

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

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

June 30, 2021

New Underwood School District No. 51-3
Table of Contents
June 30, 2021

	<u>PAGE</u>
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Schedule of Findings and Management’s Responses (Unaudited).....	3
Independent Auditor’s Report	5 - 7
Management’s Discussion and Analysis.....	9 - 16
 BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	18 - 19
Statement of Activities	20 - 21
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	22 - 23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	26 - 29
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	30
Statement of Net Position - Proprietary Fund	31
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	32
Statement of Cash Flows - Proprietary Fund.....	33
Statement of Fiduciary Net Position - Fiduciary Funds.....	34
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	35
Notes to the Financial Statements	36 - 54
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund - Budgetary Basis.....	56 - 57
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis.....	58 - 59
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis.....	60
Schedule of the District’s Proportionate Share of the Net Pension Liability (Asset)	61
Schedule of Pension Contributions.....	62
Notes to Required Supplementary Information.....	63 - 64
 OTHER INFORMATION	
School District Officials	67

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

School Board
New Underwood School District No. 51-3
New Underwood, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Underwood School District No. 51-3, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise New Underwood School District No. 51-3's basic financial statements and have issued our report thereon dated November 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Underwood School District No. 51-3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Underwood School District No. 51-3's internal control. Accordingly, we do not express an opinion on the effectiveness of New Underwood School District No. 51-3's internal control.

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

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

RAPID CITY

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

GILLETTE

612 S. DOUGLAS HWY
GILLETTE, WY 82716
307.682.4795

FAITH

127 MAIN ST. S.
FAITH, SD 57626
605.791.3142

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Underwood School District No. 51-3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

New Underwood School District No. 51-3's Response to the Finding

New Underwood School District No. 51-3's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Management's Responses. New Underwood School District No. 51-3's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Casey Peterson, LTD

Rapid City, South Dakota

November 17, 2021

New Underwood School District No. 51-3
Schedule of Findings and Management's Responses (Unaudited)
June 30, 2021

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

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

Cause: The District has a limited number of staff to perform finance functions and prepare the financial statements.

Effect: There is a possibility of fraud or errors occurring and not being detected or corrected. Material audit adjustments were required related to year-end reporting for long-term debt, property taxes receivable, and deferred property tax inflows. Additionally, the District relies on its auditor to draft the financial statements and related notes.

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

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

THIS PAGE INTENTIONALLY LEFT BLANK

Independent Auditor's Report

School Board
New Underwood School District No. 51-3
New Underwood, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Underwood School District No. 51-3, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

RAPID CITY

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

GILLETTE

612 S. DOUGLAS HWY
GILLETTE, WY 82716
307.682.4795

FAITH

127 MAIN ST. S.
FAITH, SD 57626
605.791.3142

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Underwood School District No. 51-3, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the year ended June 30, 2021, New Underwood School District No. 51-3 adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Required Supplementary Information on pages 9 - 16, 56 - 60, 61, 62, and 63 - 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Underwood School District No. 51-3's financial statements. The list of School District Officials is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The list of School District Officials has not been subjected to the auditing procedures applied in the audit of the 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 November 17, 2021, on our consideration of New Underwood School District No. 51-3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Underwood School District No. 51-3's internal control over financial reporting and compliance.

Handwritten signature in blue ink that reads "Casey Peterson, LTD." The signature is written in a cursive style.

Casey Peterson, LTD
Rapid City, South Dakota
November 17, 2021

New Underwood School District No. 51-3 Management's Discussion and Analysis For the Year Ended June 30, 2021

This section of New Underwood School District No. 51-3's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Net Position for government-wide funds increased by approximately \$547,000 which was due to a greater increase in revenues than the increase in expenses. The increase in revenues was mainly from property and other taxes, as well as increases in federal and county funding as compared to prior years, mainly due to the District receiving CARES ESSER and Coronavirus Relief Funds in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

See independent auditor's report.

**New Underwood School District No. 51-3
Management’s Discussion and Analysis
For the Year Ended June 30, 2021**

Figure A-1

Major Features of New Underwood School District’s Government-wide and Fund Financial Statements

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

Government-Wide Statements

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

See independent auditor’s report.

New Underwood School District No. 51-3 Management's Discussion and Analysis For the Year Ended June 30, 2021

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

See independent auditor's report.

New Underwood School District No. 51-3 Management's Discussion and Analysis For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased as follows:

Table A-1
NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total
	2021	2020	2021	2020	2021	2020	Percentage Change
Current and Other Assets	\$ 3,659,064	\$ 3,092,970	\$ 19,365	\$ 7,668	\$ 3,678,429	\$ 3,100,638	18.63%
Capital Assets (Net of Depreciation)	1,938,313	1,865,871	7,415	316	1,945,728	1,866,187	4.26%
Total Assets	5,597,377	4,958,841	26,780	7,984	5,624,157	4,966,825	13.23%
Pension Related Deferred Outflows	433,354	367,961	14,899	12,015	448,253	379,976	17.97%
Total Deferred Outflows of Resources	433,354	367,961	14,899	12,015	448,253	379,976	17.97%
Long-term Liabilities Outstanding	164,985	220,274	1,277	1,362	166,262	221,636	-24.98%
Other Liabilities	202,658	201,828	834	-	203,492	201,828	0.82%
Total Liabilities	367,643	422,102	2,111	1,362	369,754	423,464	-12.68%
Property Taxes Levied for Future Periods	522,408	494,349	-	-	522,408	494,349	5.68%
Pension-related Deferred Inflows	312,288	114,891	10,737	3,752	323,025	118,643	172.27%
Total Deferred Inflows of Resources	834,696	609,240	10,737	3,752	845,433	612,992	37.92%
Net Investment in Capital Assets	1,883,313	1,750,871	7,415	316	1,890,728	1,751,187	7.97%
Restricted	2,230,365	1,967,811	4,243	8,446	2,234,608	1,976,257	13.07%
Unrestricted	714,714	576,778	17,173	6,123	731,887	582,901	25.56%
Total Net Position	4,828,392	4,295,460	28,831	14,885	4,857,223	4,310,345	12.69%
Beginning Net Position	4,295,460	4,056,662	14,885	23,972	4,310,345	4,080,634	
Increase (Decrease) in Net Position	\$ 532,932	\$ 238,798	\$ 13,946	\$ (9,087)	\$ 546,878	\$ 229,711	
Percentage Change in Net Position	12.41%	5.89%	93.69%	-37.91%	12.69%	5.63%	

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

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components: the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of a Series 2010 Bond, Bus Loan, and early retirement benefits payable, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and deferred outflows and liabilities and deferred inflows is its net position.

See independent auditor's report.

New Underwood School District No. 51-3 Management's Discussion and Analysis For the Year Ended June 30, 2021

Changes in Net Position

The District's revenues totaled \$3,243,765 (see Figure A-2). Approximately 34% of the District's revenue comes from property and other taxes, while approximately 49% comes from state aid, 7% derived from federal sources, 8% from operating grants and contributions, and 2% from miscellaneous sources.

