



Financial Statements
June 30, 2021

Lemmon School District No. 52-4

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Lemmon School District No. 52-4
School District Officials (Unaudited)
June 30, 2021

School Board Chairman	Linda O'Donnell
School Board Vice-Chairman	Dennis Maier
School Board Members	Danni Beer Karin Schiley Melissa Reede Randy Miller Mike Drayton
Superintendent	Steve Bucks
Business Manager	Anita Stugelmeyer



Independent Auditor's Report

To the School Board
Lemmon School District No. 52-4
Perkins County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lemmon School District No. 52-4 (the "School District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lemmon School District No. 52-4, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 and 12 to the financial statements, the School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the fund balance and net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, other postemployment benefit schedules, and the schedule of employer's share of net pension liability (asset) and employer's contributions as 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lemmon School District No. 52-4's financial statements. The School District officials listing is presented for purposes of additional analysis and is not a required part of the financial statements. The School District officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022, on our consideration of Lemmon School District No. 52-4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lemmon School District No. 52-4's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lemmon School District No. 52-4's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
January 21, 2022

This section of the Lemmon School District #52-4'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 generated from taxes and other revenues of the governmental activities was \$817,412 more than the \$4,688,822 in governmental activities expenditures.
- The total cost of the School's programs increased by \$659,381 with the largest increases in Instruction, Support Services and Co-Curricular. A part of this change is due to the implementation of GASB 84 and its effect on the government wide statements as certain activities formerly reported as fiduciary no longer are reported as such after implementation of GASB 84. School District expenditures are held at a minimum when possible.
- The General Fund reported a net increase of \$210,699 for fiscal year 2021. The net increase in the general fund is partly due to a transfer from Capital Outlay in the amount of \$125,000. The School District posted a net increase in the fund balance for the general fund at the end of fiscal year 2020 in the amount of \$113,466. The property tax opt out of \$150,000 was renewed in January 2020 beginning with taxes payable in the 2020 – 2021 fiscal year.
- The School District has outstanding bonds from a bond issue approved by the voters in fiscal year 2019 in the amount of \$9.9 million for the renovation of existing facilities and the construction of a new addition for grades 6-12 onto the armory facility. The bonds were issued in November 2019 and construction began in June 2020. Interest and principal payments have been made on the bonds.
- The School District also has an interest free loan to the State of South Dakota with an initial principal amount of \$130,850 payable over 10 years with the first payment in fiscal year 2015. This loan has a balance of \$39,255 with the final payment due in July 2024.
- The School District posted in fiscal year 2017 a debt to South Dakota School District Benefit Fund of \$84,759 which was paid in four payments beginning in October 2017. The debt is paid in full as of the end of fiscal year 2021. The final payment was paid October 2020. The interest was waived on this debt.

Overview of the Financial Statements

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

- 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 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.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – 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 sections.

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 remainder 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 Lemmon School District’s Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements Governmental Funds
	Scope	Entire School District government (except fiduciary funds)
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
Type of Asset/Deferred Outflow of Resources/Liability/Deferred Inflow of Resources Information	All assets, deferred outflows, liabilities, and deferred inflows, 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.
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.

Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by the 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 – the difference between the School's assets and liabilities – 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 report all activities of the School District as Governmental Activities. This includes not only 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.), capital equipment purchases but also the food service area. Property taxes, state grants, federal grants, interest earnings and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Lemmon School District's most significant funds – not the School District as a whole. Funds are accounting devices that the School District 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 (i.e. Scholarship Trust)

After the implementation of GASB 84 during FY2021, the School has one kind of fund:

- **Governmental Funds** – The School District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund 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 District'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 funds' statements, or on the subsequent page, that explains the relationship (or differences) between them.

Financial Analysis of the School District as a Whole

Net Position

The Lemmon School District's net position is as follows:

**Table A-1
 Lemmon School
 Statement of Net Position**

	Governmental Activities 2021	Governmental Activities 2020
Assets		
Current and Other Assets	\$ 10,799,971	\$ 16,784,803
Capital Assets	10,864,248	2,645,921
Total assets	21,664,219	19,430,724
Deferred Outflows of Resources	572,765	450,469
Long-Term Debt Outstanding	9,882,336	10,187,692
Other Liabilities	2,022,355	614,789
Total Liabilities	11,904,691	10,802,481
Deferred Inflows of Resources	1,921,208	1,690,447
Net Position		
Net investment in capital assets	2,100,967	2,091,325
Restricted	4,804,671	4,233,675
Unrestricted	1,505,447	1,063,265
Total Net Position	\$ 8,411,085	\$ 7,388,265

The net position of the School District increased \$1,022,820 for fiscal year 2021 from fiscal year 2020. \$205,408 of this increase in net position was related to the implementation of GASB 84 during fiscal year 2021. The district showed an increase in the net position of \$687,195 for fiscal year 2020. Total assets and deferred outflows of resources increased \$2,355,791 from the 2020 fiscal year. The liabilities and deferred inflows of resources showed an increase of \$1,332,971 due to payables in regard to construction.

The statement of net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable have been reported in this manner on the statement of net position. The difference between the school’s assets and liabilities is the net position.

