

Iroquois School District No. 2-3

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2021**

Iroquois School District No. 2-3

School District Officials

June 30, 2021

Board Members:

Greg Blue----- Board President

Greg Bich-----Vice President

Rex Geyer ----- Member

Heather Blue ----- Member

Greg Schortzmann ----- Member

Mike Ruth-----Superintendent

Jill Cundy -----Business Manager

Iroquois School District No. 2-3

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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
Iroquois School District No. 2-3
Kingsbury 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 Iroquois School District No. 2-3, Kingsbury County, South Dakota, as of and for the year ended June 30, 2021, which collectively comprise Iroquois School District’s basic financial statements and have issued our report thereon date February 1, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iroquois School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Iroquois School District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as finding number 2021-001.

Compliance and Other Matters

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

Iroquois School District No. 2-3 Response to Findings

Iroquois School district No. 2-3's response to the findings identified in our audit is described in the accompanying Schedule of Prior and Current Audit Findings. Iroquois School District No. 2-3's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the 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.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota
February 1, 2022

Iroquois School District No. 2-3
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2021

Prior Audit Findings

Finding Number 2020-001:

A significant deficiency in internal control was disclosed by our audit for a lack of proper segregation of duties for the revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2021-001.

Current Audit Findings

Finding Number 2021-001:

A significant deficiency in internal control was disclosed by our audit for a lack of proper segregation of duties for revenues and expenditures.

Internal Control – Related Finding – Significant Deficiency

Criteria: The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

Condition: The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

Effect: As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.



Independent Auditor's Report

School Board
Iroquois School District No. 2-3
Iroquois, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iroquois School District No. 2-3, Iroquois, South Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Iroquois School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Iroquois School District No. 2-3 as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 15 to the financial statements, in 2021, the School District adopted Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the budgetary comparison schedules, the schedule of proportionate share of the net pension liability (asset), and schedule of school district contributions to pension listed in the table of contents 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2022 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or 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 the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.



Huron, South Dakota
February 1, 2022

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2021

This section of Iroquois School District No. 2-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the School's revenues of \$3,913,376 generated from taxes and other revenues of the governmental and business-type programs were \$547,598 more than the \$3,365,778 in governmental and business-type program expenditures.
- The total cost of the School's programs increased by 1.75%.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School'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 School operates like businesses. The proprietary funds operated by the School are the Food Service Operation (Fund 51), and After School program and Drivers Education (Fund 53).
 - Fiduciary fund statements provide information about the financial relationships in which the School 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.

Iroquois School District No. 2-3
Management’s Discussion and Analysis (MD&A)
June 30, 2021

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

Figure A-1

Major Features of Iroquois School's Government-wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers’ education program	Instances in which the School is the trustee or agent for someone else’s resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • 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	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School'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

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2021

Government-Wide Statements

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

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School'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 School are reported in two categories:

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, and federal grants finance most of these activities.
- **Business-type Activities** – The School charges a fee to students to help cover the costs of providing breakfast and hot lunch services to all students. The Food Service Fund and the Other Enterprise Funds (Drivers Ed, and FAST program) are the only business-type activities of the School.

Fund Financial Statements

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

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

The School has three kinds of funds:

- **Governmental Funds** – Most of the School'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 the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund's statements, or on the subsequent page, that explains the relationship (or differences) between them.

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2021

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

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Iroquois School District No. 2-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2020	2021	2020	2021	2020	2021	Change
Current and Other Assets	\$ 4,054,002	\$ 4,542,414	\$ 22,239	\$ 25,601	\$ 4,076,241	\$ 4,568,015	12.06%
Capital Assets (Net of Depreciation)	1,647,348	1,651,057	29,106	26,680	1,676,454	1,677,737	0.08%
Total Assets	5,701,350	6,193,471	51,345	52,281	5,752,695	6,245,752	8.57%
Pension Related Deferred Outflows	313,159	402,440	--	--	313,159	402,440	28.51%
Total Deferred Outflows of Resources	313,159	402,440	--	--	313,159	402,440	28.51%
Long-Term Liabilities Outstanding	90,682	65,283	--	--	90,682	65,283	-28.01%
Other Liabilities	271,185	234,359	--	346	271,185	234,705	-13.45%
Total Liabilities	361,867	299,642	--	346	361,867	299,988	-17.10%
Taxes Levied for Future Period	1,103,612	1,000,787	--	--	1,103,612	1,000,787	-9.32%
Pension Related Deferred Inflows	147,371	347,518	--	--	147,371	347,518	135.81%
Total Deferred Inflows of Resources	1,250,983	1,348,305	--	--	1,250,983	1,348,305	7.78%
Net Position							
Net Investment in Capital Assets	1,647,348	1,651,057	29,106	26,680	1,676,454	1,677,737	0.08%
Restricted	1,447,917	1,355,687	--	--	1,447,917	1,355,687	-6.37%
Unrestricted	1,305,691	1,941,220	22,239	25,255	1,327,930	1,966,475	48.09%
Total Net Position	4,400,956	4,947,964	51,345	51,935	4,452,301	4,999,899	12.30%
Beginning Net Position	4,521,362	4,400,956	46,814	51,345	4,568,176	4,452,301	-2.54%
Increase (Decrease) in Net Position	\$ (120,406)	\$ 547,008	\$ 4,531	\$ 590	\$ (115,875)	\$ 547,598	
Percentage of Increase (Decrease) in Net Position	-2.66%	12.43%	9.68%	1.15%	-2.54%	12.30%	

The District's combined net position of approximately \$5 million is approximately \$547 thousand or 12.3% more than on June 30, 2020.

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2021

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 School, consisting of net pension liability, compensated absences payable, GOB bonds QZAB bonds, and QSCB bonds, have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Changes in Net Position

The District's revenues totaled \$3,913,376 (See Table A-4.) This was an approximately 22.59% increase. Approximately 80% of the District's revenue comes from property and other taxes, with another 7% from state aid. (See Table A-2.)