SOURCES OF REVENUES FOR FISCAL YEAR 2021

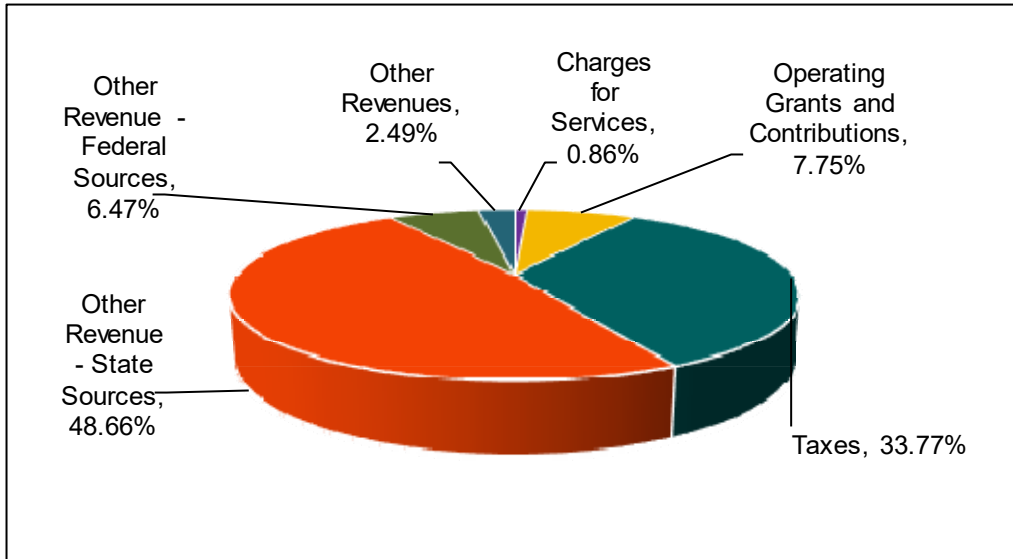


Figure A-2

The total cost of all programs and services was \$2,696,887. The District's expenses cover a range of services encompassing instruction, support services, cocurricular activities, food service, and debt services. (See Figure A-3).

FUNCTIONAL EXPENSES FOR FISCAL YEAR 2021

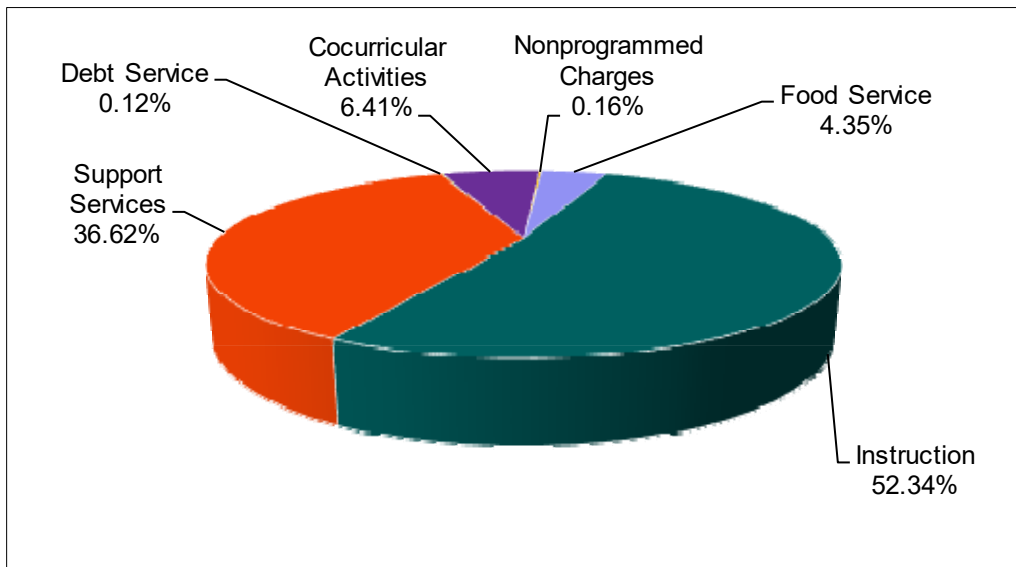


Figure A-3

See independent auditor's report.

New Underwood School District No. 51-3 Management's Discussion and Analysis For the Year Ended June 30, 2021

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Table A-2
NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total
	2021	2020	2021	2020	2021	2020	Percentage Change
Revenues							
Program Revenues							
Charges for Services	\$ 15,594	\$ 18,113	\$ 12,271	\$ 42,308	\$ 27,865	\$ 60,421	-53.88%
Operating Grants and Contributions	152,656	170,799	98,868	34,760	251,524	205,559	22.36%
Capital Grants and Contributions	23,000	4,533	-	-	23,000	4,533	0.00%
General Revenues							
Taxes	1,095,285	1,031,543	-	-	1,095,285	1,031,543	6.18%
Revenue State Sources	1,578,432	1,429,361	-	-	1,578,432	1,429,361	10.43%
Revenue Federal Sources	207,913	5,569	2,103	-	210,016	5,569	3671.16%
Other General Revenue	19,459	16,944	-	161	19,459	17,105	13.76%
Unrestricted Investment Earnings	267	4,099	1	1	268	4,100	-93.46%
Gain (Loss) on Disposal of Assets	37,916	(10,222)	-	-	37,916	(10,222)	-470.93%
Total Revenues	<u>3,130,522</u>	<u>2,670,739</u>	<u>113,243</u>	<u>77,230</u>	<u>3,243,765</u>	<u>2,747,969</u>	18.04%
Expenses							
Instruction	1,411,612	1,319,894	-	-	1,411,612	1,319,894	6.95%
Support Services	987,555	955,770	-	-	987,555	955,770	3.33%
Debt Service	3,278	5,089	-	-	3,278	5,089	-35.59%
Cocurricular Activities	172,807	130,188	-	-	172,807	130,188	32.74%
Nonprogrammed Charges	4,275	-	-	-	4,275	-	0.00%
Food Service	-	-	117,360	107,317	117,360	107,317	9.36%
Total Expenses	<u>2,579,527</u>	<u>2,410,941</u>	<u>117,360</u>	<u>107,317</u>	<u>2,696,887</u>	<u>2,518,258</u>	7.09%
Excess Before Transfers	550,995	259,798	(4,117)	(30,087)	546,878	229,711	-138.07%
Transfers	(18,063)	(21,000)	18,063	21,000	-	-	0.00%
Increase (Decrease) in							
Net Position	532,932	238,798	13,946	(9,087)	546,878	229,711	-138.07%
Beginning Net Position	<u>4,295,460</u>	<u>4,056,662</u>	<u>14,885</u>	<u>23,972</u>	<u>4,310,345</u>	<u>4,080,634</u>	5.63%
Ending Net Position	<u>\$ 4,828,392</u>	<u>\$ 4,295,460</u>	<u>\$ 28,831</u>	<u>\$ 14,885</u>	<u>\$ 4,857,223</u>	<u>\$ 4,310,345</u>	12.69%

GOVERNMENTAL ACTIVITIES

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

See independent auditor's report.

**New Underwood School District No. 51-3
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

BUSINESS-TYPE ACTIVITIES

Revenues and expenses of the District's business-type activities (Food Service Operation) increased as shown in Table A-2 due to increases in federal grants in response to the COVID-19 pandemic.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET ADMINISTRATION

Capital Assets increased for the District due to an increase in capital asset purchases in the current year.

