u>\$ 765</u>	<u>\$ 926</u>	<u>\$ 5,186</u>	<u>\$ 2,835</u>

General obligation debt at June 30, 2020 was comprised of the following individual issues:

2010A Capital Outlay Certificates - Qualified School Construction Bonds, bearing interest at a fixed rate of 5.70%, with the principal due in one lump sum on June 1, 2027. The Internal Revenue Service provides an interest payment credit in the amount of 5.50% of the principal balance.

\$ 5,000,000

Series 2019 Outlay Certificates - Limited Tax General Obligation Refunding Certificates, bearing interest at fixed rates ranging from 1.85% to 2.75%, due in annual installments until maturing on June 15, 2030.

2,330,000

7,330,000

Unamortized Discounts

(50,000)

\$ 7,280,000

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2020, excluding compensated absences and the OPEB liability are as follows:

Year Ending June 30,	General Obligation Debt		Totals
	Principal	Interest	
2021	\$ 210,000	\$ 339,951	\$ 549,951
2022	215,000	336,066	551,066
2023	220,000	331,766	551,766
2024	225,000	327,091	552,091
2025	230,000	322,310	552,310
2026-2030	6,230,000	669,240	6,899,240
	<u>\$ 7,330,000</u>	<u>\$ 2,326,424</u>	<u>\$ 9,656,424</u>

Payments of 2010A Capital Outlay Certificates - Qualified School Construction Bonds (QSCB) debt will be made from the Bond Redemption Fund. Payments of the Series 2019 Outlay Certificates are made from the Capital Outlay Fund. Accrued leave and OPEB payments are made from the fund that the payroll expenditures are charged, generally the General, Special Education, and Food Service Funds.

Sinking fund provisions on the QSCB require annual deposits of \$303,030 on or before June 1 of each year beginning June 1, 2012 through 2027. The sinking fund will continue to earn interest until maturity on June 1, 2027. Interest payments on debt will be made semi-annually from the sinking fund. Earnings on deposits will be applied against interest amounts paid by the District.

NOTE 6 - INTERFUND TRANSACTIONS AND BALANCES

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

<u>Transfers From:</u>	<u>Transfers To:</u>	
	Food Service Fund	General Fund
Capital Outlay Fund	\$ -	\$ 420,750
General Fund	21,000	-
	<u>\$ 21,000</u>	<u>\$ 420,750</u>

The General Fund transferred \$21,000 to the Food Service Fund to supplement operations. The Capital Outlay Fund transferred \$420,750 to the General Fund as allowed under state statutes.

Interfund receivables and payables at June 30, 2020 were as follows:

<u>Advance From:</u>	<u>Advances To:</u>	
	Bond Redemption Fund	General Fund
Capital Outlay Fund	\$ 500,000	\$ 275,000

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 6 - INTERFUND TRANSACTIONS AND BALANCES (CONTINUED)

An interfund advance from the Capital Outlay Fund to the Bond Redemption Fund in the amount of \$500,000 was made during the year ended June 30, 2012 to provide resources for debt payments made from the Bond Redemption Fund. The Bond Redemption Fund does not intend to pay this amount back to the Capital Outlay Fund until the Series 2019 Outlay Certificates (discussed in Note 5) mature in 2030.

An interfund advance from the Capital Outlay Fund to the General Fund was made during the year ended June 30, 2019 in the amount of \$150,000 and was increased to \$275,000 during the year ended June 30, 2020 to provide resources for general operations. The General Fund does not intend to pay this amount back to the Capital Outlay Fund until June 30, 2022. This amount will be paid back with tax revenues.

NOTE 7 - RESTRICTED NET POSITION

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

Purpose	Restricted By		
Major Purpose:			
Capital Outlay	Law	\$	1,318,745
Special Education	Law		87,649
Proportionate Share of Net Pension Asset	Law		261,427
Bond Redemption	Debt Covenants		3,280,569
Total		\$	4,948,390

NOTE 8 - 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.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 9 - PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are 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.

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.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 9 - PENSION PLAN (CONTINUED)

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 contribution to the SDRS for the years ended June 30, 2020, 2019, and 2018 were \$100,848, \$104,207, and \$101,501, respectively, and were equal to the required contributions each year.