Table A-2
Iroquois School District No. 2-3
Sources of Revenues
Fiscal Year 2020-2021

Taxes	\$ 3,129,173	79.96%
State sources	301,587	7.71%
Operating grants & contributions	249,251	6.37%
Federal sources	176,561	4.51%
Charges for services	34,457	0.88%
Other revenues	21,178	0.54%
Unrestricted investment earnings	1,169	0.03%
Total Revenue	\$ 3,913,376	100.00%

Total costs of all programs and service increased by approximately 1.75%. The District's expenses totaled \$3,365,778. (See Table A-4.) The School's expenses cover a range of services, encompassing instruction, support services, co-curricular activities, food services, and driver's education. (See Table A-3.)

Table A-3
Iroquois School District No. 2-3
Statement of Expenditures
Fiscal Year 2020-2021

Instruction	\$ 1,896,654	56.35%
Support services	1,165,960	34.64%
Cocurricular activities	167,736	4.98%
Food service	131,302	3.90%
Drivers education	4,126	0.13%
Total Expenditures	\$ 3,365,778	100.00%

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2021

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School.

Table A-4
Iroquois School District No. 2-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020-2021
Revenues							
Program Revenues:							
Charges for services	\$ 14,936	\$ 14,907	\$ 46,216	\$ 19,550	\$ 61,152	\$ 34,457	-43.65%
Operating grants and contributions	129,652	147,783	65,579	101,468	195,231	249,251	27.67%
General Revenues:							
Taxes	2,580,345	3,129,173	--	--	2,580,345	3,129,173	21.27%
Revenue state sources	321,154	301,587	--	--	321,154	301,587	-6.09%
Federal state sources	--	176,561	--	--	--	176,561	100.00%
Unrestricted investment earnings	2,043	1,169	--	--	2,043	1,169	-42.78%
Other general revenues	32,212	21,178	--	--	32,212	21,178	-34.25%
Total Revenues	<u>3,080,342</u>	<u>3,792,358</u>	<u>111,795</u>	<u>121,018</u>	<u>3,192,137</u>	<u>3,913,376</u>	22.59%
Expenses							
Instruction	2,012,685	1,896,654	--	--	2,012,685	1,896,654	-5.76%
Support services	1,034,272	1,165,960	--	--	1,034,272	1,165,960	12.73%
Cocurricular activities	143,791	167,736	--	--	143,791	167,736	16.65%
Food service	--	--	111,609	131,302	111,609	131,302	17.64%
Other enterprise activity	--	--	5,655	4,126	5,655	4,126	-27.04%
Total Expenses	<u>3,190,748</u>	<u>3,230,350</u>	<u>117,264</u>	<u>135,428</u>	<u>3,308,012</u>	<u>3,365,778</u>	1.75%
Excess (Deficiency) Before Transfers							
Transfers	(10,000)	(15,000)	10,000	15,000	--	--	0.00%
Increase (Decrease) in Net Position	(120,406)	547,008	4,531	590	(115,875)	547,598	-572.58%
Beginning Net Position Restated	4,521,362	4,400,956	46,814	51,345	4,568,176	4,452,301	-2.54%
Ending Net Position	<u>\$ 4,400,956</u>	<u>\$ 4,947,964</u>	<u>\$ 51,345</u>	<u>\$ 51,935</u>	<u>\$ 4,452,301</u>	<u>\$ 4,999,899</u>	12.30%

Governmental Activities

Revenues for the School's governmental activities increased primarily due to increases in ad valorem taxes.

Business-Type Activities

Net position of the School's business-type activities increased approximately \$590, which was similar to 2020.

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2021

Financial Analysis of the School's Funds

Overall, the governmental funds have increased approximately \$547,000 in net position over last year. The increase was mainly due to ad valorem taxes.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Capital Asset Administration

By the end of 2021, the School had invested \$1,651,057 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) Total capital outlay expenditures were \$126,765.

Table A-5
Iroquois School District No. 2-3 - Capital Assets
(net of depreciation)

	Governmental		Business-type		Total	Total
	Activities		Activities		Dollar	Percentage
	2020	2021	2020	2021	Change	Change
					2020-2021	2020-2021
Land	\$ 16,630	\$ 16,630	\$ --	\$ --	\$ --	0.00%
Buildings	876,345	944,354	--	--	68,009	7.20%
Improvements other than buildings	492,047	467,901	--	--	(24,146)	-5.16%
Machinery and equipment	262,326	222,172	29,106	26,680	(42,580)	-19.17%
Total Capital Assets (Net)	<u>\$ 1,647,348</u>	<u>\$ 1,651,057</u>	<u>\$ 29,106</u>	<u>\$ 26,680</u>	<u>\$ 1,283</u>	0.08%

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2021

Long-Term Debt

At year-end, the School had \$65,283 in long-term obligations. This balance includes an energy loan, OPEB liability and accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6
Iroquois School District No. 2-3 - Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2020	2021	2020-2021	2020-2021
Energy loan	\$ 86,408	\$ 61,720	\$ (24,688)	-28.57%
Compensated absences	4,274	3,563	(711)	-16.64%
Total Outstanding Debt and Obligations	<u>\$ 90,682</u>	<u>\$ 65,283</u>	<u>\$ (25,399)</u>	-28.01%

The School is liable for the accrued sick leave payable to various employees who have five consecutive years or more of employment at the School District.

Economic Factors and Next Year's Budgets and Rates

The District's taxable valuations for 2021 (payable in 2022) were \$525,671,411. This represents a decrease of \$19,495,899 from the previous year's taxable valuation of \$545,167,310.

The School's enrollment for the last three years has been as follows:

Year	ADM	Percent (Decrease) in ADM
2021	203	-5.14%
2020	214	-8.94%
2019	235	2.62%

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Iroquois School District's Business Office, 111 East Washita Street, Iroquois, SD 57353 or (605)-546-2210.