**Table A-3
NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percentage Change
	2021	2020	2021	2020	2020-2021	2020-2021
Land	\$ 34,500	\$ 34,500	\$ -	\$ -	\$ -	0.00%
Buildings	1,419,272	1,447,168	-	-	(27,896)	-1.93%
Machinery and Equipment	484,541	384,203	7,415	316	107,437	27.96%
Total Capital Assets (Net)	\$ 1,938,313	\$ 1,865,871	\$ 7,415	\$ 316	\$ 79,541	26.04%

Capital asset purchases during the year ended June 30, 2021 included Chromebook computers, various equipment, laptops, books, and a school bus.

LONG-TERM DEBT

At year-end, the District had \$164,985 in bonds, loans, and other long-term obligations as shown in Table A-4 below.

**Table A-4
NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
Outstanding Debt and Obligations**

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percentage Change
	2021	2020	2021	2020	2020-2021	2020-2021
Series 2010 Bond	\$ 55,000	\$ 115,000	\$ -	\$ -	\$ (60,000)	-52.17%
Bus Loan	69,475	-	-	-	69,475	100.00%
Early Retirement	12,845	77,364	-	-	(64,519)	-83.40%
Compensated Absences	27,665	27,910	1,277	1,362	(330)	-1.18%
Total Outstanding Debt and Obligations	\$ 164,985	\$ 220,274	\$ 1,277	\$ 1,362	\$ (55,374)	-25.14%

See independent auditor's report.

**New Underwood School District No. 51-3
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, June 30, 2021**

The District has a policy whereby all employees who leave employment with the district may be paid for unused sick leave.

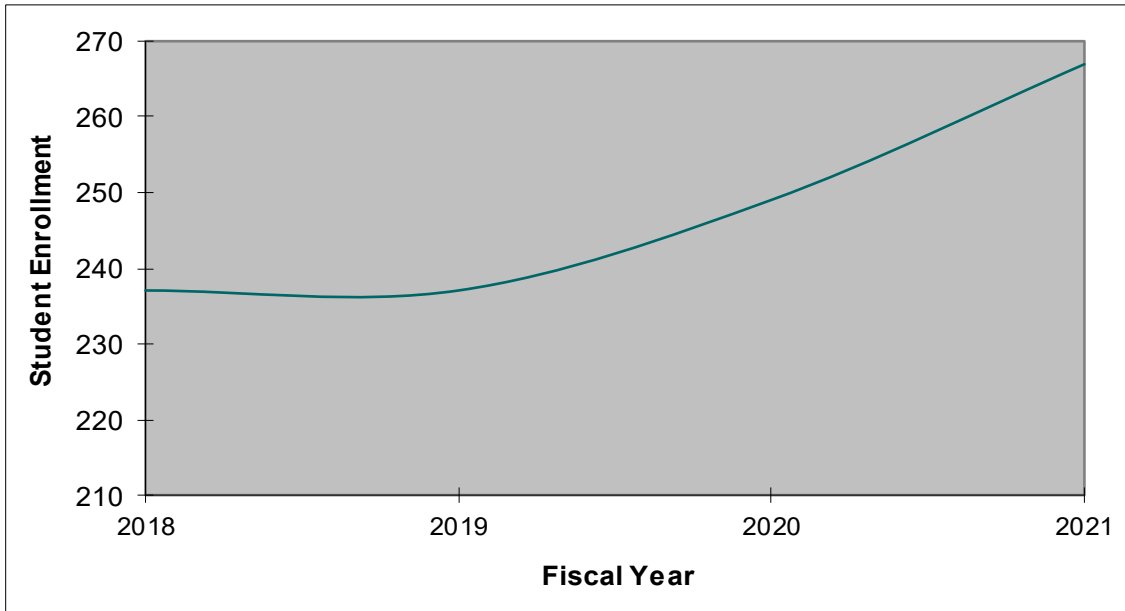
The District also maintains an early retirement plan, which allows those meeting qualifications to retire early and receive 100% of their last year’s salary in equal payments spread over the next three, four, five, or six years. This plan allows the school to reduce the overall program cost by hiring lower-paid employees to replace the higher-paid employees. This plan was phased out at the end of the 2018-2019 fiscal year, and as such, there were no additional employees who exercised this option at the end of the current year.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

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

One of the primary sources of revenue of the District is based on a per-student allocation received from the State of South Dakota. The state aid formula is based on the fall enrollment of the year times the target student/certified instructional staff FTE ratio set by the state legislature to determine the formula number of certified instructional staff FTE paid times the target salary set by the state legislature plus 29% for benefits plus 31% for overhead costs minus the local tax effort. This funding comes from a one-half cent sales tax. The allocation for subsequent years is to increase by 3% or the CPI, whichever is less. The District experienced an increase in ADM this year.

The District’s enrollment for the last four years has been as follows:



CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional information, contact the New Underwood School District Business Office, PO Box 128, 300 Ash Street, New Underwood, SD 57761.

See independent auditor’s report.

BASIC FINANCIAL STATEMENTS

New Underwood School District No. 51-3
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,082,755	\$ 16,942	\$ 3,099,697
Taxes Receivable	485,671	-	485,671
Accounts Receivable	-	37	37
Due from Other Governments	88,269	-	88,269
Inventories	-	2,305	2,305
Restricted Assets:			
Net Pension Asset	2,369	81	2,450
	<u>3,659,064</u>	<u>19,365</u>	<u>3,678,429</u>
Capital Assets:			
Land	34,500	-	34,500
Buildings	2,789,574	-	2,789,574
Equipment	1,261,725	13,215	1,274,940
Less: Accumulated Depreciation	<u>(2,147,486)</u>	<u>(5,800)</u>	<u>(2,153,286)</u>
Total Capital Assets, Net of Depreciation	<u>1,938,313</u>	<u>7,415</u>	<u>1,945,728</u>
TOTAL ASSETS	<u>5,597,377</u>	<u>26,780</u>	<u>5,624,157</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	<u>433,354</u>	<u>14,899</u>	<u>448,253</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts Payable	13,458	834	14,292
Accrued Payroll Liabilities	189,200	-	189,200
Long-term Liabilities:			
Due Within One Year	108,490	1,277	109,767
Due in More than One Year	<u>56,495</u>	<u>-</u>	<u>56,495</u>
TOTAL LIABILITIES	<u>367,643</u>	<u>2,111</u>	<u>369,754</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	522,408	-	522,408
Pension-related Deferred Inflows	<u>312,288</u>	<u>10,737</u>	<u>323,025</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>834,696</u>	<u>10,737</u>	<u>845,433</u>
NET POSITION			
Net Investment in Capital Assets	1,883,313	7,415	1,890,728
Restricted for:			
Debt Repayment	140,163	-	140,163
Capital Outlay	1,712,953	-	1,712,953
Special Education	253,814	-	253,814
SDRS Pension Purposes	123,435	4,243	127,678
Unrestricted	<u>714,714</u>	<u>17,173</u>	<u>731,887</u>
TOTAL NET POSITION	<u>\$ 4,828,392</u>	<u>\$ 28,831</u>	<u>\$ 4,857,223</u>

The accompanying notes are an integral part of this statement.