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

At June 30, 2019, SDRS was 100.09% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the District as of the measurement period ending June 30, 2019 and reported by the District as of June 30, 2020 are as follows:

Proportionate Share of Pension Liability	\$ 10,179,701
Less: Proportionate Share of Net Position Restricted for Pension Benefits	<u>10,188,358</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (8,657)</u>

At June 30, 2020, the District reported a liability (asset) of \$(8,657) for its proportionate share of the net pension asset. The net pension liability (asset) was measured as of June 30, 2019 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, 2019, the District's proportion was 0.0817%, which is an increase of 0.00031% from its proportion measured as of June 30, 2018.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 9 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2020, the District recognized a reduction of pension expense of \$248,767. At June 30, 2020, 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	\$ 33,955	\$ 3,918
Changes in Assumption	298,967	122,562
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	49,868
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	3,465	8,117
District Contributions Subsequent to the Measurement Date	100,848	-
	\$ 437,235	\$ 184,465

\$100,848 reported as deferred outflows 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension (revenue) expense as follows:

Year Ended June 30,	
2021	\$ 187,474
2022	(30,957)
2023	(21,044)
2024	16,449
	\$ 151,922

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service.
Discount Rate	6.50% net of plan investment expense
Future COLA's	1.88%

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 9 - PENSION PLAN (CONTINUED)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension (Asset)/Liability	<u>\$ 1,436,781</u>	<u>\$ (8,656)</u>	<u>\$ (1,186,427)</u>

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 9 - PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

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

NOTE 10 - JOINT VENTURE

The District participates in the Northwest Area Schools Multi-District/Educational Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing cooperative educational services to the member school districts. Each member district had an equal membership interest in the cooperative.

The members of the Co-op are as follows:

- Bison School District No. 52-1
- Dupree School District No. 64-2
- Faith School District No. 46-2
- Harding County School District No. 31-1
- McIntosh School District No. 15-1
- McLaughlin School District No. 15-2
- Smee School District No. 62-3
- Timber Lake School District No. 20-3

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 assets of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northwest Area Schools Multi-Educational Cooperative. At June 2019, the Co-op had total assets of \$2,392,012, total liabilities of \$249,201, and total net position of \$2,516,833. The District made payments in the amount of \$120,844 to the Co-op during the year ended June 30, 2020. Current financial statements for the Co-op were not available at the time of this report.

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, 2020, 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.

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.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Worker's Compensation

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

Unemployment Benefits

The District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits. The District appropriates an amount each year in the General Fund as deemed necessary to provide resources for potential claims for unemployment benefits. During the year ended June 30, 2020, \$0 in claims for unemployment benefits were paid, and none are anticipated in the subsequent year.

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

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

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

Funding Policy

Retired employees must pay 100% of the premiums for his or her coverage.

Changes in Liability

For the year ended June 30, 2020, the beginning balance of the OPEB liability was \$130,139. Total OPEB liability was determined as of the measurement date, which is June 30, 2019. The changes in the total OPEB liability for 2020 were as follows:

Total OPEB Liability - June 30, 2019	\$	130,139
Changes for the Year:		
Service Cost		12,037
Interest on Total OPEB Liability		5,298
Effect on Economic/Demographic Gains or Losses		(18,753)
Effect on Assumption Changes or Inputs		(23,840)
Benefit Payments		(10,669)
		(10,669)
Total OPEB Liability - June 30, 2020	\$	94,212

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

For the year ended June 30, 2020, the District recognized OPEB Expense of \$10,877. OPEB expense was determined as follows:

Service Cost	\$	12,037
Interest on Total OPEB Liability		5,298
Recognition of Deferred Inflows/Outflows of Resources:		
Recognition of Economic/Demographic Gains or Losses		(2,176)
Recognition of Assumption Changes		<u>(4,282)</u>
OPEB Expense	\$	<u>10,877</u>

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ (16,577)	\$ -
Changes in Assumption	<u>(29,631)</u>	<u>-</u>
	<u>\$ (46,208)</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (revenue) expense as follows:

Year Ended June 30,	
2021	\$ (6,458)
2022	(6,458)
2023	(6,458)
2024	(6,458)
2025	(6,458)
Thereafter	<u>(13,918)</u>
	<u>\$ (46,208)</u>

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Active employees and retirees are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated based on the discount rate and actuarial assumptions below and projected forward to the measurement date.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions:

- The discount rate used was 3.87% and was based upon the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.
- The retiree participation rate was assumed to be 25%. The retiree election of the family coverage rate was assumed to be 25%.
- Mortality rates were based on 97% of the RP-2014 Mortality Table, White Collar table for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2017.
- Mortality rates for disabled members were according to the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with MP-2017.
- Net Claim Costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design and cost containment features. Selected rates are shown below:

<u>Duration</u>	<u>Medical Rate</u>	<u>Dental Rate</u>
1	6.50%	5.00%
2	6.10%	5.00%
3	5.40%	5.00%
4	4.90%	4.90%
5	4.80%	4.80%
10	4.90%	4.40%
15	4.90%	4.50%
20	5.30%	4.50%
25	5.30%	4.60%
30	5.20%	4.60%
35	5.00%	4.50%
40	4.90%	4.40%
45	4.70%	4.40%

- Assumed annual salary, including inflation, for active members are as follows:

<u>Service</u>	<u>Percentage Increase</u>
0	6.50%
1	6.00%
2	5.55%
3	5.30%
4	5.15%
10	4.25%
15	3.76%
20	3.36%
25	3.05%
25+	3.00%

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity Analysis

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

	1% Decrease 2.5%	Current Discount Rate	1% Increase 4.5%
Total OPEB Liability	\$ 106,345	\$ 94,211	\$ 83,848

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 81,088	\$ 94,211	\$ 110,244

NOTE 13 - OPERATING LEASES

The District has an operating lease with a third-party vendor for a phone system with voicemail. The lease requires monthly payments of \$267 for 84 months, with the final payment paid in 2025. The lease also includes a maintenance fee, which is paid monthly based on the services provided. Future minimum rental payments are:

Year Ending June 30,	Payment
2021	\$ 3,204
2022	3,204
2023	3,204
2024	3,204
2025	2,937
	\$ 15,753

NOTE 14 - CONCENTRATIONS

The District is dependent upon program and operating revenues from the State of South Dakota for its primary existence. Effective for the fiscal year ended June 30, 2021, the District transitioned to the alternate State funding formula for State Aid revenue.

Harding County School District No. 31-1
Notes to the Financial Statements
June 30, 2020

NOTE 15 - CONTINGENCIES

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been an impact on the District's operating functions such as restrictions on student activities and increased cleaning requirements. Changes to the operating environment may increase operating costs. Future potential impacts may include disruptions to District activities, restrictions on the employees' ability to work, or other pandemic related issues. The related financial impact and duration cannot be reasonably estimated at this time.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

In prior years, the District recorded an asset for the capital credits it has been allocated through membership and participation in utility cooperatives. While capital credits will be returned to members at some point in the future, the cooperatives have the discretion to determine the frequency and amount returned. The District has determined that the capital credits do not meet the criteria to be considered available and should instead be recorded as revenue when received. During the year ended June 30, 2020, the District corrected its recognition of capital credits. The restatement reduced the assets and net position of the District by \$155,449. As a result, the beginning net position has been restated to reflect the change in recognition as of July 1, 2019 as follows:

Net Position July 1, 2019, as Previously Reported	\$ 6,558,935
Restatement for Recongnition Change:	
Capital Credits Receivable	<u>(155,449)</u>
Net Position July 1, 2019, as Restated	<u>\$ 6,403,486</u>

NOTE 17 - EMERGING ACCOUNTING STANDARDS

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, Fiduciary Activities. GASB 84 affects all state and local governments with fiduciary activities. GASB 84 affects how judiciary funds are identified and how these are reported in the basic financial statements. GASB 84 was initially effective for years beginning after December 15, 2018. Implementation was delayed to reporting periods beginning after December 15, 2019 as a result of GASB Statement No. 95 issued in May 2020. The District has not yet implemented this update and is in the process of assessing the effect on the District's financial statements.