Iroquois School District No. 2-3
Statement of Net Position – Government-Wide
June 30, 2021

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 3,399,727	\$ 22,253	\$ 3,421,980
Taxes receivable	1,006,726	--	1,006,726
Other assets	133,405	3,348	136,753
Net pension asset	2,556	--	2,556
Capital assets:			
Land	16,630	--	16,630
Other capital assets, net of depreciation	1,634,427	26,680	1,661,107
Total Assets	<u>6,193,471</u>	<u>52,281</u>	<u>6,245,752</u>
Deferred Outflows of Resources:			
Pension related deferred outflows	<u>402,440</u>	--	<u>402,440</u>
Total Deferred Outflows of Resources	<u>402,440</u>	--	<u>402,440</u>
Liabilities:			
Accounts payable	7,386	--	7,386
Other current liabilities	226,973	346	227,319
Noncurrent liabilities:			
Due within one year	12,944	--	12,944
Due in more than one year	52,339	--	52,339
Total Liabilities	<u>299,642</u>	<u>346</u>	<u>299,988</u>
Deferred Inflows of Resources:			
Taxes levied for future period	1,000,787	--	1,000,787
Pension related deferred inflows	347,518	--	347,518
Total Deferred Inflows of Resources	<u>1,348,305</u>	--	<u>1,348,305</u>
Net Position:			
Net Investment in Capital Assets	1,651,057	26,680	1,677,737
Restricted for:			
Capital Outlay	792,889	--	792,889
Special Education	505,320	--	505,320
SDRS Pension Purposes	57,478	--	57,478
Unrestricted	1,941,220	25,255	1,966,475
Total Net Position	<u>\$ 4,947,964</u>	<u>\$ 51,935</u>	<u>\$ 4,999,899</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Activities – Government-Wide
June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	\$ 1,896,654	\$ 5,985	\$ 147,783	\$ --	\$ (1,742,886)	\$ --	\$ (1,742,886)
Support services	1,165,960	4,390	--	--	(1,161,570)	--	(1,161,570)
Cocurricular activities	167,736	4,532	--	--	(163,204)	--	(163,204)
Total Governmental Activities	<u>3,230,350</u>	<u>14,907</u>	<u>147,783</u>	<u>--</u>	<u>(3,067,660)</u>	<u>--</u>	<u>(3,067,660)</u>
Business-Type Activities:							
Food service	131,302	15,300	101,468	--	--	(14,534)	(14,534)
FAST program	3,921	--	--	--	--	(3,921)	(3,921)
Drivers education	205	4,250	--	--	--	4,045	4,045
Total Business-Type Activities	<u>135,428</u>	<u>19,550</u>	<u>101,468</u>	<u>--</u>	<u>--</u>	<u>(14,410)</u>	<u>(14,410)</u>
Total Primary Government	<u>\$ 3,365,778</u>	<u>\$ 34,457</u>	<u>\$ 249,251</u>	<u>\$ --</u>	<u>(3,067,660)</u>	<u>(14,410)</u>	<u>(3,082,070)</u>
General Revenues:							
Taxes:							
					3,088,096	--	3,088,096
					41,077	--	41,077
Revenue from State Sources:							
					301,587	--	301,587
Revenue from Federal Sources							
					176,561	--	176,561
					1,169	--	1,169
					21,178	--	21,178
					(15,000)	15,000	--
					<u>3,614,668</u>	<u>15,000</u>	<u>3,453,107</u>
					547,008	590	547,598
					<u>4,400,956</u>	<u>51,345</u>	<u>4,452,301</u>
					<u>\$ 4,947,964</u>	<u>\$ 51,935</u>	<u>\$ 4,999,899</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Balance Sheet – Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 2,077,108	\$ 792,889	\$ 529,730	\$ 3,399,727
Taxes receivable--current	706,124	196,342	98,321	1,000,787
Taxes receivable--delinquent	5,163	475	301	5,939
Due from other governments	91,220	--	--	91,220
Deposits	39,685	--	--	39,685
Advance payments	2,500	--	--	2,500
	<u>2,921,800</u>	<u>989,706</u>	<u>628,352</u>	<u>4,539,858</u>
Total Assets	<u>\$ 2,921,800</u>	<u>\$ 989,706</u>	<u>\$ 628,352</u>	<u>\$ 4,539,858</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 5,100	\$ --	\$ 2,286	\$ 7,386
Contracts payable	157,613	--	16,729	174,342
Payroll deductions and withholding and employer matching payable	47,236	--	5,395	52,631
Total Liabilities	<u>209,949</u>	<u>--</u>	<u>24,410</u>	<u>234,359</u>
Deferred Inflows of Resources:				
Taxes Levied for a Future Period	706,124	196,342	98,321	1,000,787
Unavailable Revenue-Property Taxes	5,163	475	301	5,939
Total Deferred Inflows of Resources	<u>711,287</u>	<u>196,817</u>	<u>98,622</u>	<u>1,006,726</u>
Fund Balances:				
Nonspendable:				
Deposits (Health Insurance)	39,685	--	--	39,685
Restricted:				
Capital outlay	--	792,889	--	792,889
Special education	--	--	505,320	505,320
Unassigned	1,960,879	--	--	1,960,879
Total Fund Balances	<u>2,000,564</u>	<u>792,889</u>	<u>505,320</u>	<u>3,298,773</u>
Total Liabilities and Fund Balances	<u>\$ 2,921,800</u>	<u>\$ 989,706</u>	<u>\$ 628,352</u>	<u>\$ 4,539,858</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