Figure A-2 - Revenues

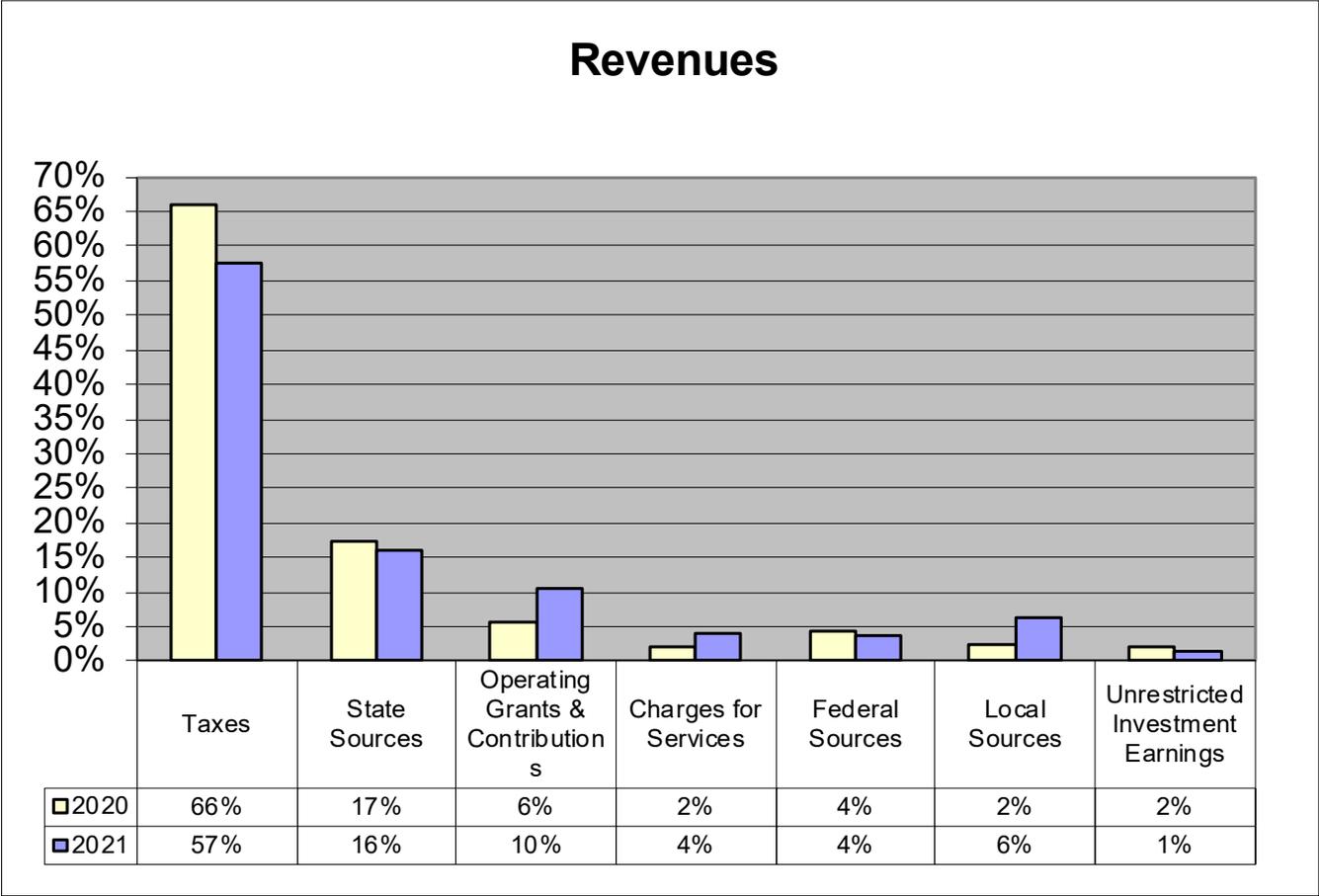
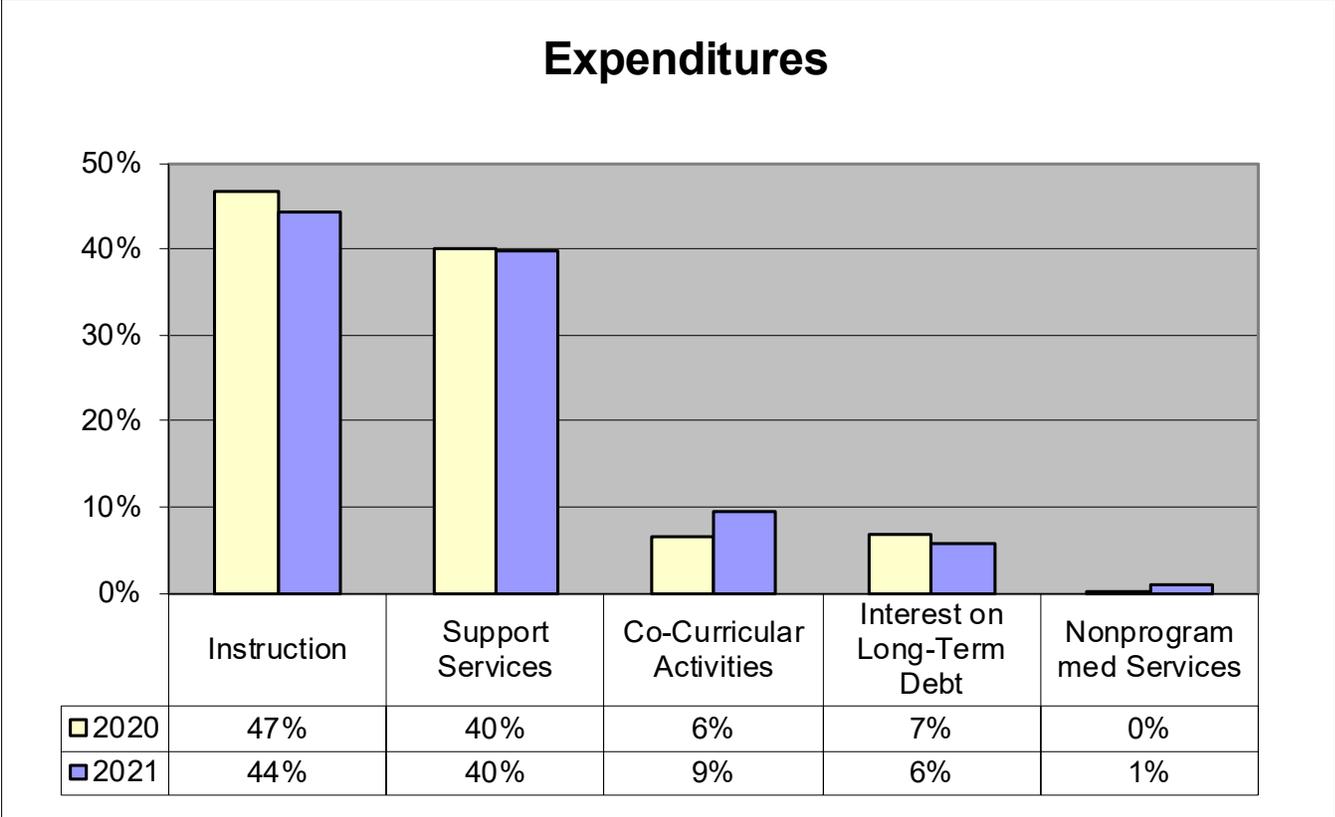


Figure A-3 – Expenditures



Governmental Activities

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

**Table A-2
Changes in Net Position**

	<u>Total Governmental Activities 2021</u>	<u>Total Governmental Activities 2020</u>
Revenues		
Program Revenues		
Charges for Services	\$ 218,529	\$ 94,796
Operating Grants and Contributions	571,614	259,565
General Revenues		
Taxes	3,163,519	3,110,804
Revenue State Sources	888,289	815,649
Revenue Federal Sources	203,638	209,848
Revenue Intermediate Sources	353,524	108,623
Unrestricted Investment Earnings	74,762	100,763
Compensation for loss on capital assets	32,359	16,588
Total Revenues	<u>5,506,234</u>	<u>4,716,636</u>
Expenses		
Instruction	2,073,172	1,880,897
Support Services	1,865,934	1,617,390
Co-curricular Activities	437,946	259,390
Interest on Long-Term Debt	264,378	271,214
Nonprogrammed Charges	47,392	550
Total Expenses	<u>4,688,822</u>	<u>4,029,441</u>
Change in Net Position	817,412	687,195
Net Position, Beginning of Year, as previously stated	<u>7,388,265</u>	<u>6,701,070</u>
Restatement, Implementation of GASB 84	<u>205,408</u>	<u>-</u>
Net Position, Beginning of Year, as restated	<u>7,593,673</u>	<u>6,701,070</u>
Net Position, End of Year	<u>\$ 8,411,085</u>	<u>\$ 7,388,265</u>

The Lemmon School District's total revenues (including special items) totaled \$5,506,234 for fiscal year ending June 30, 2021, which is an increase of \$789,598 from fiscal year 2020. Revenue from operating grants and contributions as well as the intermediate sources showed the greatest increase. This is partly due to the additional grant funds due to COVID and the inclusion of formerly reported fiduciary funds in the General Fund related to implementation of GASB 84.

The total cost of all programs and services was \$4,688,822 for fiscal year ending June 30, 2021, which is an increase of \$659,381 from fiscal year 2020. The largest increases in expenditures can be found in the cocurricular activities and the nonprogrammed charges. Slight increases in expenses were noted in other areas.

Approximately 57% of the School District's revenue came from property taxes compared to 66% in FY 2020 with approximately 16% from state sources compared to 17% in FY 2020. There is always a shift in funding between the local and state revenues is dependent on the per pupil amount for the general fund state aid, any increase in property tax values and change in property tax levies as set by the state legislative bodies. However, in FY 2021, the additional federal funds due to COVID as well as the revenues related to formerly reported fiduciary activities from the implementation of GASB 84 affected the percentage of revenue from taxes.

For general fund, the per pupil state aid amount is a combination of property taxes and state funds. The School District's enrollment has held steady the last couple of years; however, there was a slight increase in enrollment for fiscal year 2021.

Fiscal year 2021 shows a slight increase in the state revenue which is partially due to the slight increase in enrollment, the local effort due to local tax evaluations and how the state funding formula is calculated. The federal funding increased in fiscal year 2021 due to additional COVID funding. The School District continues to use the Title I funding where possible (see Figure A-2).

Fiscal year 2021 shows an increase in expenditures (see Table A-2). The School District's expenses cover a range of services, encompassing instruction, support services, capital outlay expenditures, interest on long-term debt, and food services (see Figure A-3).

Financial Analysis of the School's Funds

The General Fund had an increase of \$210,699 in the fund balance at the end of the year. The School District continues to monitor the budget to stay abreast of the district financial status. If there is a need for a transfer to the General Fund in the future, the state aid formula allows for a transfer from the Capital Outlay Fund.

The Capital Outlay Fund showed an increase in the fund balance due to the utilization of the CRF funds as well as holding the capital outlay expenditures to a minimum where possible.

The Special Education Fund reflects a slight decrease in the fund balance due a decrease in tax revenue and special education costs remaining stable. The district did not meet the maintenance of effort in the special education fund for FY 2020. Therefore, the local and federal expenditures were monitored closely in FY 2021. However, due to the special education fund balance, the district does not receive any state aid for special education.

Budgetary Highlights

There were no significant budget changes or budget variances for the year in the General Fund.