**New Underwood School District No. 51-3
Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Instruction	\$ 1,411,612	\$ -
Support Services	987,555	4,578
Cocurricular Activities	172,807	11,016
Nonprogrammed Charges	4,275	-
Interest on Long-term Debt *	3,278	-
Total Governmental Activities	<u>2,579,527</u>	<u>15,594</u>
BUSINESS-TYPE ACTIVITIES		
Food Service	<u>117,360</u>	<u>12,271</u>
Total Primary Government	<u>\$ 2,696,887</u>	<u>\$ 27,865</u>

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

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 151,094	\$ -	\$ (1,260,518)	\$ -	\$ (1,260,518)
1,562	-	(981,415)	-	(981,415)
-	23,000	(138,791)	-	(138,791)
-	-	(4,275)	-	(4,275)
-	-	(3,278)	-	(3,278)
152,656	23,000	(2,388,277)	-	(2,388,277)
98,868	-	-	(6,221)	(6,221)
\$ 251,524	\$ 23,000	-	(6,221)	(2,394,498)
GENERAL REVENUES				
Taxes:				
Property Taxes		1,041,723	-	1,041,723
Gross Receipts Taxes		53,562	-	53,562
Revenue from State Sources:				
State Aid		1,578,432	-	1,578,432
Revenue from Federal Sources		207,913	2,103	210,016
Revenue from Intermediate Sources		8,491	-	8,491
Unrestricted Investment Earnings		267	1	268
Other General Revenues		10,968	-	10,968
Gain on Disposal of Assets		37,916	-	37,916
Transfers		(18,063)	18,063	-
Total General Revenues		2,921,209	20,167	2,941,376
CHANGE IN NET POSITION		532,932	13,946	546,878
NET POSITION - BEGINNING		4,295,460	14,885	4,310,345
NET POSITION - ENDING		\$ 4,828,392	\$ 28,831	\$ 4,857,223

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Balance Sheet - Governmental Funds
June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund
ASSETS			
Cash and Cash Equivalents	\$ 944,996	\$ 1,728,343	\$ 264,117
Advance Payments	3,000	-	-
Taxes Receivable, Current	162,601	180,849	112,796
Taxes Receivable, Delinquent	953	421	245
Due from Other Governments	77,191	-	11,078
TOTAL ASSETS	<u>\$ 1,188,741</u>	<u>\$ 1,909,613</u>	<u>\$ 388,236</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 8,701	\$ 1,537	\$ 3,220
Contracts Payable	138,592	-	7,252
Accrued Payroll Liabilities	41,070	-	2,286
Total Liabilities	<u>188,363</u>	<u>1,537</u>	<u>12,758</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Future Periods	177,163	194,281	121,174
Unavailable Revenue Property Taxes	953	421	245
Total Deferred Inflows of Resources	<u>178,116</u>	<u>194,702</u>	<u>121,419</u>
Fund Balances:			
Restricted:			
For Retirement of Debt	-	-	-
For Capital Outlay	-	1,713,374	-
For Special Education	-	-	254,059
Assigned - Budget for 2022	15,800	-	-
Unassigned	806,462	-	-
Total Fund Balances	<u>822,262</u>	<u>1,713,374</u>	<u>254,059</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,188,741</u>	<u>\$ 1,909,613</u>	<u>\$ 388,236</u>

The accompanying notes are an integral part of this statement.

Bond Redemption Fund	Total Governmental Funds
\$ 142,299	\$ 3,079,755
-	3,000
27,730	483,976
76	1,695
-	88,269
\$ 170,105	\$ 3,656,695

\$ -	\$ 13,458
-	145,844
-	43,356
-	202,658

29,790	522,408
76	1,695
29,866	524,103

140,239	140,239
-	1,713,374
-	254,059
-	15,800
-	806,462
140,239	2,929,934

\$ 170,105	\$ 3,656,695
------------	--------------

The accompanying notes are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

**New Underwood School District No. 51-3
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2021**

Total Fund Balances - Governmental Funds	\$	2,929,934
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,938,313
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bus Loan		(69,475)
2010 General Obligation Refunding Bond		(55,000)
Early Retirement		(12,845)
Accrued Leave Payable		(27,665)
Net pension asset reported in governmental activities is not an available financial resource and therefore not reported in the funds.		2,369
Pension-related Deferred Outflows are components of pension liability (asset) and changes are not reported in the funds.		433,354
Pension-related Deferred Inflows are components of pension liability (asset) and changes are not reported in the funds.		(312,288)
Assets, including property taxes receivable and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.		<u>1,695</u>
Net Position - Governmental Activities	\$	<u><u>4,828,392</u></u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund
REVENUES			
Revenue from Local Sources:			
Taxes:			
Ad Valorem Taxes	\$ 354,330	\$ 386,162	\$ 235,328
Gross Receipts Taxes	53,562	-	-
Penalties and Interest on Taxes	997	1,082	643
Cocurricular Activities	11,016	-	-
Earnings on Deposits	84	148	22
Other Local Revenue	15,149	23,000	397
Total Revenue from Local Sources	<u>435,138</u>	<u>410,392</u>	<u>236,390</u>
Revenue from Intermediate Sources:			
County Sources	<u>7,806</u>	<u>386</u>	<u>235</u>
Revenue from State Sources:			
Unrestricted Grants-in-aid	<u>1,578,432</u>	<u>-</u>	<u>-</u>
Revenue from Federal Sources:			
Unrestricted Grants-in-aid	36,790	92,130	6,364
Restricted Grants-in-aid	86,623	15,074	50,959
Restricted Grants-in-Aid Received from Federal Government Through the State	<u>9,835</u>	<u>62,794</u>	<u>-</u>
Total Revenue from Federal Sources	<u>133,248</u>	<u>169,998</u>	<u>57,323</u>
TOTAL REVENUE	<u>2,154,624</u>	<u>580,776</u>	<u>293,948</u>

The accompanying notes are an integral part of this statement.

<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
\$ 64,231	\$ 1,040,051
-	53,562
197	2,919
-	11,016
13	267
-	<u>38,546</u>
<u>64,441</u>	<u>1,146,361</u>
<u>64</u>	<u>8,491</u>
<u>-</u>	<u>1,578,432</u>
-	135,284
-	152,656
-	<u>72,629</u>
<u>-</u>	<u>360,569</u>
<u>64,505</u>	<u>3,093,853</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund
EXPENDITURES			
Instructional Services:			
Regular Programs	893,468	68,044	-
Special Programs	124,143	-	163,085
Total Instruction	<u>1,017,611</u>	<u>68,044</u>	<u>163,085</u>
Support Services:			
Pupils	2,331	-	70,768
Instructional Staff	82,419	3,735	-
General Administration	181,797	655	-
School Administration	143,444	1,310	-
Business	399,931	31,689	-
Special Education	-	-	10,798
Total Support Services	<u>809,922</u>	<u>37,389</u>	<u>81,566</u>
Cocurricular Activities:			
Transportation	43,324	-	-
Combined Activities	98,695	10,253	-
Total Cocurricular Activities	<u>142,019</u>	<u>10,253</u>	<u>-</u>
Debt Service	-	-	-
Nonprogrammed Charges:			
Early Retirement Payments	64,519	-	-
Payments to State - Unemployment	4,275	-	-
Total Nonprogrammed Charges	<u>68,794</u>	<u>-</u>	<u>-</u>
Capital Outlay	-	187,593	-
TOTAL EXPENDITURES	<u>2,038,346</u>	<u>303,279</u>	<u>244,651</u>
EXCESS OF REVENUE OVER EXPENDITURES	116,278	277,497	49,297
OTHER FINANCING SOURCES			
Transfers In	181	-	-
Transfers Out	(10,000)	(148)	(22)
General Long-term Debt Issued	-	69,475	-
Proceeds on Sale of Capital Assets	37,835	81	-
TOTAL OTHER FINANCING SOURCES	<u>28,016</u>	<u>69,408</u>	<u>(22)</u>
NET CHANGE IN FUND BALANCES	144,294	346,905	49,275
FUND BALANCE - BEGINNING	677,968	1,366,469	204,784
FUND BALANCE - ENDING	<u>\$ 822,262</u>	<u>\$ 1,713,374</u>	<u>\$ 254,059</u>

The accompanying notes are an integral part of this statement.