Total Fund Balances - Governmental Funds	\$ 3,298,773
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	2,556
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,651,057
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	402,440
Long-term liabilities, bonds payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(65,283)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(347,518)
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	5,939
Net Position-Government Funds	<u>\$ 4,947,964</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,234,787	\$ 561,568	\$ 280,860	\$ 3,077,215
Prior years' ad valorem taxes	6,231	1,070	569	7,870
Utility taxes	41,077	--	--	41,077
Penalties and interest on taxes	2,242	544	276	3,062
Tuition and Fees:				
Preschool Tuition	5,985	--	--	5,985
Earnings on Investments and Deposits	1,169	--	--	1,169
Cocurricular Activities:				
Admissions	4,532	--	--	4,532
Other Revenue from Local Sources:				
Charges for services	3,768	--	622	4,390
Other	6,945	--	--	6,945
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	11,192	--	--	11,192
Revenue in lieu of taxes	2,941	--	--	2,941
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	301,587	--	--	301,587
Other State Revenue	100	--	--	100
Grants-in-Aid:				
Unrestricted grants-in-aid received				
from federal government through	176,561	--	--	176,561
the state				
Restricted grants-in-aid received				
from federal government through	147,783	--	--	147,783
the state				
Total Revenues	<u>\$ 2,946,900</u>	<u>\$ 563,182</u>	<u>\$ 282,327</u>	<u>\$ 3,792,409</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds June 30, 2021 (Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 572,546	\$ 33,340	\$ --	\$ 605,886
Middle school	125,259	3,599	--	128,858
High school	558,105	11,398	--	569,503
Preschool services	75,349	--	--	75,349
Special Programs:				
Programs for special education	--	--	231,951	231,951
Educationally Deprived	109,053	--	--	109,053
Support Services:				
Students:				
Guidance	71,325	--	393	71,718
Psychological	--	--	9,292	9,292
Speech pathology	--	--	17,713	17,713
Student therapy services	--	--	11,400	11,400
Instructional Staff:				
Educational media	131,747	38,554	--	170,301
General Administration:				
Board of education	25,701	--	--	25,701
Executive administration	53,491	--	--	53,491
School Administration:				
Office of the principal	113,640	--	--	113,640
Other	280	--	--	280
Business:				
Fiscal services	88,669	6,055	--	94,724
Facilities acquisition and construction	265,932	28,575	--	294,507
Operation and maintenance of plant	203,576	14,749	--	218,325
Student transportation	--	20,122	--	20,122
Food services	8,966	545	--	9,511
Central:				
Staff	719	--	--	719
Special Education:				
Administrative costs	--	--	24,985	24,985
Other	--	--	75	75
Debt Services:	--	24,688	--	24,688
Cocurricular Activities:				
Male activities	32,893	7,385	--	40,278
Female activities	36,302	4,053	--	40,355
Transportation	31,718	--	--	31,718
Combined activities	17,723	6,390	--	24,113
Capital outlay:	23,725	103,040	--	126,765
Total Expenditures	2,546,719	302,493	295,809	3,145,021
Excess of Revenues Over (Under) Expenditures	400,181	260,689	(13,482)	647,388
Other Financing Sources (Uses)				
Transfers in	225,000	--	--	225,000
Transfers out	(15,000)	(225,000)	--	(240,000)
Total Other Financing Sources (Uses)	210,000	(225,000)	--	(15,000)
Net Change in Fund Balances	610,181	35,689	(13,482)	632,388
Fund Balance - Beginning of Year	1,390,383	757,200	518,802	2,666,385
Fund Balance - End of Year	\$ 2,000,564	\$ 792,889	\$ 505,320	\$ 3,298,773

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances to the Statement of Activities
 June 30, 2021

Net Change in Fund Balances - Governmental Funds \$ 632,388

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

	Capital Outlays	\$ 126,765	
	Depreciation Expense	<u>(123,056)</u>	
	Net		3,709

Payment of principal on long-term debt is an expenditure in the government funds but the payment reduces long-term liabilities in the statement of assets. 24,688

In both the government-wide and fund financials statements revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". (51)

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employee earn leave credits or elect to retire early. 711

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (114,437)

Change in Net Position of Governmental Activities \$ 547,008

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Net Position – Proprietary Funds
June 30, 2021

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 20,059	\$ 2,194	\$ 22,253
Inventory of stores purchased for resale	3,348	--	3,348
Total Current Assets	<u>23,407</u>	<u>2,194</u>	<u>25,601</u>
Capital Assets:			
Machinery and equipment	59,600	--	59,600
Accumulated depreciation	<u>(32,920)</u>	<u>--</u>	<u>(32,920)</u>
Total Capital Assets	<u>26,680</u>	<u>--</u>	<u>26,680</u>
Total Assets	<u>\$ 50,087</u>	<u>\$ 2,194</u>	<u>\$ 52,281</u>
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Contracts Payable	\$ 321	\$ --	\$ 321
Payroll deductions and withholdings and employer matching payable	25	--	25
Total Current Liabilities	<u>346</u>	<u>--</u>	<u>346</u>
Net Position:			
Invested in capital assets	26,680	--	26,680
Unrestricted	<u>23,061</u>	<u>2,194</u>	<u>25,255</u>
Total Net Position	<u>\$ 49,741</u>	<u>\$ 2,194</u>	<u>\$ 51,935</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Revenues, Expenses, and Changes in Net Position– Proprietary Funds
June 30, 2021