Capital Asset Management

By the end of fiscal year 2021, the Lemmon School District had invested \$10,864,248 net of depreciation in a broad range of capital assets, including, land, buildings and various machinery and equipment. This is a net increase of \$8,218,327 over fiscal year 2020. (See Table A-3).

Table A-3
Lemmon School District 52-4 – Capital Assets
(Net of depreciation)

	Governmental Activities 2021	Governmental Activities 2020
Land	\$ 10,580	\$ 10,580
Construction in progress	8,724,026	502,256
Improvements (net)	344,520	281,526
Buildings (net)	1,546,692	1,606,382
Machinery and equipment (net)	238,430	245,177
Total capital assets (net)	\$ 10,864,248	\$ 2,645,921

The increase in capital assets is primarily due to construction in progress from the armory school addition continued from the prior year.

Long Term Debt

The long-term debt of the Lemmon School District consists of the following:

- The School District replaced the lights in the high school and the armory gym with an interest free loan in the amount of \$130,850 from the State of South Dakota. The loan for the lighting project must be paid back in 10 years. The district has made five payments to date with a remaining balance due at the end of fiscal year 2021 of \$39,255.
- The South Dakota School District Benefit Fund balance was paid in full at the end of the 2021 fiscal year with the last payment made in October 2020.
- The General Obligation Bonds were sold in November 2019. The bonds were sold for the remodel and addition to the Lemmon Armory. The first payments were made in fiscal year 2021.
- The remainder of the long-term debt is compensated absences for which the School District is liable for accrued sick leave and vacation leave payable for both the certified staff and support staff as per school district handbooks and the Negotiated Agreement.

Table A-4

	Governmental Activities		Change	Change
	2021	2020	2021-2020	2021-2020
Compensated absences	\$ 33,722	\$ 25,423	\$ 8,299	32.64%
Energy Loan	39,255	52,340	(13,085)	-25.00%
GO Bonds Payable	9,710,593	9,991,837	(281,244)	-2.81%
SD SDBF Assessment	-	21,670	(21,670)	-100.00%
Total outstanding debt and obligations	<u>\$ 9,783,570</u>	<u>\$ 10,091,270</u>	<u>\$ (307,700)</u>	<u>-3.05%</u>

Economic Factors and Next Year's Budgets and Rates

The Lemmon School District's overall economic position continues to improve. The School District's property valuation has increased some, however, the maximum that can be levied is set during the State of South Dakota legislative session every year.

One of the primary sources of General Fund revenue to the school is based on the per student allocation received from the State of South Dakota. The South Dakota state aid formula changed and now includes a target average teacher salary, a student-teacher ratio as well as putting the Pension fund in the General Fund beginning with fiscal year 2017. Raising the teacher's salary was a large consideration in the new funding formula. All school districts are required to meet their accountability as defined by the South Dakota Department of Education.

In calculating the total need for fiscal year 2021, the SD Department of Education determined it to be \$1,824,133 of which \$756,006 will come in the form of state aid to education. The remainder the district will receive as tax revenue. With the change in the state aid formula fiscal year 2017, the other revenue which the district receives separately is included in the calculation of local effort in accordance to state statute.

The Revenue Chart (Figure A-2) on page 10 shows a shift in the primary source of revenue. The current General Fund state aid formula is a combination of property tax and state funding. What is not received in property tax is paid as general state aid to the district.

The slight increase in the fund balance for the General Fund is not attributable to any particular area in the budget. The School District administration and board try to hold expenses in all areas to a minimum when possible.

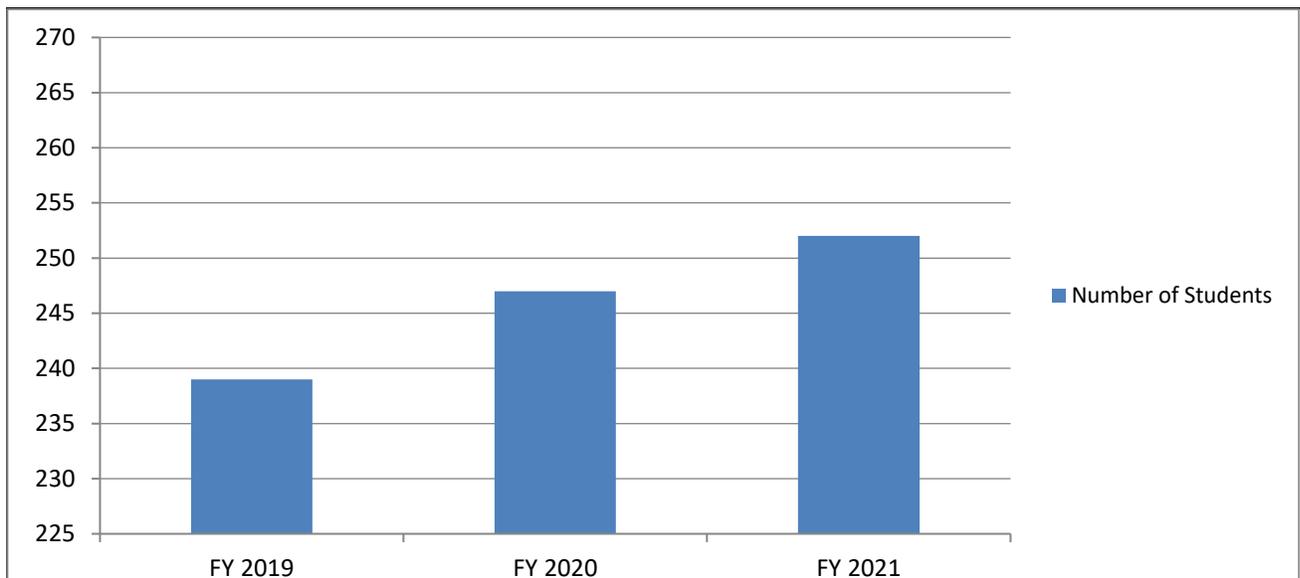
In fiscal year 2021 the Food Service Fund posted a \$70 fund balance compared to a negative fund balance in FY 2020. This was largely due to the transfer of \$30,000 from the General Fund to the Food Service Fund to cover the shortfall of the revenue. Beginning in November 2020 all students were allowed to eat free. Even though the district was reimbursed at the free rate for all student breakfasts and lunches, the revenue was not sufficient to cover the increased expenditures.

Throughout FY 2021, various federal funds became available to the school districts in the State of South Dakota in regard to COVID. The district has expended the ESSER I and Coronavirus Relief Funds in FY 2021. The district has ESSER II and ESSER III funds remaining.

The board approved the continuation of the opt out of \$150,000 in January 2021 and it was not referred to a vote of the patrons.

Student Enrollment

The enrollment has fluctuated slightly the last few years. The fall enrollment was 239 students for fiscal year 2019, 247 students for fiscal year 2020 and 252 students for fiscal year 2021. The enrollment for the upcoming fiscal year 2022 as taken in September 2021 was up slightly at 267 students. This enrollment number is what is used for the state aid calculation and does not include any students who tuition into the School District.



Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers as well as 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 Lemmon School District 52-4 Business Office, 209 Third Street West, Lemmon, South Dakota 57638.