<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
-	961,512
-	287,228
<u>-</u>	<u>1,248,740</u>
-	73,099
-	86,154
-	182,452
-	144,754
-	431,620
-	10,798
<u>-</u>	<u>928,877</u>
-	43,324
<u>-</u>	<u>108,948</u>
<u>-</u>	<u>152,272</u>
63,278	63,278
-	64,519
<u>-</u>	<u>4,275</u>
<u>-</u>	<u>68,794</u>
-	187,593
<u>63,278</u>	<u>2,649,554</u>
1,227	444,299
-	181
(11)	(10,181)
-	69,475
<u>-</u>	<u>37,916</u>
(11)	97,391
1,216	541,690
<u>139,023</u>	<u>2,388,244</u>
<u>\$ 140,239</u>	<u>\$ 2,929,934</u>

The accompanying notes are an integral part of this statement.

**New Underwood School District No. 51-3
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures, and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$	541,690
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		72,442
<p>The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."</p>		(1,101)
<p>Pension expenses in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds.</p>		(135,243)
<p>Governmental funds do not reflect the change in compensated absences, and early retirement payments, but the Statement of Activities reflects the change in these accruals through expenses.</p>		64,519
<p>Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term debt liabilities in the Statement of Net Position.</p>		60,000
<p>Issuance of long-term debt is an other financing source in governmental funds, but an increase in long-term liabilities in the statement of net position.</p>		(69,375)
Change in Net Position of Governmental Activities	\$	532,932

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Net Position - Proprietary Fund
June 30, 2021

	Food Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 16,942
Accounts Receivable	37
Inventory	2,305
Total Current Assets	19,284
Noncurrent Assets:	
Equipment - Local Funds	13,215
Less Accumulated Depreciation	(5,800)
Total Noncurrent Assets	7,415
Net Pension Asset	81
TOTAL ASSETS	26,780
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related Deferred Outflows	14,899
LIABILITIES	
Current Liabilities:	
Accounts Payable	834
Noncurrent Liabilities	
Accrued Leave Payable	1,277
TOTAL LIABILITIES	2,111
DEFERRED INFLOWS OF RESOURCES	
Pension-related Deferred Inflows	10,737
NET POSITION	
Net Investment in Capital Assets	7,415
Restricted for SDRS Pension Purposes	4,243
Unrestricted	17,173
TOTAL NET POSITION	\$ 28,831

The accompanying notes are an integral part of this statement.

**New Underwood School District No. 51-3
Statement of Revenues, Expenses and Changes in Fund
Net Position - Proprietary Fund
For the Year Ended June 30, 2021**

	Food Service Fund
OPERATING REVENUE	
Sales to Pupils	\$ 7,588
Sales to Adults	2,144
Local Donations	2,500
Other Revenue	40
Total Operating Revenue	12,272
OPERATING EXPENSES	
Salaries	45,885
Employee Benefits	15,768
Purchased Services	1,817
Supplies	2,731
Cost of Sales - Purchased Food	37,390
Cost of Sales - Donated Food	12,805
Depreciation	964
Total Operating Expenses	117,360
OPERATING LOSS	(105,088)
NONOPERATING REVENUE	
State Sources:	
Cash Reimbursements	330
Federal Sources:	
Federal Grants	2,103
Cash Reimbursements	86,587
Donated Food	11,951
Total Nonoperating Revenue	100,971
OTHER SOURCES/USES	
Capital Contributions	8,063
Transfers In	10,000
Total Other Sources/Uses	18,063
CHANGE IN NET POSITION	13,946
NET POSITION - BEGINNING	14,885
NET POSITION- ENDING	\$ 28,831

The accompanying notes are an integral part of this statement.

**New Underwood School District No. 51-3
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2021**

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 12,272
Payments to Suppliers	(39,370)
Payments to Employees	<u>(57,535)</u>
Net Cash Used by Operating Activities	<u>(84,633)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Subsidies	<u>99,019</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,386
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,556</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 16,942</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (105,088)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	964
Cost of Sales - Donated Food	12,805
Change in Assets and Liabilities:	
Inventory	1,734
Accounts Payable	834
Accrued Leave Payable	(85)
Pension Activity	<u>4,203</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (84,633)</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of Commodities Received	<u>\$ 11,951</u>
Equipment Purchased by Capital Outlay Fund	<u><u>\$ 8,063</u></u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2021

	<u>Private- Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,000	\$ 50,069
Certificates of Deposit	<u>25,301</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 26,301</u>	<u>\$ 50,069</u>
NET POSITION		
Restricted for Individuals	<u>\$ 26,301</u>	<u>\$ 50,069</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2021

	Private- Purpose Trust Funds	Custodial Funds
ADDITIONS		
Private Donations	\$ -	\$ 88,125
Interest Earnings	<u>135</u>	<u>1</u>
Total Additions	<u>135</u>	<u>88,126</u>
DEDUCTIONS		
Payments for Student Activities	-	95,437
Scholarships Awarded	<u>3,300</u>	<u>-</u>
Total Deductions	<u>3,300</u>	<u>95,437</u>
CHANGE IN NET POSITION	<u>(3,165)</u>	<u>(7,311)</u>
NET POSITION - BEGINNING	29,466	-
RESTATEMENT - IMPLEMENTATION OF GASB 84 (SEE NOTE 13)	<u>-</u>	<u>57,380</u>
NET POSITION - BEGINNING, AS RESTATED	<u>29,466</u>	<u>57,380</u>
NET POSITION - ENDING	<u>\$ 26,301</u>	<u>\$ 50,069</u>

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The reporting entity of New Underwood School District No. 51-3 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Governmental Funds:

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

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

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

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

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

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

Proprietary Funds:

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-purpose Trust Fund Types - Private-purpose trust funds are used to account for all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains the C.L. Jacoby Scholarship, the Elaine Tisdale Scholarship, and the Leroy Moldenhauer Scholarship. The purpose of these funds is to provide scholarships to qualifying students.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting

Government-wide Financial Statements:

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

Fund Financial Statements:

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. CASH AND CASH EQUIVALENTS

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

E. INVENTORY

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

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

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

F. RESTRICTED ASSETS

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

G. CAPITAL ASSETS

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

Government-wide Financial Statements:

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

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

	Capitalization Threshold	Estimated Useful Life
Land	All	-----
Buildings	\$ 50,000	100 yrs
Equipment (government-wide)	5,000	10-23 yrs
Equipment (proprietary funds)	1,000	10-23 yrs

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

H. LONG-TERM LIABILITIES

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

J. NET POSITION AND FUND BALANCE

Government-wide Financial Statements:

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

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

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

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

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

Fund Financial Statements:

The District classifies governmental fund balances as follows:

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

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

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

K. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

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

L. PROGRAM REVENUES

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

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

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

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

M. PENSIONS

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

N. IMPLEMENTATION OF GASB STATEMENT NO. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities, and (2) greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning balances is disclosed in Note 13.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust fund(s) which retains its investment income. U.S. GAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has the 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, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restriction on interfund transfers.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments included in the fund financial statements consisted of \$88,269 due from the South Dakota Department of Education.