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Operating Revenue:			
Sales:			
To students	\$ 10,776	\$ --	\$ 10,776
To adults	1,284	--	1,284
Other charges for goods and services	3,240	4,250	7,490
Total Operating Revenue	<u>15,300</u>	<u>4,250</u>	<u>19,550</u>
Operating Expense:			
Salaries	46,647	3,450	50,097
Employee benefits	18,698	471	19,169
Purchased services	595	--	595
Supplies	6,354	205	6,559
Cost of Sales - Purchased	51,885		51,885
Cost of Sales - Donated	4,064	--	4,064
Depreciation	2,426	--	2,426
Miscellaneous	633	--	633
Total Operating Expenses	<u>131,302</u>	<u>4,126</u>	<u>135,428</u>
Operating Income (Loss)	<u>(116,002)</u>	<u>124</u>	<u>(115,878)</u>
Nonoperating Revenue:			
State Sources:			
Cash reimbursements	477	--	477
Federal Sources:			
Cash reimbursements	96,927	--	96,927
Donated food	4,064	--	4,064
Total Nonoperating Revenue	<u>101,468</u>	<u>--</u>	<u>101,468</u>
Income (Loss) before Transfers	<u>(14,534)</u>	<u>124</u>	<u>(14,410)</u>
Transfers In	<u>15,000</u>	<u>--</u>	<u>15,000</u>
Change in Net Position	466	124	590
Net Position - Beginning of Year	<u>49,275</u>	<u>2,070</u>	<u>51,345</u>
Net Position - End of Year	<u>\$ 49,741</u>	<u>\$ 2,194</u>	<u>\$ 51,935</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Cash Flows – Proprietary Funds
June 30, 2021

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 15,300	\$ 4,250	\$ 19,550
Payments to suppliers	(59,467)	(205)	(59,672)
Payments to employees	(64,999)	(3,921)	(68,920)
Net Cash Provided (Used) by Operating Activities	<u>(109,166)</u>	<u>124</u>	<u>(109,042)</u>
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	477	--	477
Cash reimbursements - federal	96,927	--	96,927
Operating transfers - in	15,000	--	15,000
Net Cash Provided by Noncapital Financing Activities	<u>112,404</u>	<u>--</u>	<u>112,404</u>
Net Increase in Cash and Cash Equivalents	3,238	124	3,362
Cash and Cash Equivalents, Beginning of Year	<u>16,821</u>	<u>2,070</u>	<u>18,891</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,059</u>	<u>\$ 2,194</u>	<u>\$ 22,253</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (116,002)	\$ 124	\$ (115,878)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,426	--	2,426
Noncash cost of sales - commodities	4,064	--	4,064
Change in Assets and Liabilities:			
Payroll deductions, withholdings, and payable	25	--	25
Contracts payable	321	--	321
Net Cash Provided (Used) by Operating Activities	<u>\$ (109,166)</u>	<u>\$ 124</u>	<u>\$ (109,042)</u>
Noncash Investing, Capital, and Financing Activities:			
Value of Commodities Received	<u>\$ 4,064</u>	<u>\$ --</u>	<u>\$ 4,064</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Net Position – Fiduciary Funds
June 30, 2021

	Private-Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 76,270	\$ 60,981
Total Assets	76,270	\$ 60,981
Net Position:		
Restricted for:		
Scholarships	76,270	--
Individuals, organizations, and other governments	--	60,981
Total Net Position	\$ 76,270	\$ 60,981

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Changes in Net Position – Proprietary Funds
June 30, 2021

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Other additions	\$ 356	\$ --
Collections for student activities	--	68,539
	356	68,539
Total Additions	356	68,539
Deductions:		
Payments for student activities	--	73,459
	--	73,459
Total Deductions	--	73,459
Change in Net Position	356	(4,920)
Net Position - Beginning	75,914	--
Restatement - See Note 15	--	65,901
Net Position - Beginning, as Restated	75,914	65,901
Net Position - Ending	\$ 76,270	\$ 60,981

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments.

a. Reporting Entity:

The reporting entity of Iroquois School District No. 2-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School 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 reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

c. Fund Types and Major Funds:

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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

Governmental Funds:

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

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

Proprietary Funds:

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

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

Other Enterprise Fund: A fund used to record financial transactions related to drivers' education and the FAST program. This fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income, benefit individuals, private organizations, or other governments. The School District maintains two private-purpose trust funds: The Selix Scholarship Trust Fund and Diamond Davison Scholarship Trust Fund and their purpose is scholarships.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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

d. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental 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 to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Iroquois School District No. 2-3, the length of that cycle is sixty days.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

e. Interfund Eliminations and Reclassifications:

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

f. Capital Assets:

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

Government-Wide Financial Statements:

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

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs. The total June 30, 2021 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	-- *	--
Land improvements	\$ 5,000	straight-line	10-20 years
Buildings	5,000	straight-line	50-75 years
Machinery and equipment	\$ 5,000	straight-line	5-20 years

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of a capital lease/purchase debt and compensated absences.

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

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

j. Cash and Cash Equivalents:

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

k. Net Position and Fund Balance:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes.

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by School Board.

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

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

n. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

p. Emerging Accounting Standards:

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School has not yet determined the specific impact of this statement on the financial statements. The standard is effective for fiscal years beginning after June 15, 2021, making the standard effective for the School District's year ending June 30, 2022. Early implementation is allowed.

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk:

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

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

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 report deposits at cost plus interest and credit all income from investments to the fund making the investment with the exception of the general checking account whose interest income is credited to the General Fund.

Investments – In general, SDCL 4-5-6 permits school funds to be invested 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); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall 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.

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)

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

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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

3. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School Districts expects all receivables to be collected in one year.

4. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is consumption. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

5. 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 School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

6. Changes in Capital Assets:

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

	<u>Balance 7/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2021</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 16,630	\$ --	\$ --	\$ 16,630
Total, not being depreciated	<u>16,630</u>	<u>--</u>	<u>--</u>	<u>16,630</u>
Capital assets, being depreciated:				
Buildings	1,867,325	103,040	--	1,970,365
Improvements other than buildings	713,076	23,424	--	736,500
Machinery and equipment	<u>515,379 (a)</u>	<u>301</u>	<u>--</u>	<u>515,680</u>
Total, being depreciated	<u>3,095,780</u>	<u>126,765</u>	<u>--</u>	<u>3,222,545</u>
Less accumulated depreciation for:				
Buildings	990,980	35,031	--	1,026,011
Improvements	221,029	47,570	--	268,599
Machinery and equipment	<u>253,053 (a)</u>	<u>40,455</u>	<u>--</u>	<u>293,508</u>
Total accumulated depreciation	<u>1,465,062</u>	<u>123,056</u>	<u>--</u>	<u>1,588,118</u>
Total capital assets, being depreciated, net	<u>1,630,718</u>	<u>3,709</u>	<u>--</u>	<u>1,634,427</u>
Governmental activity capital assets, net	<u>\$ 1,647,348</u>	<u>\$ 3,709</u>	<u>\$ --</u>	<u>\$ 1,651,057</u>

(a) Restated

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

6. Changes in Capital Assets: (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

Instruction	\$ 62,328
Support services	29,456
Cocurricular activities	<u>31,272</u>
Total depreciation expense - governmental activities	<u>\$ 123,056</u>

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 59,600	\$ --	\$ --	\$ 59,600
Total, being depreciated	<u>59,600</u>	<u>--</u>	<u>--</u>	<u>59,600</u>
Less accumulated depreciation for:				
Machinery and equipment	30,494	2,426	--	32,920
Total accumulated depreciation	<u>30,494</u>	<u>2,426</u>	<u>--</u>	<u>32,920</u>
Total capital assets, being depreciated, net	<u>29,106</u>	<u>(2,426)</u>	<u>--</u>	<u>26,680</u>
Business-type activity capital assets, net	<u>\$ 29,106</u>	<u>\$ (2,426)</u>	<u>\$ --</u>	<u>\$ 26,680</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food service	<u>\$ 2,426</u>
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7. Long-Term Liabilities:

A summary of changes in long-term debt follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Amount Due Within One Year
Governmental Activities:					
Other loan	\$ 86,408	\$ --	\$ 24,688	\$ 61,720	\$ 12,344
Compensated absences	4,274	--	711	3,563	600
Total Governmental Activities	<u>\$ 90,682</u>	<u>\$ --</u>	<u>\$ 25,399</u>	<u>\$ 65,283</u>	<u>\$ 12,944</u>

Iroquois School District No. 2-3
Notes to Financial Statements
June 30, 2021

7. Long-Term Liabilities: (Continued)

Compensated absences for governmental activities have been liquidated from the General and Special Education Fund.

Debt payable at June 30, 2021 is comprised of the following:

State Energy Loan	The School District received a loan for \$123,440. The loan is 0% interest, and \$12,344 payments. Annual payments are due by July 31st. The Capital Outlay fund makes this payment. There are funds remaining to be spent from loan.	\$ 61,720
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff and the business manager are entitled to reimbursement of unused sick leave up to 90 days at \$40 a day or a \$3,600 maximum.	\$ 3,563

The annual requirements to maturity for long-term debt June 30, 2021:

Year Ending June 30,	Other Loans		Total	
	Principal	Interest	Principal	Interest
2022	\$ 12,344	\$ --	\$ 12,344	\$ --
2023	12,344	--	12,344	--
2024	12,344	--	12,344	--
2025	12,344	--	12,344	--
2026	12,344	--	12,344	--
Totals	\$ 61,720	\$ --	\$ 61,720	\$ --

8. Interfund Activity:

Transfers to/from other funds at June 30, 2021, consist of the following:

Transfer to cover the expenditures in the general fund for insurance, utilities, and fuel.	\$ 225,000
Transfer to the food service from general fund for operations	\$ 15,000

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

9. Restricted Net Position:

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	law	\$ 792,889
Special Education	law	505,320
SDRS Pension Purposes	law	57,478
		<u>\$ 1,355,687</u>

10. Pension Plan:

a. Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor's 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.

b. Benefits Provided:

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

10. Pension Plan: (Continued)

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater 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.

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS are:

<u>Year Ended</u>	
<u>June 30,</u>	<u>Amount</u>
2021	\$ 72,779
2020	77,496
2019	\$ 73,764

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

10. Pension Plan: (Continued)

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

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

Proportionate share of pension liability	\$ 7,234,526
Less proportionate share of net pension restricted for pension benefits	<u>7,237,082</u>
Proportionate share of net pension (asset)	<u><u>\$ (2,556)</u></u>

At June 30, 2021, the School District reported an (asset) of \$(2,556) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2020 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was 0.05885080%, which is an increase of 0.0010294% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$114,437. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 9,778	\$ 2,002
Changes in assumption	82,327	332,029
Net difference between projected and actual earnings on pension plan investments	237,556	--
Changes in proportion and difference between District contributions and proportionate share of contributions	--	13,487
District contributions subsequent to the measurement date	<u>72,779</u>	<u>--</u>
Total	<u><u>\$ 402,440</u></u>	<u><u>\$ 347,518</u></u>

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

10. Pension Plan: (Continued)

\$72,779 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30,	
2022	\$ (37,749)
2023	(26,384)
2024	2,152
2025	44,124
Total	<u>\$ (17,857)</u>

e. Actuarial Assumptions:

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

Inflation	2.25 percent
Salary increases	6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

10. Pension Plan: (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	5.1%
Fixed income	30.0%	1.5%
Real estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100.0%</u>	

f. Discount Rate:

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

g. Sensitivity of asset to changes in the discount rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 991,512	\$ (2,556)	\$ (815,683)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

11. Post-Employment Healthcare:

Plan Description:

The Iroquois School District offers a single employer defined benefit healthcare plan. The plan provides medical and dental coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. An employee with a combination of years of service with the school district and age totaling 60 or greater leaving the district may continue insurance coverage with the group health insurance plan until they reach the age 65. 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.

Hiring an actuarial to calculate the liability and other disclosures was not cost effective for the school district. The OPEB liability as of June 30, 2021 for retirees already on the plan was evaluated and determined to not be material to the Statement of Net Position and therefore no liability is recorded.