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. GASB 87 is effective for years beginning after December 15, 2019. Implementation was delayed to fiscal years beginning after June 15, 2021 as a result of GASB Statement No. 95 issued in May 2020. The District has not yet implemented this update and is in the process of assessing the effect on the District's financial statements.

NOTE 18 - 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.

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REQUIRED SUPPLEMENTARY INFORMATION

Harding County School District No. 31-1
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2020

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 817,600	\$ 817,600	\$ 891,120	\$ 73,520
Gross Receipts Taxes	200,000	200,000	182,646	(17,354)
Penalties and Interest on Taxes	2,000	2,000	1,708	(292)
Earnings on Deposits	5,000	5,000	566	(4,434)
Admission Charges for Cocurricular Activities	17,600	17,600	13,799	(3,801)
Other Local Revenue	<u>30,100</u>	<u>30,100</u>	<u>30,683</u>	<u>583</u>
Total Revenue from Local Sources	<u>1,072,300</u>	<u>1,072,300</u>	<u>1,120,522</u>	<u>48,222</u>
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	60,000	60,000	32,323	(27,677)
Lease of County-owned land	15,000	15,000	16,952	1,952
Other	<u>275,000</u>	<u>275,000</u>	<u>188,356</u>	<u>(86,644)</u>
Total Revenue from Intermediate Sources	<u>350,000</u>	<u>350,000</u>	<u>237,631</u>	<u>(112,369)</u>
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted Grants-in-aid	<u>600,000</u>	<u>600,000</u>	<u>479,571</u>	<u>(120,429)</u>
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted Grants-in-aid	197,000	197,000	85,795	(111,205)
Restricted Grants-in-aid	75,749	85,749	69,128	(16,621)
Other	<u>2,532</u>	<u>2,532</u>	<u>-</u>	<u>(2,532)</u>
Total Revenue from Federal Sources	<u>275,281</u>	<u>285,281</u>	<u>154,923</u>	<u>(130,358)</u>
TOTAL REVENUES	<u>2,297,581</u>	<u>2,307,581</u>	<u>1,992,647</u>	<u>(314,934)</u>

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

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
EXPENDITURES				
Instructional Services:				
Regular Programs	1,275,190	1,285,190	1,276,050	9,140
Special Programs	<u>78,728</u>	<u>78,728</u>	<u>72,909</u>	<u>5,819</u>
Total Instruction Services	<u>1,353,918</u>	<u>1,363,918</u>	<u>1,348,959</u>	<u>14,959</u>
Support Services:				
Pupils	33,660	33,660	26,681	6,979
Instructional Staff	112,905	112,905	119,691	(6,786)
General Administration	184,656	184,656	178,434	6,222
School Administration	142,343	142,343	141,200	1,143
Business	636,771	636,771	584,106	52,665
Central	<u>250</u>	<u>250</u>	<u>130</u>	<u>120</u>
Total Support Services	<u>1,110,585</u>	<u>1,110,585</u>	<u>1,050,242</u>	<u>60,343</u>
Cocurricular Activities:				
Male Activities	69,524	69,524	63,407	6,117
Female Activities	50,071	50,071	45,811	4,260
Activity Transportation	51,495	51,495	34,184	17,311
Combined Activities	<u>81,238</u>	<u>81,238</u>	<u>45,542</u>	<u>35,696</u>
Total Cocurricular Activities	<u>252,328</u>	<u>252,328</u>	<u>188,944</u>	<u>63,384</u>
Other Nonprogrammed Costs	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
TOTAL EXPENDITURES	<u>2,718,331</u>	<u>2,728,331</u>	<u>2,588,145</u>	<u>140,186</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(420,750)	(420,750)	(595,498)	(174,748)
OTHER FINANCING SOURCES				
Transfers In (Out)	<u>420,750</u>	<u>420,750</u>	<u>399,750</u>	<u>(21,000)</u>
NET CHANGE IN FUND BALANCE	-	-	(195,748)	(195,748)
FUND BALANCE - BEGINNING BALANCE	<u>(291,057)</u>	<u>(291,057)</u>	<u>(291,057)</u>	<u>-</u>
FUND BALANCE - ENDING BALANCE	<u>\$ (291,057)</u>	<u>\$ (291,057)</u>	<u>\$ (486,805)</u>	<u>\$ (195,748)</u>