NOTE 4 - CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 34,500	\$ -	\$ -	\$ 34,500
Total Capital Assets Not Being Depreciated	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>34,500</u>
Capital Assets Being Depreciated:				
Buildings	2,789,574	-	-	2,789,574
Equipment	<u>1,077,698</u>	<u>187,593</u>	<u>(3,566)</u>	<u>1,261,725</u>
Total Capital Assets Being Depreciated	<u>3,867,272</u>	<u>187,593</u>	<u>(3,566)</u>	<u>4,051,299</u>
Less Accumulated Depreciation for:				
Buildings	1,342,406	27,896	-	1,370,302
Equipment	<u>693,495</u>	<u>87,255</u>	<u>(3,566)</u>	<u>777,184</u>
Total Accumulated Depreciation	<u>2,035,901</u>	<u>115,151</u>	<u>(3,566)</u>	<u>2,147,486</u>
Total Capital Assets Being Depreciated, Net	<u>1,831,371</u>	<u>72,442</u>	<u>-</u>	<u>1,903,813</u>
Net Capital Assets	<u>\$ 1,865,871</u>	<u>\$ 72,442</u>	<u>\$ -</u>	<u>\$ 1,938,313</u>
Business-type Activities:				
Equipment	\$ 5,152	\$ 8,063	\$ -	\$ 13,215
Less Accumulated Depreciation	<u>4,836</u>	<u>964</u>	<u>-</u>	<u>5,800</u>
Net Capital Assets	<u>\$ 316</u>	<u>\$ 7,099</u>	<u>\$ -</u>	<u>\$ 7,415</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 74,566
Support Services	24,109
Curricular Activities	<u>16,476</u>
Total Depreciation Expense	<u>\$ 115,151</u>

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt					
Bus Loan	\$ -	\$ 69,475	\$ -	\$ 69,475	\$ 12,980
Series 2010 Bond	115,000	-	60,000	55,000	55,000
Other Liabilities:					
Early Retirement Payable	77,364	-	64,519	12,845	12,845
Compensated Absences	27,910	-	245	27,665	27,665
Total Governmental Activities	\$ 220,274	\$ 69,475	\$ 124,764	\$ 164,985	\$ 108,490
Business-type Activities:					
Compensated Absences	1,362	-	85	1,277	1,277
Total Business-type Activities	1,362	-	85	1,277	1,277
Total Long-term Liabilities	\$ 221,636	\$ 69,475	\$ 124,849	\$ 166,262	\$ 109,767

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

Year Ending June 30,	General Obligation Debt		Early Retirement Payable	Totals
	Principal	Interest		
2022	\$ 67,980	\$ 4,131	\$ 12,845	\$ 84,956
2023	13,407	1,971	-	15,378
2024	13,870	1,508	-	15,378
2025	14,358	1,020	-	15,378
2026	14,860	518	-	15,378
	\$ 124,475	\$ 9,148	\$ 12,845	\$ 146,468

Compensated absence payments for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Compensated absence payments for business-type activities have been liquidated from the Food Service Fund.

The School maintained an early retirement plan, which allowed those meeting certain qualifications, to retire early and receive 100% of their last year's salary in equal payments spread over the next three, four, five, or six years. As of June 30, 2019, the School has terminated its early retirement program; however, 4 people had amounts owed to them prior to termination. Early retirement payments are expected to continue until July 2021. Early Retirement Benefits payable for governmental activities typically have been liquidated from the General Fund.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bond - Series 2010 - The bond was originally issued on September 4, 2002 and was refinanced on July 13, 2010. The bond was refinanced in the amount of \$595,000, maturing on January 1, 2022. The bond requires one annual principal payment each January, with a variable coupon rate of 1.75% to 3.15%, with both principal and interest payments increasing over the life of the bond.

Bus Loan - The loan was issued on March 5, 2021 in the amount of \$69,475, with an interest rate of 3.49%, and a maturity date of March 1, 2026. The loan requires annual principal and interest payments of \$15,378 each March, starting in 2022, and continuing until maturity.

NOTE 6 - RESTRICTED NET POSITION

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

Purpose	Restricted By	
Governmental Activities		
Major Purposes:		
Capital Outlay	Law	\$ 1,712,953
Special Education	Law	253,814
Debt Services	Law	140,163
SDRS Pension Purposes	Law	123,435
Total Governmental Activities -		
Restricted Net Position		\$ 2,230,365
Business-type Activities		
Other Purposes:		
SDRS Pension Purposes	Law	\$ 4,243

NOTE 7 - PROPERTY TAX

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

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 8 - PENSION PLAN

Plan Information

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

Benefits Provided

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

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 8 - PENSION PLAN (CONTINUED)

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$82,671, \$74,299, and \$69,708, respectively, equal to the required contributions each year.

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

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

Proportionate Share of Pension Liability	\$ 6,936,089
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>6,938,539</u>
Proportionate Share of Net Pension Liability (Asset)	<u><u>\$ (2,450)</u></u>

At June 30, 2021, the District reported a liability (asset) of \$(2,450) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the District's proportion was 0.0564231% which is an increase (decrease) of 0.0017815% from its proportion measured as of June 30, 2019.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 8 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the District recognized pension expense (reduction of pension expense) of \$139,445. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 9,373	\$ 1,920
Changes in Assumption	78,931	318,332
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	227,757	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	49,521	2,773
District Contributions Subsequent to the Measurement Date	<u>82,671</u>	<u>-</u>
Total	<u>\$ 448,253</u>	<u>\$ 323,025</u>

\$82,671 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2022	\$ 1,892
2023	(7,844)
2024	6,332
2025	42,177
2026	-
Thereafter	<u>-</u>
Total	<u>\$ 42,557</u>

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

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

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

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

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 8 - PENSION PLAN (CONTINUED)

Discount Rate

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 950,610	\$ (2,450)	\$ (782,035)

Pension Plan Fiduciary Net Position

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

NOTE 9 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021 were as follows:

	Transfers To:		
Transfers From:	General Fund	Food Service Fund	Total
General Fund	\$ -	\$ 10,000	\$ 10,000
Capital Outlay Fund	148	-	148
Special Education Fund	22	-	22
Bond Redemption Fund	11	-	11
Total	\$ 181	\$ 10,000	\$ 10,181

The District transferred funds from the General Fund to the Food Service Fund to help with the operations of the school lunch program. Funds were transferred from the Capital Outlay, Special Education, and Bond Redemption Funds to the General Fund to transfer the interest earned on deposits and investments from each fund.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 10 - RISK MANAGEMENT

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

Employee Health Insurance

The District participates in the Black Hills Educational Benefits Plan, a cooperative educational service unit formed for the purpose of providing health and welfare benefits. The District pays an annual premium to the cooperative to provide coverage for health insurance.

Under this agreement, the cooperative provides coverage for up to a maximum of \$70,000 per individual and \$117,000 aggregate coverage for a year. The cooperative has purchased additional insurance coverage for claims in excess of the above coverage.