Lemmon School District No. 52-4

Statement of Net Position – Exhibit I

June 30, 2021

	Governmental Activities
Assets	
Cash	\$ 9,009,784
Taxes receivable	1,377,804
Inventories	4,547
Other receivables	404,394
Net pension asset	3,442
Capital assets, not being depreciated	
Land	10,580
Construction in progress	8,724,026
Capital assets, net of accumulated depreciation	
Improvements	344,520
Buildings	1,546,692
Machinery/equipment	238,430
Total assets	<u>21,664,219</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>572,765</u>
Liabilities	
Accounts payable	1,673,340
Other current liabilities	349,015
Noncurrent liabilities	
Due within one year	
Compensated absences	33,722
Energy loan	13,085
Bonds payable	300,000
Due in more than one year	
Energy loan	26,170
Bonds payable	9,410,593
OPEB obligation	98,766
Total liabilities	<u>11,904,691</u>
Deferred Inflows of Resources	
Taxes levied for future period	1,469,120
Pension related deferred inflows	452,088
Total deferred inflows of resources	<u>1,921,208</u>
Net Position	
Net investment in capital assets	2,100,967
Restricted for	
Special Education	1,577,869
Capital Outlay	2,526,563
Debt Service	252,249
Capital Projects	323,871
SDRS pension purposes	124,119
Unrestricted	1,505,447
Total net position	<u>\$ 8,411,085</u>

Lemmon School District No. 52-4
Statement of Activities – Exhibit II
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Primary Government				
Governmental activities				
Instruction	\$ 2,073,172	\$ 39,000	\$ 446,114	\$ (1,588,058)
Support services	1,865,934	24,814	125,500	(1,715,620)
Co-curricular activities	437,946	154,715	-	(283,231)
Interest on long-term debt	264,378	-	-	(264,378)
Nonprogrammed charges	47,392	-	-	(47,392)
Total Primary Government	\$ 4,688,822	\$ 218,529	\$ 571,614	(3,898,679)
General Revenues				
Taxes				
Property taxes				3,018,320
Gross receipts taxes				145,199
Revenue from state sources				
State aid				888,289
Revenue from federal sources				203,638
Unrestricted investment earnings				74,762
Other general revenues				353,524
Compensation for loss on capital assets				32,359
Total general revenues and extraordinary items				4,716,091
Change in net position				817,412
Net position - June 30, 2020, as previously stated				7,388,265
Restatement - Implementation of GASB 84 (Note 12)				205,408
Net position - June 30, 2020, as restated				7,593,673
Net position - June 30, 2021				\$ 8,411,085

Lemmon School District No. 52-4
Balance Sheet – Governmental Funds – Exhibit III
June 30, 2021

	General Fund	Special Revenue Funds		Bond Redemption	Capital Projects	Governmental Funds	Total Governmental Funds
		Capital Outlay	Special Education			Food Service	
Assets							
101 Cash	\$ 1,712,605	\$ 2,616,436	\$ 1,606,991	\$ 274,184	\$ 2,793,950	\$ 5,618	\$ 9,009,784
110 Taxes receivable-current	531,873	397,796	169,887	265,775	-	-	1,365,331
112 Taxes receivable-delinquent	7,695	2,854	1,924	-	-	-	12,473
120 Accounts receivable	-	-	-	-	-	31	31
140 Due from other governments	315,593	56,229	32,541	-	-	-	404,363
170 Inventory	-	-	-	-	-	4,547	4,547
Total Assets	\$ 2,567,766	\$ 3,073,315	\$ 1,811,343	\$ 539,959	\$ 2,793,950	\$ 10,196	\$ 10,796,529
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
402 Accounts payable	\$ 56,334	\$ 115,751	\$ 11,451	\$ -	\$ 1,483,512	\$ 6,292	\$ 1,673,340
404 Contracts payable	236,450	-	37,910	-	-	1,500	275,860
415 Amounts held for others	6,491	-	-	-	-	-	6,491
450 Payroll deductions and withholdings and employer matching payable	42,210	-	-	-	-	2,334	44,544
Total Liabilities	341,485	115,751	49,361	-	1,483,512	10,126	2,000,235
Deferred Inflows of Resources:							
551 Unavailable revenue-property taxes	7,695	2,854	1,924	-	-	-	12,473
553 Taxes levied for future periods	566,296	431,001	184,113	287,710	-	-	1,469,120
Total Deferred Inflows of Resources	573,991	433,855	186,037	287,710	-	-	1,481,593
Fund Balances							
703 Nonspendable	-	-	-	-	-	4,547	4,547
720 Restricted for Special Education	-	-	1,575,945	-	-	-	1,575,945
Capital Outlay	-	2,523,709	-	-	-	-	2,523,709
Debt Service	-	-	-	252,249	-	-	252,249
Capital Projects	-	-	-	-	1,310,438	-	1,310,438
704 Unassigned	1,652,290	-	-	-	-	(4,477)	1,647,813
Total Fund Balances	1,652,290	2,523,709	1,575,945	252,249	1,310,438	70	7,314,701
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,567,766	\$ 3,073,315	\$ 1,811,343	\$ 539,959	\$ 2,793,950	\$ 10,196	\$ 10,796,529

See Notes to Financial Statements

Total Fund Balances - Governmental Funds		\$ 7,314,701
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,864,248
Assets such as taxes receivable that are not available to pay for current period expenditures are deferred inflows in the fund level statements.		12,473
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		120,677
The net pension asset does not represent available financial resources and, therefore, is not reported in the funds.		3,442
Unamortized balance of debt premiums are not due and payable in the current period and, therefore, are not reported in the funds.		(140,592)
Interest on long-term debt is not accrued in governmental funds, but rather, is recognized as an expenditure when due.		(22,120)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated Absences	\$ (33,722)	
Energy Loan	(39,255)	
Bonds payable	(9,570,001)	
OPEB Obligation	(98,766)	
		<u>(9,741,744)</u>
Net Position - Governmental Activities		<u>\$ 8,411,085</u>

Lemmon School District No. 52-4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Exhibit V
Year Ended June 30, 2021

	General Fund	Special Revenue Funds		Bond Redemption	Capital Projects	Governmental Funds	Total Governmental Funds
		Capital Outlay	Special Education			Food Service	
Revenues							
1000 Revenue from local sources							
1100 Taxes							
1110 Ad valorem taxes	\$ 1,178,563	\$ 862,509	\$ 339,041	\$ 623,938	\$ -	\$ -	\$ 3,004,051
1120 Prior years' ad valorem taxes	9,887	4,093	2,830	-	-	-	16,810
1130 Tax deed revenue	386	-	-	-	-	-	386
1140 Gross receipts taxes	145,199	-	-	-	-	-	145,199
1190 Penalties and interest on taxes	6,279	4,031	1,694	2,491	-	-	14,495
1300 Tuition and fees							
1310 Out-of-state tuition	39,000	-	-	-	-	-	39,000
1500 Earnings on investments and deposits	11,858	-	-	-	62,904	-	74,762
1600 Food service	-	-	-	-	-	24,814	24,814
1700 Co-curricular activities							
1790 Other pupil activity income	154,715	-	-	-	-	-	154,715
1900 Other revenue from local sources							
1920 Contributions and donations	276,424	1,500	-	-	-	-	277,924
1970 Charges for services	1,824	-	183	-	-	-	2,007
1990 Other	50,358	-	-	-	-	-	50,358
2000 Revenue from intermediate sources							
2100 County sources							
2110 County apportionment	17,898	-	-	-	-	-	17,898
2200 Revenue in lieu of taxes	4,362	-	-	-	-	-	4,362
3000 Revenue from state sources							
3110 Unrestricted grants-in-aid	888,289	-	-	-	-	-	888,289
3810 State reimbursements	-	-	-	-	-	459	459
4000 Revenue from federal sources							
4100 Grants-in-aid							
4110 Unrestricted grants-in-aid received directly from federal government	65,999	-	-	-	-	-	65,999
4120 Unrestricted grants-in-aid received from federal government through state	9,596	-	-	-	-	-	9,596
4150-4199 Restricted grants-in-aid received from federal government through state	244,386	128,394	73,334	-	-	-	446,114
4200 Revenue in Lieu of Taxes (PILT)	128,043	-	-	-	-	-	128,043
4810 Federal reimbursements	-	-	-	-	-	111,893	111,893
4820 Donated commodities	-	-	-	-	-	13,148	13,148
Total revenues	<u>3,233,066</u>	<u>1,000,527</u>	<u>417,082</u>	<u>626,429</u>	<u>62,904</u>	<u>150,314</u>	<u>5,490,322</u>

Lemmon School District No. 52-4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Exhibit V
Year Ended June 30, 2021