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

Harding County School District No. 31-1
Budgetary Comparison Schedule - Capital Outlay Fund -
Budgetary Basis
For the Year Ended June 30, 2020

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 940,000	\$ 940,000	\$ 929,311	\$ (10,689)
Penalties and Interest on Taxes	-	-	678	678
Earnings on Deposits	<u>3,000</u>	<u>3,000</u>	<u>3,924</u>	<u>924</u>
Total Revenue from Local Sources	<u>943,000</u>	<u>943,000</u>	<u>933,913</u>	<u>(9,087)</u>
Revenue from Intermediate Sources:				
County Sources:				
Lease of County-owned Land	<u>30,000</u>	<u>30,000</u>	<u>29,559</u>	<u>(441)</u>
Revenue From Federal Sources:				
Unrestricted Grants-in-aid	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>(55,000)</u>
TOTAL REVENUES	<u>1,028,000</u>	<u>1,028,000</u>	<u>963,472</u>	<u>(64,528)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	<u>92,000</u>	<u>92,000</u>	<u>88,962</u>	<u>3,038</u>
Support Services:				
Instructional Staff	4,500	4,500	2,448	2,052
General Administration	2,000	2,000	1,829	171
Business	<u>88,450</u>	<u>88,450</u>	<u>71,438</u>	<u>17,012</u>
Total Support Services	<u>94,950</u>	<u>94,950</u>	<u>75,715</u>	<u>19,235</u>
Cocurricular Activities:				
Male Activities	2,500	2,500	2,442	58
Female Activities	<u>2,500</u>	<u>2,500</u>	<u>1,934</u>	<u>566</u>
Total Cocurricular Activities	<u>5,000</u>	<u>5,000</u>	<u>4,376</u>	<u>624</u>
Debt Services	<u>264,601</u>	<u>264,601</u>	<u>263,691</u>	<u>910</u>
TOTAL EXPENDITURES	<u>456,551</u>	<u>456,551</u>	<u>432,744</u>	<u>23,807</u>

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

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
EXCESS OF REVENUES OVER EXPENDITURES	571,449	571,449	530,728	(40,721)
OTHER FINANCING USES				
Transfer Out	<u>(571,449)</u>	<u>(571,449)</u>	<u>(420,750)</u>	<u>150,699</u>
NET CHANGE IN FUND BALANCE	-	-	109,978	109,978
FUND BALANCE - BEGINNING BALANCE	<u>1,189,602</u>	<u>1,189,602</u>	<u>1,189,602</u>	<u>-</u>
FUND BALANCE - ENDING BALANCE	<u>\$ 1,189,602</u>	<u>\$ 1,189,602</u>	<u>\$ 1,299,580</u>	<u>\$ 109,978</u>

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

Harding County School District No. 31-1
Budgetary Comparison Schedule - Special Education Fund -
Budgetary Basis
For the Year Ended June 30, 2020

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 295,300	\$ 330,300	\$ 296,229	\$ (34,071)
Penalties and Interest on Taxes	250	250	193	(57)
Earnings on Deposits	-	-	954	954
Total Revenue from Local Sources	<u>295,550</u>	<u>330,550</u>	<u>297,376</u>	<u>(33,174)</u>
Revenue from Intermediate Sources				
County Sources:				
Lease of County-owned Land	<u>8,000</u>	<u>8,000</u>	<u>10,037</u>	<u>2,037</u>
TOTAL REVENUES	<u>303,550</u>	<u>338,550</u>	<u>307,413</u>	<u>(31,137)</u>
EXPENDITURES				
Instructional Services:				
Special Programs	<u>262,598</u>	<u>293,598</u>	<u>264,763</u>	<u>28,835</u>
Support Services:				
Pupils	48,100	52,100	34,845	17,255
Special Education	<u>15,000</u>	<u>15,000</u>	<u>23,763</u>	<u>(8,763)</u>
Total Support Services	<u>63,100</u>	<u>67,100</u>	<u>58,608</u>	<u>8,492</u>
TOTAL EXPENDITURES	<u>325,698</u>	<u>360,698</u>	<u>323,371</u>	<u>37,327</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(22,148)	(22,148)	(15,958)	6,190
OTHER FINANCING SOURCES				
Transfers In	<u>22,148</u>	<u>22,148</u>	<u>-</u>	<u>(22,148)</u>
NET CHANGE IN FUND BALANCE	-	-	(15,958)	(15,958)
FUND BALANCE - BEGINNING BALANCE	<u>97,518</u>	<u>97,518</u>	<u>97,518</u>	<u>-</u>
FUND BALANCE - ENDING BALANCE	<u>\$ 97,518</u>	<u>\$ 97,518</u>	<u>\$ 81,560</u>	<u>\$ (15,958)</u>