The District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits

The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Liability Insurance

The District joined 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 member and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and to provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with ASBSD-PLF to resolve any incident which could result in a claim being made by or against the District. The 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 District pays an annual premium to the pool to provide coverage for property, boiler and machinery, general liability, automobile, crime, and employee benefits.

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$9,266,851 limit for property, and a \$5,000,000 aggregate limit for general liability, \$5,000,000 limit for automobile, \$5,000,000 limit for employee benefits liability, \$5,000,000 limit for school board errors and various limits for crime, and \$1,000,000 for employee theft. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit for general liability, automobile, employee benefits liability, school board errors, and \$10,000 for crime. The District carries a \$10,000 deductible for the school board errors and employee theft and a \$1,000 deductible for crime coverage.

The ASBSD-PLF also provides an excess aggregate property coverage which will provide an additional \$300,000,000 in excess of the \$9,266,851 primary limit for property. The property and boiler and machinery coverage is \$300,000,000 with a boiler and machinery limit of \$100,000,000 and a deductible of \$2,500 for property and \$1,000 for the boiler.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 10 - RISK MANAGEMENT (CONTINUED)

Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

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

The District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Pool members. The District may also be responsible for additional assessments in the event the Pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the Pool of all participants for the year in which the shortfall occurs. The Pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the Pool in excess of the retained risk. The Pool pays the first \$500,000 of any claim per individual. The Pool has reinsurance which covers up to \$1,000,000 per individual, per incident.

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

NOTE 11 - JOINT VENTURE

The District participates in a joint venture known as the Black Hills Educational Benefits Plan, a cooperative education service unit (cooperative) formed for the purpose of providing health insurance services to the employees of its member school districts.

The members of the cooperative and their relative percentage participation in the cooperative are as follows:

- Belle Fourche School District 23.72%
- Custer School District 17.46%
- New Underwood School District 2.84%
- Oelrichs School District 3.80%
- Wall School District 6.45%
- Black Hills Special Services Cooperative 45.73%

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

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

Separate financial statements for this joint venture are available from Black Hills Educational Benefits Plan.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2021

NOTE 11 - JOINT VENTURE (CONTINUED)

At June 30, 2021, this joint venture had total assets of \$6,670,026, total liabilities of \$769,509, and net position of \$5,900,517.

The District paid \$9,813 for a contract for services with the cooperative during the year ended June 30, 2021.

NOTE 12 - CONCENTRATIONS

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

NOTE 13 - ADOPTION OF NEW STANDARD AND RESTATEMENT

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

	Custodial Funds
Net Position July 1, 2020, as Previously Reported	\$ -
Restatement for Recognition Change:	
Implementation of GASB 84	57,380
Net Position July 1, 2020, as Restated	\$ 57,380

NOTE 14 - EMERGING ACCOUNTING PRONOUNCEMENTS

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

NOTE 15 - SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

New Underwood School District No. 51-3
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2021

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUE				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 333,130	\$ 333,130	\$ 354,330	\$ 21,200
Gross Receipts Taxes	45,000	45,000	53,562	8,562
Penalties and Interest on Taxes	1,635	1,635	997	(638)
Cocurricular Activities	14,890	15,115	11,016	(4,099)
Earnings on Deposits	1,000	1,000	84	(916)
Other Local Revenue	<u>7,070</u>	<u>7,070</u>	<u>15,149</u>	<u>8,079</u>
Total Revenue from Local Sources	<u>402,725</u>	<u>402,950</u>	<u>435,138</u>	<u>32,188</u>
Revenue from Intermediate Sources:				
County Sources	<u>10,035</u>	<u>10,035</u>	<u>7,806</u>	<u>(2,229)</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	<u>1,389,160</u>	<u>1,389,160</u>	<u>1,578,432</u>	<u>189,272</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	7,035	7,035	36,790	29,755
Restricted Grants-in-aid	104,630	122,350	86,623	(35,727)
Restricted Grants- in-Aid Received from Federal Government Through the State	<u>-</u>	<u>-</u>	<u>9,835</u>	<u>9,835</u>
Total Revenue from Federal Sources	<u>111,665</u>	<u>129,385</u>	<u>133,248</u>	<u>3,863</u>
TOTAL REVENUE	<u>1,913,585</u>	<u>1,931,530</u>	<u>2,154,624</u>	<u>223,094</u>

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

	Budgeted Original	Budgeted Final	Actual (Budgetary Basis)	Variance Positive (Negative)
EXPENDITURES				
Instructional Services:				
Regular Programs	928,545	934,545	893,468	41,077
Special Programs	122,885	122,885	124,143	(1,258)
Total Instruction	<u>1,051,430</u>	<u>1,057,430</u>	<u>1,017,611</u>	<u>39,819</u>
Support Services:				
Pupils	2,510	2,510	2,331	179
Instructional Staff	117,185	117,185	82,419	34,766
General Administration	197,685	197,685	181,797	15,888
School Administration	145,490	145,490	143,444	2,046
Business	440,735	440,735	399,931	40,804
Central	2,200	2,200	-	2,200
Total Support Services	<u>905,805</u>	<u>905,805</u>	<u>809,922</u>	<u>95,883</u>
Cocurricular Activities:				
Activity Transportation	41,555	41,555	43,324	(1,769)
Combined Activities	99,480	99,480	98,695	785
Total Cocurricular Activities	<u>141,035</u>	<u>141,035</u>	<u>142,019</u>	<u>(984)</u>
Non-Programmed Charges				
Early Retirement Payments	64,520	64,520	64,519	1
Payments to State - Unemployment	-	-	4,275	(4,275)
Total Nonprogrammed Charges	<u>64,520</u>	<u>64,520</u>	<u>68,794</u>	<u>(4,274)</u>
TOTAL EXPENDITURES	<u>2,162,790</u>	<u>2,168,790</u>	<u>2,038,346</u>	<u>130,444</u>
EXCESS OF REVENUE OVER EXPENDITURES	(249,205)	(237,260)	116,278	353,538
OTHER FINANCING SOURCES				
Transfers In	145,000	145,000	181	(144,819)
Transfers Out	(18,550)	(18,550)	(10,000)	8,550
Proceeds on Sale of Capital Assets	-	-	37,835	37,835
TOTAL OTHER FINANCING SOURCES	<u>126,450</u>	<u>126,450</u>	<u>28,016</u>	<u>(98,434)</u>
NET CHANGE IN FUND BALANCES	(122,755)	(110,810)	144,294	255,104
FUND BALANCE - BEGINNING	<u>677,968</u>	<u>677,968</u>	<u>677,968</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 555,213</u>	<u>\$ 567,158</u>	<u>\$ 822,262</u>	<u>\$ 255,104</u>

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

New Underwood School District No. 51-3
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis
For the Year Ended June 30, 2021