	General Fund	Special Revenue Funds		Bond Redemption	Capital Projects	Governmental	Total
		Capital Outlay	Special Education			Funds Food Service	Governmental Funds
Expenditures							
Current							
1000 Instruction							
1100 Regular programs							
1110 Elementary	577,846	58,087	-	-	-	-	635,933
1120 Middle school	132,421	-	-	-	-	-	132,421
1130 High school	498,629	133,602	-	-	-	-	632,231
1190 Other regular programs	93,266	-	-	-	-	-	93,266
1200 Special programs							
1220 Programs for special education	-	-	333,243	-	-	-	333,243
1270 Educationally deprived	83,325	-	-	-	-	-	83,325
2000 Support services							
2120 Guidance	33,478	-	-	-	-	-	33,478
2130 Health	3,787	-	-	-	-	-	3,787
2140 Psychological	-	-	3,810	-	-	-	3,810
2150 Speech pathology	-	-	62,545	-	-	-	62,545
2170 Student therapy services	-	-	2,594	-	-	-	2,594
2200 Instructional staff							
2210 Improvement of instruction	58,665	-	-	-	-	-	58,665
2220 Educational media	25,988	-	-	-	-	-	25,988
2300 General administration							
2310 Board of Education	68,186	-	-	-	-	-	68,186
2320 Executive administration	139,092	-	-	-	-	-	139,092
2400 School administration							
2410 Office of the Principal	224,654	-	-	-	-	-	224,654
2490 Other	136	-	-	-	-	-	136
2500 Support services - business							
2520 Fiscal services	104,163	-	-	-	-	-	104,163
2540 Operation and maintenance of plant	515,517	183,289	-	-	-	-	698,806
2550 Pupil transportation	145,395	-	-	-	-	-	145,395
2560 Food service	7,867	-	-	-	-	174,983	182,850
2700 Support services - special education							
2710 Administrative costs	-	-	18,716	-	-	-	18,716
3000 Community services							
4000 Nonprogrammed charges							
4300 Scholarships	9,500	-	-	-	-	-	9,500
4900 Other nonprogrammed costs	37,892	-	-	-	-	-	37,892

Lemmon School District No. 52-4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Exhibit V
Year Ended June 30, 2021

	General Fund	Special Revenue Funds		Bond Redemption	Capital Projects	Other Governmental Funds Food Service	Total Governmental Funds
		Capital Outlay	Special Education				
5000 Debt services	-	13,085	-	546,540	-	-	559,625
6000 Co-curricular activities							
6100 Male activities	110,959	-	-	-	-	-	110,959
6200 Female activities	45,008	-	-	-	-	-	45,008
6900 Combined activities	199,310	-	-	-	-	-	199,310
Capital outlay	2,283	188,279	-	-	8,221,770	1,182	8,413,514
Total expenditures	3,117,367	576,342	420,908	546,540	8,221,770	176,165	13,059,092
Excess of Revenues Over (Under) Expenditures	115,699	424,185	(3,826)	79,889	(8,158,866)	(25,851)	(7,568,770)
Other Financing Sources (Uses)							
5110 Transfers in	125,000	-	-	-	-	30,000	155,000
8110 Transfers out	(30,000)	(125,000)	-	-	-	-	(155,000)
5130 Sale of surplus property	-	1,227	-	-	-	-	1,227
5140 Compensation for loss of general capital assets	-	32,359	-	-	-	-	32,359
Total Other Financing Sources (Uses)	95,000	(91,414)	-	-	-	30,000	33,586
Net Change in Fund Balance	210,699	332,771	(3,826)	79,889	(8,158,866)	4,149	(7,535,184)
Fund Balance - June 30, 2020, as previously stated	1,236,183	2,190,938	1,579,771	172,360	9,469,304	(4,079)	14,644,477
Restatement - Implementation of GASB 84 (Note 12)	205,408	-	-	-	-	-	205,408
Fund Balance - June 30, 2020, as restated	1,441,591	2,190,938	1,579,771	172,360	9,469,304	(4,079)	14,849,885
Fund Balance - June 30, 2021	\$ 1,652,290	\$ 2,523,709	\$ 1,575,945	\$ 252,249	\$ 1,310,438	\$ 70	\$ 7,314,701

Lemmon School District No. 52-4
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the
 Government-Wide Statement of Activities – Exhibit VI
 Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (7,535,184)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. 8,413,514

This amount represents the current-year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (194,936)

In the statement of activities, gains or losses on disposal of capital assets are reported; whereas, in the governmental funds, no gain or loss is realized. (251)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (17,422)

Principal payments on long-term liabilities are an expenditure in the governmental funds, but the payments decrease long-term liabilities in the statement of net position. 309,754

Governmental funds report the effect of premiums and discounts when debt is first issued; whereas, these amounts are reported as part of debt and amortized in the statement of activities. This is the current-year amortization of the premium on debt. 6,245

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (154,582)

Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. 917

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (10,643)

Change in Net Position of Governmental Activities \$ 817,412

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the Lemmon School District No. 52-4's significant accounting policies:

Reporting Entity

The reporting entity of the Lemmon School District No. 52-4 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the 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.

Basis of Presentation

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

Government-Wide Statements

The statement of net position and the statement of activities display information about the School District. 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

The statement of activities presents a comparison between direct expenses and program revenues for each 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expense. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds

	Description
General Fund	The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund. The General Fund is always a major fund.
Special Education Fund	A fund established by South Dakota Codified Law (SDCL) 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes.
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. This fund is financed by property taxes.
Bond Redemption Fund	A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest of general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District.
Capital Projects Fund	The Capital Projects Fund is the only capital projects fund maintained by the School District to account for the financial resources to be used for the construction of major capital facilities, which is the armory addition.

Interfund Eliminations

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated. In order to eliminate the grossing-up effect on the assets and liabilities within the governmental funds, the advances between funds have been eliminated.

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, governmental 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.

Basis of Accounting**Government-Wide Financial Statements**

In the government-wide statement of net position and statement of activities, governmental 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 School District, the length of that cycle is 60 days. The revenues, which are accrued at June 30, 2021, are revenues from federal, state, and local sources.

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

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.

Deposits and Investments

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.

Investments – In general, SDCL 4-5-6 permits School District funds to be invested only in a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or b) repurchase agreements fully collateralized by securities described in (a); or (c) 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.

As of June 30, 2021, the School District did not have any investments.

Custodial and Concentration of Credit Risk

Custodial Credit Risk - Deposits: The risk that, in the event of a depository failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2021, the School District’s bank balances were \$9,021,251, which includes various bank accounts. Of these deposits, \$250,000 was covered by the FDIC and the remaining balance was uninsured but collateralized with securities held by the pledging financial institution.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2021, the School District did not have any investments.

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

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

Assignment of Investment Income: State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund, except for the Capital Projects Fund and Food Service Fund, which are credited to those funds. United States generally accepted accounting principles, on the other hand, require 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 investments earnings may be reported, while in the government-wide financial statements, they have been eliminated. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

Receivables and Payables

The School District does not aggregate receivables and payables in the financial statements. The amount recorded as due from other governments consists of \$123,366 for utility tax revenues in the General Fund from the State and County. The General Fund also has accounts receivable from the County for payments in lieu of taxes in the amount of \$128,043. The General Fund, Capital Outlay Fund, and Special Education Fund also have amounts due from the federal government relating to Title I, Title II, and CARES/Esser grant revenues in the amounts of \$64,184, \$56,229, and \$32,541, respectively. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible amounts have been established.

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list (average for the year). In the government-wide financial statements and in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the governmental fund financial statements, the "consumption method" of recording inventory is used.

Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

The total June 30, 2021, balance of capital assets for governmental activities includes estimates of the original costs. These estimated original costs were established by deflated current replacement cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with net capital assets reflected in the statement of net position. Capitalization thresholds (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 are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Improvements	\$ 1,000	Straight-line	30 years
Buildings	1,000	Straight-line	50 years
Machinery/equipment	1,000	Straight-line	5-20 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, direct borrowings, and general obligation bonds.

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

Deferred Outflows and Inflows of Resources

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

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

Receivables, such as taxes receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met. According to SDCL 10-33, deferred inflows of resources would also be recognized for gross receipts tax if they are received after their 60-day period of availability after the current period (September 1).

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.

Program Revenues

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

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

Equity Classifications

Government-Wide Statements

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

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

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.

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 is distinguished between nonspendable, restricted, committed, assigned, or unassigned components.

Restricted and Unrestricted Resources

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

Fund Balance Classification Policies and Procedures

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

The nonspendable fund balance is comprised of nonspendable amounts in the form of inventory.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar-for-dollar spending. Additionally, the School District 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	Property Taxes
Special Education Fund	Property Taxes

Implementation of GASB Statement No. 84

As of July 1, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities, and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the School District resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 12.