12. Joint Ventures:

The School participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Arlington School District No. 38-1	3.36%	Henry School District No. 14-2	2.09%
Britton-Hecla School District No. 45-4	5.50%	Iroquois School District No. 2-3	2.74%
Castlewood School District No. 28-1	3.95%	Lake Preston School District No. 38-3	2.27%
Clark School District No. 12-2	5.46%	Oldham/Ramona School District 39-5	2.15%
DeSmet School District No. 38-2	3.64%	Rosholt School District No. 54-4	3.09%
Deubrook School District No. 5-2	4.68%	Sioux Valley School District No. 5-5	8.80%
Deuel School District No. 19-4	6.62%	Summit School District No. 54-6	2.26%
Elkton School District No. 5-3	4.31%	Waubay School District No. 18-3	2.23%
Enemy Swim Day School	2.06%	Waverly School District No. 14-5	3.31%
Estelline School District No. 28-2	3.48%	Webster School District No. 18-4	6.83%
Florence School District No. 14-1	3.57%	Willow Lake School District No. 12-3	3.52%
Hamlin School District No. 28-3	11.10%	Wilmot School District No. 54-7	2.97%

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

Iroquois School District No. 2-3
Notes to Financial Statements
June 30, 2021

12. Joint Ventures: (Continued)

The School 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 Northeast Educational Services Cooperative.

At June 30, 2021, this joint venture had a total of \$875,761 net position, total liabilities and deferred inflows of resources of \$1,102,577 and net assets and deferred outflows of resources of \$1,978,338.

13. Risk Management:

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

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

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

Workers' Compensation – The School District purchases liability insurance for workers' compensation from a commercial carrier.

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

During the year ended June 30, 2021, \$0 in claims were paid for unemployment. At June 30, 2021, no new claims had been filed for unemployment benefits, but claims are anticipated to be paid out in the next fiscal year.

14. Risks and Uncertainties:

As a result of the spread of the SARS-COV-2 virus, the incidence of COVID-19, and the world-wide coronavirus pandemic economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the School District. The School District is closely monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2021

15. Restatement and Implementation of New Standards:

Fiduciary Funds - In 2021, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the District reclassify previously reported agency funds as custodial funds. The adjustment to beginning fund balance is as follows:

<u>Fiduciary Activities - Custodial Funds:</u>	
Net Position - June 30, 2020, as previously reported	\$ --
Restatement due to the inclusion of amounts held for others	<u>65,901</u>
Net Position - July 1, 2020, as restated	<u><u>\$ 65,901</u></u>

Governmental Activities – It was discovered that 2020 deletions were incorrect in the machinery and equipment category of capital assets. The prior year reported machinery and equipment at \$349,388 and the related accumulation at \$87,062, net 262,326. The corrected in note 6 report beginning machinery and equipment at \$515,379 and related accumulated depreciation at \$253,053, net \$262,326. The restatement has no effect on net position.

16. Subsequent Events:

In January 2022, the District entered into a lease agreement for 60 months for printers. Payments are \$1,190 per month. Future minimum lease payments are as follows:

2022-----	\$7,140
2023-----	\$14,280
2024-----	\$14,280
2025-----	\$14,280
2026-----	\$14,280
2027-----	\$7,140

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

**Required Supplementary Information
Other than MD&A**

Iroquois School District No. 2-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,010,775	\$ 2,010,775	\$ 2,234,787	\$ 224,012
Prior years' ad valorem taxes	5,000	5,000	6,231	1,231
Gross receipt taxes	45,000	45,000	41,077	(3,923)
Penalties and interest on taxes	1,500	1,500	2,242	742
Tuitions and Fees:				
Preschool Tuition	9,000	9,000	5,985	(3,015)
Earnings on Investments and Deposits	5,000	5,000	1,169	(3,831)
Cocurricular Activities:				
Admissions	10,000	10,000	4,532	(5,468)
Other Revenue from Local Sources:				
Charges for services	2,500	2,500	3,768	1,268
Other	2,500	2,500	6,945	4,445
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	15,000	15,000	11,192	(3,808)
Revenue in Lieu of Taxes	2,500	2,500	2,941	441
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	249,627	249,627	301,587	51,960
Other State Revenue	--	--	100	100
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	62,000	62,000	176,561	114,561
Restricted grants-in-aid received from federal government through the state	145,361	145,361	147,783	2,422
Total Revenues	<u>\$ 2,565,763</u>	<u>\$ 2,565,763</u>	<u>\$ 2,946,900</u>	<u>\$ 381,137</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Iroquois School District No. 2-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis June 30, 2021 (Continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 631,000	\$ 631,000	\$ 572,546	\$ 58,454
Middle school	150,250	150,250	125,259	24,991
High school	624,650	624,650	558,105	66,545
Preschool services	77,915	77,915	75,349	2,566
Special Programs:				
Educationally deprived	120,861	120,861	109,053	11,808
Support Services:				
Pupils:				
Guidance	78,500	78,500	71,325	7,175
Instructional Staff:				
Educational media	146,950	149,450	132,048	17,402
General Administration:				
Board of education	32,750	32,750	25,701	7,049
Executive administration	58,550	58,550	53,491	5,059
School Administration:				
Office of the principal	115,787	115,787	113,640	2,147
Other	1,000	1,000	280	720
Business:				
Fiscal services	96,000	96,000	88,669	7,331
Operation and maintenance of plant	302,763	302,763	289,356	13,407
Student transportation	227,000	227,000	203,576	23,424
Food services	5,000	10,700	8,966	1,734
Central:				
Staff	1,000	1,000	719	281
Nonprogrammed Charges:				
Payments to state - unemployment	10,000	10,000	--	10,000
Cocurricular Activities:				
Male activities	43,250	43,250	32,893	10,357
Female activities	45,750	45,750	36,302	9,448
Transportation	25,000	31,800	31,718	82
Combined activities	26,475	26,475	17,723	8,752
Contingencies	15,000	--	--	--
Total Expenditures	<u>2,835,451</u>	<u>2,835,451</u>	<u>2,546,719</u>	<u>288,732</u>
Excess of Revenue Over (Under) Expenditures	<u>(269,688)</u>	<u>(269,688)</u>	<u>400,181</u>	<u>669,869</u>
Other Financing Sources (Uses)				
Transfers in	284,688	284,688	225,000	(59,688)
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	--
Total Other Financing Sources (Uses)	<u>269,688</u>	<u>269,688</u>	<u>210,000</u>	<u>(59,688)</u>
Net Change in Fund Balances	--	--	610,181	610,181
Fund Balance - Beginning of Year	<u>1,390,383</u>	<u>1,390,383</u>	<u>1,390,383</u>	--
Fund Balance - End of Year	<u>\$ 1,390,383</u>	<u>\$ 1,390,383</u>	<u>\$ 2,000,564</u>	<u>\$ 610,181</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Iroquois School District No. 2-3