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 383,605	\$ 383,605	\$ 386,162	\$ 2,557
Penalties and Interest on Taxes	600	600	1,082	482
Earnings on Deposits	2,500	2,500	148	(2,352)
Other Local Revenue	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
Total Revenue from Local Sources	<u>409,705</u>	<u>409,705</u>	<u>410,392</u>	<u>687</u>
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	<u>100</u>	<u>100</u>	<u>386</u>	<u>286</u>
Total Revenue from Intermediate Sources	<u>100</u>	<u>100</u>	<u>386</u>	<u>286</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	-	-	92,130	92,130
Restricted Grants-in-aid	-	-	15,074	15,074
Restricted Grants-in-aid Received from Federal Government through the State	<u>78,010</u>	<u>78,010</u>	<u>62,794</u>	<u>(15,216)</u>
Total Revenue from Federal Sources	<u>78,010</u>	<u>78,010</u>	<u>169,998</u>	<u>91,988</u>
TOTAL REVENUE	<u>487,815</u>	<u>487,815</u>	<u>580,776</u>	<u>92,961</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	<u>109,964</u>	<u>109,964</u>	<u>117,159</u>	<u>(7,195)</u>
Support Services:				
Instructional Staff	10,000	10,000	4,149	5,851
General Administration	770	770	655	115
School Administration	1,540	1,540	1,310	230
Business	<u>93,470</u>	<u>93,470</u>	<u>59,018</u>	<u>34,452</u>
Total Support Services	<u>105,780</u>	<u>105,780</u>	<u>65,132</u>	<u>40,648</u>
Cocurricular Activities:				
Transportation	37,442	37,442	18,235	19,207
Combined Activities	<u>43,335</u>	<u>43,335</u>	<u>102,753</u>	<u>(59,418)</u>
Total Cocurricular Activities	<u>80,777</u>	<u>80,777</u>	<u>120,988</u>	<u>(40,211)</u>
TOTAL EXPENDITURES	<u>296,521</u>	<u>296,521</u>	<u>303,279</u>	<u>(6,758)</u>

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

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
EXCESS OF REVENUE OVER EXPENDITURES	191,294	191,294	277,497	86,203
OTHER FINANCING SOURCES				
Compensation for Loss of Capital Assets	168	168	81	(87)
General Long-term Debt Issued	-	-	69,475	69,475
Transfers Out	<u>(145,000)</u>	<u>(145,000)</u>	<u>(148)</u>	<u>144,852</u>
TOTAL OTHER FINANCING SOURCES	<u>(144,832)</u>	<u>(144,832)</u>	<u>69,408</u>	<u>214,240</u>
NET CHANGE IN FUND BALANCES	46,462	46,462	346,905	300,443
FUND BALANCE - BEGINNING	<u>1,366,469</u>	<u>1,366,469</u>	<u>1,366,469</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,412,931</u>	<u>\$ 1,412,931</u>	<u>\$ 1,713,374</u>	<u>\$ 300,443</u>

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

New Underwood School District No. 51-3
Budgetary Comparison Schedule - Special Education Fund -
Budgetary Basis
For the Year Ended June 30, 2021

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUE				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 202,110	\$ 202,110	\$ 235,328	\$ 33,218
Penalties and Interest on Taxes	300	300	643	343
Earnings on Deposits	200	200	22	(178)
Other Local Revenue	<u>1,200</u>	<u>1,200</u>	<u>397</u>	<u>(803)</u>
Total Revenue from Local Sources	<u>203,810</u>	<u>203,810</u>	<u>236,390</u>	<u>32,580</u>
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	<u>150</u>	<u>150</u>	<u>235</u>	<u>85</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	-	-	6,364	6,364
Restricted Grants-in-aid	<u>50,959</u>	<u>50,959</u>	<u>50,959</u>	<u>-</u>
Total Revenue from Federal Sources	<u>50,959</u>	<u>50,959</u>	<u>57,323</u>	<u>6,364</u>
TOTAL REVENUE	<u>254,919</u>	<u>254,919</u>	<u>293,948</u>	<u>39,029</u>
EXPENDITURES				
Instructional Services:				
Special Programs	<u>145,375</u>	<u>145,375</u>	<u>163,085</u>	<u>(17,710)</u>
Support Services:				
Pupils	88,660	88,660	70,768	17,892
Special Education	<u>11,660</u>	<u>11,660</u>	<u>10,798</u>	<u>862</u>
Total Support Services	<u>100,320</u>	<u>100,320</u>	<u>81,566</u>	<u>18,754</u>
TOTAL EXPENDITURES	<u>245,695</u>	<u>245,695</u>	<u>244,651</u>	<u>1,044</u>
EXCESS OF REVENUE OVER EXPENDITURES	9,224	9,224	49,297	40,073
OTHER FINANCING SOURCES				
Transfers Out	<u>(200)</u>	<u>(200)</u>	<u>(22)</u>	<u>178</u>
TOTAL OTHER FINANCING SOURCES	<u>(200)</u>	<u>(200)</u>	<u>(22)</u>	<u>178</u>
NET CHANGE IN FUND BALANCES	9,024	9,024	49,275	40,251
FUND BALANCE - BEGINNING	<u>204,784</u>	<u>204,784</u>	<u>204,784</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 213,808</u>	<u>\$ 213,808</u>	<u>\$ 254,059</u>	<u>\$ 40,251</u>

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

**New Underwood School District No. 51-3
Schedule of the District's Proportionate Share of the
Net Pension Liability (Asset)
For the Years Ended June 30**

Year*	District's Proportion of Net Pension Liability/Asset	District's Proportionate Share of Net Pension Liability (Asset) (a)	District's Covered- employee Payroll (b)	District's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll (a/b)	Plan Fiduciary Net Pension as a Percentage of its Total Pension Liability/Asset
2021	.0564231%	\$ (2,450)	\$ 1,238,313	-0.20%	100.04%
2020	.0546416%	\$ (5,791)	\$ 1,161,791	-0.50%	100.09%
2019	.0620511%	\$ (1,443)	\$ 1,289,982	-0.11%	100.02%
2018	.0749395%	\$ (6,801)	\$ 1,522,609	-0.45%	100.10%
2017	.0805874%	\$ 272,216	\$ 1,532,368	17.76%	96.89%
2016	.0789599%	\$ (334,891)	\$ 1,440,630	-23.25%	104.10%
2015	.0822272%	\$ (592,413)	\$ 1,437,927	-41.20%	107.30%

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

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

**New Underwood School District No. 51-3
Schedule of Pension Contributions
For the Years Ended June 30**

Year*	Contractually- required Contribution (a)	Contributions in Relation to the Contractually- required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered- employee Payroll (c)	Contributions as a Percentage of Covered- employee Payroll (b/c)
2021	\$ 82,671	\$ 82,671	\$ -	\$ 1,377,847	6.00%
2020	\$ 69,708	\$ 69,708	\$ -	\$ 1,161,791	6.00%
2019	\$ 77,399	\$ 77,399	\$ -	\$ 1,289,982	6.00%
2018	\$ 91,357	\$ 91,357	\$ -	\$ 1,522,609	6.00%
2017	\$ 91,942	\$ 91,942	\$ -	\$ 1,532,368	6.00%
2016	\$ 86,495	\$ 86,495	\$ -	\$ 1,441,590	6.00%
2015	\$ 86,276	\$ 86,276	\$ -	\$ 1,437,983	6.00%

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

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

New Underwood School District No. 51-3
Notes to the Required Supplementary Information
June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

See independent auditor's report.

New Underwood School District No. 51-3
Notes to the Required Supplementary Information
June 30, 2021

NOTE 3 - PENSION PLAN

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

See independent auditor's report.

OTHER INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

**New Underwood School District No. 51-3
School District Officials
June 30, 2021**

BOARD MEMBERS

President - Chad Tussing
Vice President - Laurel Venhuizen
David Flint
Brittney VanderMay
Jodi Richter

SUPERINTENDENT

Katie Albers

BUSINESS MANAGER

Amanda Trole

See independent auditor's report.