Note 2 - 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 not intended to be used to finance the current year's appropriations and, therefore, are not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

Note 3 - Changes in Capital Assets

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

Governmental Activities

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated				
Land	\$ 10,580	\$ -	\$ -	\$ 10,580
Construction in progress	502,256	8,221,770	-	8,724,026
Total capital assets not being depreciated	<u>512,836</u>	<u>8,221,770</u>	<u>-</u>	<u>8,734,606</u>
Capital assets, being depreciated				
Improvements	672,802	76,632	-	749,434
Buildings	3,672,730	22,979	-	3,695,709
Machinery/equipment	2,064,843	92,133	(476,230)	1,680,746
Total capital assets being depreciated	<u>6,410,375</u>	<u>191,744</u>	<u>(476,230)</u>	<u>6,125,889</u>
Less accumulated depreciation for				
Improvements	(391,276)	(13,638)	-	(404,914)
Buildings	(2,066,348)	(82,669)	-	(2,149,017)
Machinery/equipment	(1,819,666)	(98,629)	475,979	(1,442,316)
Total accumulated depreciation	<u>(4,277,290)</u>	<u>(194,936)</u>	<u>475,979</u>	<u>(3,996,247)</u>
Total capital assets being depreciated, net	<u>2,133,085</u>	<u>(3,192)</u>	<u>(251)</u>	<u>2,129,642</u>
Governmental type activity capital assets, net	<u>\$ 2,645,921</u>	<u>\$ 8,218,578</u>	<u>\$ (251)</u>	<u>\$ 10,864,248</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 19,198
Support services	93,069
Co-curricular activities	82,669
Total depreciation expense - governmental	\$ 194,936

Note 4 - Long-Term Liabilities

A summary of the changes in long-term liabilities follows:

	Primary Government - Governmental Activities				Total Debt	Total Governmental Activities
	Compensated Absences	Direct Borrowings and Direct Placements Energy Loan	SD SDBF Assessment	Bonds Payable General Obligation		
Noncurrent liabilities payable, June 30, 2020	\$ 25,423	\$ 52,340	\$ 21,670	\$ 9,991,837	\$ 10,065,847	\$ 10,091,270
Increases	19,094	-	-	-	-	19,094
Decreases	(10,795)	(13,085)	(21,670)	(281,244)	(315,999)	(326,794)
Noncurrent liabilities payable, June 30, 2021	33,722	39,255	-	9,710,593	9,749,848	9,783,570
Current liabilities, due within one year	33,722	13,085	-	300,000	313,085	346,807
Noncurrent liabilities, due in more than one year	\$ -	\$ 26,170	\$ -	\$ 9,410,593	\$ 9,436,763	\$ 9,436,763

Compensated absences for governmental activities typically have been liquidated from the General Fund.

The energy loan is a non-interest-bearing loan and must be paid off in 10 years. The School District makes annual payments from the Capital Outlay Fund from the savings they receive in their electrical bill after completing the lighting project. Payments first started in July 2014. The annual payments to maturity as of June 30, 2021, are as follows:

Year Ending June 30,	Energy Loan
2022	\$ 13,085
2023	13,085
2024	13,085
Total	\$ 39,255

The Series 2019 general obligation bonds are paid from property taxes from the Bond Redemption Fund and are due December 1, 2043. Annual payments of principal and semi-annual payments of interest at rates ranging from 2% – 4% are required. The payment requirements to maturity for the bonds outstanding as of June 30, 2021, excluding the unamortized debt premium of \$140,592, are as follows:

<u>Year Ending June 30,</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 300,000	\$ 259,440	\$ 559,440
2023	310,000	247,240	557,240
2024	320,000	234,640	554,640
2025	335,000	221,540	556,540
2026	350,000	207,840	557,840
2027-2031	1,885,000	909,713	2,794,713
2032-2036	2,100,000	687,425	2,787,425
2037-2041	2,380,000	404,506	2,784,506
2042-2044	1,590,000	71,806	1,661,806
Total	<u>\$ 9,570,000</u>	<u>\$ 3,244,150</u>	<u>\$ 12,814,150</u>

Note 5 - Interfund Balances and Transactions

During the year ended June 30, 2021, the School District transferred \$125,000 from the Capital Outlay Fund to the General Fund to reimburse the General Fund for expenses that are allowable to be paid from the Capital Outlay Fund. The School District also transferred \$30,000 from the General Fund to the Food Service Fund to supplement operations.

Note 6 - Restricted Net Position

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

<u>Major Purpose</u>	<u>Restricted by</u>	<u>Amount</u>
Special Education	Law	\$ 1,577,869
Capital Outlay	Law	2,526,563
Debt Service	Law	252,249
Capital Projects	Law	323,871
SDRS pension purposes	Law	124,119
Total restricted net position		<u>\$ 4,804,671</u>

Note 7 - Pension Plan

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

Benefits Provided

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

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

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

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019, equal to required contributions each year, were \$115,745, \$104,356, and \$102,237, respectively.

Pension Liability (Asset), Pension Expense, 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 shares of the components of the net pension asset of the South Dakota Retirement System, for the School District as of the measurement period June 30, 2020, and reported by the School District as of June 30, 2021, are as follows:

Proportionate share of total pension liability	\$ 9,741,977
Less proportionate share of net position restricted for pension benefits	<u>(9,745,419)</u>
 Proportionate share of net pension liability (asset)	 <u><u>\$ (3,442)</u></u>

At June 30, 2021, the School District reported an asset of \$3,442 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 District’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 0.0792482%, which was a decrease of 0.0008922% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$154,582. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,167	\$ 2,696
Changes in assumption	110,861	447,109
Net difference between projected and actual earnings on pension plan investments	319,892	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	13,100	2,283
School District contributions subsequent to the measurement date	115,745	-
Total	\$ 572,765	\$ 452,088

\$115,745 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ending June 30</u>		
2022	\$	(33,969)
2023		(26,802)
2024		5,925
2025		59,778
Total	\$	4,932

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% at 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, 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, 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 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:

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

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.

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

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 1,335,165	\$ (3,442)	\$ 1,098,395

Pension Plan Fiduciary Net Position

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

Note 8 - Other Post-Employment Benefits

General Information about the OPEB Plan

Plan Description

The School District's defined benefit OPEB plan is a single-employer plan that provides medical insurance benefits to eligible retirees as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

Any professional staff member who retires from the School District with at least 15 years of consecutive service with the School District may be eligible for retiree health insurance coverage. Effective July 1, 2015, the professional staff members may select the COBRA group medical insurance coverage upon retirement. The School District will contribute up to \$700 per month toward the COBRA family, 2-party or single group medical insurance premium for a period of up to 18 months. The professional staff member must contribute the remaining premium balance.

Employees Covered by Benefit Terms

At the valuation date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	15
Total	15

Total OPEB Liability

The School District’s total OPEB liability of \$98,766 was measured as of June 30, 2021. The School District has elected to calculate the total OPEB liability and related information using the alternative measurement method as permitted for employers with plans that have fewer than 100 total members.

Assumptions and Other Inputs

Valuation of the total OPEB liability as of June 30, 2021, involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the plan are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the post-employment benefit plan valuation, the alternative measurement method was used. This included a .1% discount rate which is the expected long-term rate of return on cash deposits balances which are used to make all future benefit payments. Significant assumptions such as annual healthcare cost trend, inflation, salary changes, and ad hoc post-employment benefit changes were not used in the actuarial calculation because the employer's contribution is fixed based on the negotiated agreement between School District certified staff and the governing board, regardless of those factors. Mortality rates were based on National Vital Statistics Reports, United States Life Tables published by the Centers for Disease Control. The liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2021, was 1.5 years.

Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 96,422
Changes for the year	
Service cost	7,846
Interest	96
Changes in assumptions or other inputs	(5,598)
Net changes	2,344
Balance at June 30, 2021	\$ 98,766

For the year ended June 30, 2021, the School District recognized OPEB expense of \$2,344.

Note 9 - Risk Management

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

Employee Health Insurance

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a portion of the monthly medical insurance premium, with the remainder coming from the employee, to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum per person.

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

Liability Insurance

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information, and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to, and cooperate with, the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District.

The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience-to-date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to provide coverage for property, general liability, employee benefits liability, crime, and auto.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverages will be provided to a \$300,000,000 limit for property, \$5,000,000 limit for general, \$5,000,000 limit for auto liability, \$5,000,000 limit for employee benefits liability, and a \$1,000,000 limit for crime. Member premiums are used by the pool for payment of claims and to pay for re-insurance for claims in excess of \$100,000 to the upper limit for property, general liability, and auto and employee benefits liability. The School District carries a \$5,000 deductible for the property, and a \$1,000 deductible for crime coverage.