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

Harding County School District No. 31-1
Schedule of Changes in Total OPEB
Liability and Related Ratios
For the Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 12,037	\$ 12,100	\$ 13,135
Interest on Total OPEB Liability	5,298	4,862	3,961
Effect of Economic/Demographic Gains (Losses)	(18,753)	-	-
Effect of Assumption Changes or Inputs	(23,840)	(3,605)	(9,069)
Benefit Payments	<u>(10,669)</u>	<u>(13,690)</u>	<u>(6,769)</u>
Net Change in Total OPEB Liability	(35,927)	(333)	1,258
Total OPEB Liability, Beginning	<u>130,139</u>	<u>130,472</u>	<u>129,214</u>
Total OPEB Liability, Ending	<u>\$ 94,212</u>	<u>\$ 130,139</u>	<u>\$ 130,472</u>
District's Covered-employee Payroll	\$ 2,121,474	\$ 1,754,891	\$ 1,396,240
Total OPEB Liability as a Percentage of Covered-employee Payroll	4.44%	7.42%	9.34%

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

**Harding County School District No. 31-1
Schedule of the District's Proportionate Share
of the Net Pension Liability (Asset)
South Dakota Retirement System**

Year*	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of It's Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2020	0.08168460%	\$ (8,656)	\$ 1,736,781	-0.50%	100.09%
2019	0.08137380%	\$ (1,897)	\$ 1,691,678	-0.11%	100.02%
2018	0.07988590%	\$ (7,250)	\$ 1,623,111	-0.45%	100.10%
2017	0.08284340%	\$ 279,837	\$ 1,563,960	17.89%	96.89%
2016	0.07939260%	\$ (336,726)	\$ 1,438,239	-23.41%	104.10%
2015	0.07655170%	\$ (551,524)	\$ 1,339,676	-41.17%	107.30%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal 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.

**Harding County School District No. 31-1
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)
2020	\$ 100,848	\$ 100,848	\$ -	\$ 1,736,781	5.81%
2019	\$ 104,207	\$ 104,207	\$ -	\$ 1,736,781	6.00%
2018	\$ 101,501	\$ 101,501	\$ -	\$ 1,691,678	6.00%
2017	\$ 97,387	\$ 97,387	\$ -	\$ 1,623,111	6.00%
2016	\$ 94,824	\$ 94,824	\$ -	\$ 1,563,960	6.06%
2015	\$ 86,294	\$ 86,294	\$ -	\$ 1,438,239	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.

Harding County School District No. 31-1
Notes to the Required Supplementary Information
June 30, 2020

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 the actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

NOTE 3 - PENSION PLAN

Changes of Benefit Terms

No significant changes.

See independent auditor's report.

Harding County School District No. 31-1
Notes to the Required Supplementary Information (Continued)
June 30, 2020

NOTE 3 - PENSION PLAN (CONTINUED)

Changes in Assumptions

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

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

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

See independent auditor's report.

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SUPPLEMENTARY INFORMATION

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**Harding County School District No. 31-1
School District Officials
June 30, 2020**

BOARD MEMBERS

President - Jesse Glines
Vice President - Will Meyer
Laura Johnson
Randy Routier
Carmen Gilbert

SUPERINTENDENT

Josh Page

BUSINESS MANAGER

Elizabeth Henderson

See independent auditor's report.