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 500,000	\$ 500,000	\$ 561,568	\$ 61,568
Prior years' ad valorem taxes	1,000	1,000	1,070	70
Penalties and interest on taxes	300	300	544	244
Total Revenues	501,300	501,300	563,182	61,882
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	37,500	37,500	33,340	4,160
Middle school	10,000	10,000	3,599	6,401
High school	20,000	20,000	11,398	8,602
Support Services:				
Instructional Staff:				
Educational media	30,000	39,500	38,554	946
General Administration:				
Board of education	500	500	--	500
Executive administration	1,000	1,000	--	1,000
School Administration:				
Office of the principal	1,000	1,000	--	1,000
Business:				
Fiscal services	8,000	8,000	6,055	1,945
Facilities acquisition and construction	125,000	125,000	28,575	96,425
Operation and maintenance of plant	125,000	125,000	117,789	7,211
Student transportation	30,000	30,000	20,122	9,878
Food Services	5,000	5,000	545	4,455
Debt Services	12,500	12,500	24,688	(12,188)
Cocurricular Activities:				
Male activities	10,000	10,000	7,385	2,615
Female activities	5,000	5,000	4,053	947
Combined activities	2,500	6,500	6,390	110
Total Expenditures	423,000	436,500	302,493	134,007
Excess of Revenue Over (Under) Expenditures	78,300	64,800	260,689	195,889
Other Financing Sources (Uses)				
Transfers in	146,700	146,700	--	(146,700)
Transfer out	(225,000)	(225,000)	(225,000)	--
Total Other Financing Sources (Uses)	(78,300)	(78,300)	(225,000)	(146,700)
Net Change in Fund Balances	--	(13,500)	35,689	49,189
Fund Balance - Beginning of Year	757,200	757,200	757,200	--
Fund Balance - End of Year	\$ 757,200	\$ 743,700	\$ 792,889	\$ 49,189

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Iroquois School District No. 2-3
Required Supplementary Information – Budgetary Comparison Schedule –
Special Education Fund – Budgetary Basis
June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 250,000	\$ 250,000	\$ 280,860	\$ 30,860
Prior years' ad valorem taxes	700	700	569	(131)
Penalties and interest on taxes	200	200	276	76
Other Revenue from Local Sources:				
Charges for services	2,000	2,000	622	(1,378)
Total Revenues	252,900	252,900	282,327	29,427
Expenditures:				
Instruction:				
Special Programs:				
Programs for special education	270,000	271,200	231,951	39,249
Support Services:				
Students:				
Guidance	750	750	393	357
Psychological	13,000	13,000	9,292	3,708
Speech pathology	24,000	24,000	17,713	6,287
Student therapy services	18,000	18,000	11,400	6,600
Special Education:				
Administrative costs	25,000	25,000	24,985	15
Other	--	--	75	(75)
Total Expenditures	350,750	351,950	295,809	56,141
Excess of Revenue Over Expenditures	(97,850)	(99,050)	(13,482)	85,568
Other Financing Sources				
Transfers in	97,850	97,850	--	(97,850)
Net Change in Fund Balances	--	(1,200)	(13,482)	(12,282)
Fund Balance - Beginning of Year	518,802	518,802	518,802	--
Fund Balance - End of Year	\$ 518,802	\$ 517,602	\$ 505,320	\$ (12,282)

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Iroquois School District No. 2-3
Notes to Required Supplementary Information Other than MD&A
June 30, 2021

Note 1 – Basis Of Presentation

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

Note 2 – Budgets And Budgetary Accounting

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

1. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except Trust and Agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in number (8).
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows 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.

Iroquois School District No. 2-3

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0588508%	0.0578214%	0.0559052%	0.0539334%	0.0472595%	0.0472636%	4.5384100%
District's proportionate share of net pension liability (asset)	\$ (2,556)	\$ (6,127)	\$ (1,304)	\$ (4,895)	\$ 159,758	\$ (200,458)	\$ (326,253)
District's covered-employee payroll	\$ 1,291,599	\$ 1,229,402	\$ 1,162,209	\$ 1,095,821	\$ 899,317	\$ 862,895	\$ 862,900
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	37.81%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.29%

*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.

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

Iroquois School District No. 2-3
Schedule of the School District Contributions - South Dakota Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 72,779	\$ 77,496	\$ 73,764	\$ 69,733	\$ 65,749	\$ 53,959	\$ 51,774
Contributions in relation to the contractually required contribution	<u>72,779</u>	<u>77,496</u>	<u>73,764</u>	<u>69,733</u>	<u>65,749</u>	<u>53,959</u>	<u>51,774</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,212,990	\$ 1,291,599	\$ 1,229,402	\$ 1,162,209	\$ 1,095,821	\$ 899,317	\$ 862,895
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Iroquois School District No. 2-3
Notes to Required Supplementary Information Other than MD&A
For the Year Ended June 30, 2021

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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