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

Workers' Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to, and cooperate with, the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual, per incident.

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

Unemployment Benefits

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

During the fiscal year ended June 30, 2021, no claims for unemployment benefits were paid. At June 30, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 10 - Cost-Sharing Arrangement

The School District participates in a cost-sharing arrangement for vocational education funds. The school districts included in this arrangement includes Newell, Bison, and Lemmon. The grant application includes the amounts each school is requesting for the Carl Perkins Vocational Funds. The funds are sent directly to each school; therefore, Lemmon School District records only their share of the revenue and expenditures in the General Fund. Lemmon School District is listed as the fiscal agent on the application but provides no fiscal accounting to the schools. Any pooled expenditures are billed to, and reimbursed by, the schools involved.

Note 11 - Commitments and Contingencies

The School District had remaining contractual commitments for construction and engineering costs not yet incurred as of June 30, 2021, related to the 6th through 12th grade building project, in the approximate amount of \$3,375,000. Such costs are being funded by the issuance of general obligation bonds that occurred during fiscal year 2020.

During 2021, the world-wide coronavirus pandemic impacted national and global economies. The School District is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the School District is not known.

Note 12 - Adoption of New Standard

As of July 1, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). Certain agency and private purpose trust funds previously accounted for activities that are not considered fiduciary in nature under the provisions of GASB 84 and are now reported in the General Fund.

The School District restated the net position and fund balance of the funds indicated below to appropriately reflect the July 1, 2020, implementation of GASB 84 as follows:

	General Fund	Governmental Activities	Private Purpose Trust Funds
Fund balance/net position at July 1, 2020, as previously reported	\$ 1,236,183	\$ 7,388,265	\$ 100,670
Reclassification from agency funds and private purpose trust funds	205,408	205,408	(100,670)
Fund balance/net position at July 1, 2020, as restated	\$ 1,441,591	\$ 7,593,673	\$ -



Required Supplementary Information
June 30, 2021

Lemmon School District No. 52-4

Lemmon School District No. 52-4
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 1,132,000	\$ 1,134,000	\$ 1,178,563	\$ 44,563
1120 Prior years' ad valorem taxes	-	-	9,887	9,887
1130 Tax deed revenue	-	-	386	386
1140 Gross receipts taxes	135,000	135,000	145,199	10,199
1190 Penalties and interest on taxes	4,000	5,500	6,279	779
1300 Tuition and fees				
1310 Out-of-state tuition	39,000	39,000	39,000	-
1500 Earnings on investments and deposits	25,000	13,000	11,858	(1,142)
1700 Co-curricular activities				
1790 Other pupil activity income	23,550	28,250	154,715	126,465
1900 Other revenue from local sources				
1920 Contribution and donations	-	-	276,424	276,424
1970 Charges for services	2,000	2,000	1,824	(176)
1990 Other	12,000	30,000	50,358	20,358
2000 Revenue from intermediate sources				
2100 County source				
2110 County apportionment	18,000	18,000	17,898	(102)
2200 Revenue in lieu of taxes	4,000	4,000	4,362	362
3000 Revenue from state source				
3100 Grant-in-aid				
3110 Unrestricted grants-in-aid	837,000	887,488	888,289	801
4000 Revenue from federal sources				
4100 Grants-in-aid				
4110 Received directly from federal government	65,000	65,000	65,999	999
4120 Unrestricted grants-in-aid received from federal government through state	40,000	90,676	9,596	(81,080)
4140 Restricted grants-in-aid received directly from federal government	7,674	7,674	-	(7,674)
4150-4199 Restricted grants-in-aid received from federal government through the state	179,407	233,410	244,386	10,976
4200 Revenue in lieu of taxes (PILT)	129,000	129,000	128,043	(957)
Total revenues	<u>2,652,631</u>	<u>2,821,998</u>	<u>3,233,066</u>	<u>411,068</u>

Lemmon School District No. 52-4
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular program				
1110 Elementary	573,734	609,563	577,846	31,717
1120 Middle school	130,510	134,175	132,421	1,754
1130 High school	503,966	518,217	500,912	17,305
1190 Other regular programs	110,816	113,046	93,266	19,780
1200 Special programs				
1270 Educationally deprived	88,100	96,100	83,325	12,775
2000 Support services				
2100 Pupils				
2120 Guidance	37,637	40,285	33,478	6,807
2130 Health	5,790	5,790	3,787	2,003
2200 Instructional staff				
2210 Improvement of instruction	91,702	93,674	58,665	35,009
2220 Educational media	37,172	40,441	25,988	14,453
2300 General administration				
2310 Board of Education	71,900	78,270	68,186	10,084
2320 Executive administration	153,386	153,386	139,092	14,294
2400 School administration				
2410 Office of the Principal	229,216	233,166	224,654	8,512
2490 Other	100	100	136	(36)
2500 Business				
2520 Fiscal services	100,565	114,351	104,163	10,188
2540 Operation and maintenance of plant	639,381	664,939	515,517	149,422
2550 Pupil transportation	183,860	187,897	145,395	42,502
2560 Food service	7,362	8,175	7,867	308
3000 Community services				
3900 Other	1,000	1,000	-	1,000
4000 Nonprogrammed charges				
4300 Scholarships	-	-	9,500	(9,500)
4600 Insurance costs	6,000	6,000	-	6,000
4900 Other nonprogrammed costs	1,500	1,500	37,892	(36,392)
6000 Co-curricular activities				
6100 Male activities	97,560	122,519	110,959	11,560
6200 Female activities	50,560	53,983	45,008	8,975
6900 Combined activities	77,617	88,449	199,310	(110,861)
7000 Contingency	115,000	115,000	-	115,000
	<u>3,314,434</u>	<u>3,480,026</u>	<u>3,117,367</u>	<u>362,659</u>
Total expenditures				
Revenues over (under) expenditures	<u>(661,803)</u>	<u>(658,028)</u>	<u>115,699</u>	<u>773,727</u>

Lemmon School District No. 52-4
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses)				
5110 Transfers in	300,000	300,000	125,000	(175,000)
8110 Transfers out	(39,050)	(39,050)	(30,000)	9,050
5130 Sale of surplus property	1,200	1,200	-	(1,200)
5140 Compensation for loss of general capital assets	5,000	5,000	-	(5,000)
Total other financing sources (uses)	<u>267,150</u>	<u>267,150</u>	<u>95,000</u>	<u>(172,150)</u>
Net change in fund balance	(394,653)	(390,878)	210,699	601,577
Fund balance - June 30, 2020, as restated	<u>1,441,591</u>	<u>1,441,591</u>	<u>1,441,591</u>	<u>-</u>
Fund balance - June 30, 2021	<u>\$ 1,046,938</u>	<u>\$ 1,050,713</u>	<u>\$ 1,652,290</u>	<u>\$ 601,577</u>

Lemmon School District No. 52-4
Budgetary Comparison Schedule – Capital Outlay Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 848,555	\$ 848,555	\$ 862,509	\$ 13,954
1120 Prior years' ad valorem taxes	-	-	4,093	4,093
1190 Penalties and interest on taxes	2,000	2,000	4,031	2,031
1900 Other revenue from local sources				
1920 Contributions and donations	3,000	3,000	1,500	(1,500)
4000 Revenue from federal sources				
4150-4199 Restricted grants-in-aid received from federal government through the state	25,000	167,768	128,394	(39,374)
Total revenues	<u>878,555</u>	<u>1,021,323</u>	<u>1,000,527</u>	<u>(20,796)</u>
Expenditures				
1000 Instruction				
1100 Regular program				
1110 Elementary	70,000	106,229	58,087	48,142
1130 High school	87,600	174,139	143,394	30,745
2500 Support services - business				
2530 Facility construction	275,675	254,919	-	254,919
2540 Operation and maintenance of plant	130,300	197,146	359,205	(162,059)
5000 Debt services	13,100	13,100	13,085	15
6900 Combined activities	-	2,760	2,571	189
Total expenditures	<u>576,675</u>	<u>748,293</u>	<u>576,342</u>	<u>171,951</u>
Revenues over (under) expenditures	<u>301,880</u>	<u>273,030</u>	<u>424,185</u>	<u>151,155</u>
Other financing sources (uses)				
8110 Transfers out	(300,000)	(300,000)	(125,000)	175,000
5130 Sale of surplus property	-	-	1,227	1,227
5140 Compensation for loss of general capital assets	5,000	32,350	32,359	9
Total other financing sources (uses)	<u>(295,000)</u>	<u>(267,650)</u>	<u>(91,414)</u>	<u>176,236</u>
Net change in fund balance	6,880	5,380	332,771	327,391
Fund balance - June 30, 2020, as restated	<u>2,190,938</u>	<u>2,190,938</u>	<u>2,190,938</u>	<u>-</u>
Fund balance - June 30, 2021	<u>\$ 2,197,818</u>	<u>\$ 2,196,318</u>	<u>\$ 2,523,709</u>	<u>\$ 327,391</u>

Lemmon School District No. 52-4
Budgetary Comparison Schedule – Special Education Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1100 Ad valorem taxes	\$ 338,500	\$ 343,500	\$ 339,041	\$ (4,459)
1120 Prior years' ad valorem taxes	-	-	2,830	2,830
1190 Penalties and interest on taxes	2,000	2,000	1,694	(306)
1900 Other revenue from local sources				
1970 Charges for services	100	100	183	83
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	102,304	139,308	73,334	(65,974)
Total revenues	<u>442,904</u>	<u>484,908</u>	<u>417,082</u>	<u>(67,826)</u>
Expenditures				
1200 Special program				
1220 Programs for special education	383,415	390,866	333,243	57,623
2000 Support services				
2100 Pupils				
2140 Psychological	24,191	23,700	3,810	19,890
2150 Speech pathology	56,500	84,975	62,545	22,430
2170 Student therapy services	8,000	8,000	2,594	5,406
2700 Support services - special education				
2710 Administrative costs	27,640	33,325	18,716	14,609
2740 Transportation costs	8,000	8,000	-	8,000
2760 Autism program	6,000	6,000	-	6,000
Total expenditures	<u>513,746</u>	<u>554,866</u>	<u>420,908</u>	<u>133,958</u>
Revenues over (under) expenditures	<u>(70,842)</u>	<u>(69,958)</u>	<u>(3,826)</u>	<u>66,132</u>
Net change in fund balance	(70,842)	(69,958)	(3,826)	66,132
Fund balance - June 30, 2020, as restated	<u>1,579,771</u>	<u>1,579,771</u>	<u>1,579,771</u>	<u>-</u>
Fund balance - June 30, 2021	<u>\$ 1,508,929</u>	<u>\$ 1,509,813</u>	<u>\$ 1,575,945</u>	<u>\$ 66,132</u>

Note 1 - Basis of Presentation

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

Note 2 - Budgetary Legal Requirements

South Dakota Codified Law prescribes the budgetary procedures to be followed by the School District as follows:

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 at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Lemmon School District No. 52-4

Other Post-employment Benefit Schedules – Schedule of Changes in the Total OPEB Liability and Related Ratios

June 30, 2021

Year Ending	Service Cost	Interest	Changes of assumptions or other inputs	Benefit payments	Total OPEB liability - beginning	Net change in total OPEB liability	Total OPEB liability - ending	Covered employee payroll	Total OPEB liability as a percentage of covered employee payroll
2021	\$ 7,846	\$ 96	\$ (5,598)	\$ -	\$ 96,422	\$ 2,344	\$ 98,766	\$ 863,094	11.44%
2020	6,709	412	6,981	-	82,320	14,102	96,422	961,116	10.03%
2019	5,725	949	(10,059)	(9,239)	94,944	(12,624)	82,320	811,793	10.14%
2018	15,487	777	5,192	(4,221)	77,709	17,235	94,944	761,698	12.46%
2017	4,518	893	(4,626)	(12,399)	89,323	(11,614)	77,709	801,811	9.69%
2016	5,577	943	2,178	(13,718)	94,343	(5,020)	89,323	815,450	10.95%
2015	5,422	1,194	(10,578)	(21,104)	119,409	(25,066)	94,343	880,200	10.72%
2014	14,654	1,179	12,029	(26,380)	117,927	1,482	119,409	865,592	13.80%

*GASB Statement No. 75 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.

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

In place of an actuarial valuation, the School District has elected to calculate the total OPEB liability and related information using the alternative measurement method as permitted for employers with plans that have fewer than 100 total members.

**Schedule of Employer's Share of Net Pension Liability (Asset)
Last 10 Fiscal Years***

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2021	0.0792482%	\$ (3,442)	\$ 1,739,259	-0.20%	100.04%
SDRS	6/30/2020	0.0801404%	(8,493)	1,703,948	-0.50%	100.09%
SDRS	6/30/2019	0.0814764%	(1,900)	1,693,818	-0.11%	100.02%
SDRS	6/30/2018	0.0853179%	(7,743)	1,733,482	-0.45%	100.10%
SDRS	6/30/2017	0.0791318%	267,299	1,504,689	17.76%	96.89%
SDRS	6/30/2016	0.0794857%	(337,121)	1,454,787	-23.17%	104.10%
SDRS	6/30/2015	0.0929221%	(669,466)	1,625,033	-41.20%	107.30%

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

**Schedule of Employer's Contributions
Last 10 Fiscal Years***

Pension Plan	Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2021	\$ 115,745	\$ 115,745	\$ -	\$ 1,929,090	6.00%
SDRS	6/30/2020	104,356	104,356	-	1,739,259	6.00%
SDRS	6/30/2019	102,237	102,237	-	1,703,948	6.00%
SDRS	6/30/2018	101,629	101,629	-	1,693,818	6.00%
SDRS	6/30/2017	104,009	104,009	-	1,733,482	6.00%
SDRS	6/30/2016	90,282	90,282	-	1,504,689	6.00%
SDRS	6/30/2015	87,287	87,287	-	1,454,787	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.

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.

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.



**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***

To the Members of the School Board
Lemmon School District No. 52-4
Perkins County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lemmon School District No. 52-4, as of and for the year then ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Lemmon School District No. 52-4’s basic financial statements and have issued our report thereon dated January 21, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lemmon School District No. 52-4'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 Lemmon School District No. 52-4’s internal control. Accordingly, we do not express an opinion on the effectiveness of Lemmon School District No. 52-4’s internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lemmon School District No. 52-4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lemmon School District No. 52-4's Response to Findings

Lemmon School District No. 52-4's response to the findings identified in our audit are described in the accompanying schedule of findings. Lemmon School District No. 52-4's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
January 21, 2022

Financial Statement Findings

2021-001 Segregation of Duties

Material Weakness

Condition: The School District has a lack of segregation of duties in certain areas due to a limited staff.

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

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

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected and corrected on a timely basis by employees in the normal course of performing their assigned function.

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

Management's Response: The Lemmon School District is a small school district and has limited office staff which does not permit the complete segregation of duties. The School District has in place an internal control procedure to fit our office size. To have proper segregation of duties per audit standards, the School District would need to hire additional office staff. This is not feasible or economically possible for a School District of our size.

2021-002 Auditor Preparation of Financial Statements, Footnotes, Audit Journal Entries, and Passed Audit Adjustments

Material Weakness

Condition: The School District requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2021. As part of the financial statement preparation process, at times, the external auditors proposed material audit adjustments that were not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement of the School District's financial statements. Additionally, certain audit adjustments that were not material to the financial statements were passed on for adjustment by management.

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources causes the inability to prepare the financial statements and footnotes, and could cause the need for auditors to, at times, propose material journal entries.

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

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, management and those charged with governance should continually be aware of the financial reporting of the School District and change in reporting requirements.

Management's Response: The Lemmon School District requested the auditor's assistance in preparation of the financial statements and the related footnotes due to cost/benefit and other considerations. At times, we acknowledge the auditors identify material audit adjustments and accept the risk associated with these conditions.

2020-001 Segregation of Duties

Material Weakness

Initial Fiscal Year Finding Occurred: 2008

Finding Summary: The District has a lack of segregation of duties in certain areas due to a limited staff.

Status: This is a repeat finding in the current year shown as 2021-001.

2020-002 Auditor Preparation of Financial Statements, Footnotes, Audit Journal Entries, and Passed Audit Adjustments

Material Weakness

Initial Fiscal Year Finding Occurred: 2008

Finding Summary: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. As part of the financial statement preparation process, we identified misstatements in the District's financial statements causing us to propose material audit adjustments and identified certain misstatements passed on for adjustment by management.

Status: This is a repeat finding in the current year shown as part of 2021-002.