

NEWELL SCHOOL DISTRICT NO. 9-2

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2020



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

ktllp.com

NEWELL SCHOOL DISTRICT NO. 9-2

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INDEPENDENT AUDITOR'S REPORT

School Board
Newell School District No. 9-2
Newell, 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 **NEWELL SCHOOL DISTRICT NO. 9-2** (the District), Newell, South Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded certain capital assets in the governmental activities and has not recorded depreciation expense on any capital assets of the governmental activities. Accounting principles generally accepted in the United States of America require that capital assets be recorded as assets and depreciated, which would increase assets, net position, and expenses in the governmental activities. Based on management estimates, this departure would materially affect the governmental activities portion of the financial statements. However, actual amounts have not been determined.

Adverse Opinion on Governmental Activities

In our opinion, because of the effects of the matter discussed in the Basis for Adverse Opinion on Governmental Activities paragraph, the financial statements referred to previously do not present fairly, the financial position of the governmental activities of the District as of June 30, 2020, and the changes in financial position thereof for the year then ended.

School Board

Unmodified Opinions on Remaining Financial Statements

In our opinion, the remaining financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the District as of then, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, Schedule of the District's Proportionate Share of the Net Pension Asset (Liability), and Schedule of the District Contributions on pages 6 through 15 and 45 through 51, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

February 8, 2021

NEWELL SCHOOL DISTRICT NO. 9-2

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2020

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position from governmental and business-type activities increased \$263,845 for the year ended June 30, 2020, primarily due to changes in the SDRS pension, and general revenues of the District exceeding cost of operations.
- The total cost of the District's programs increased by approximately four percent during fiscal year 2020, which is primarily due to an increase in staff pay.
- The general fund reported a current year fund balance of \$759,724.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements 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.
 - 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-term and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the District is the Food Service Fund.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

NEWELL SCHOOL DISTRICT NO. 9-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements

The government-wide financial 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.

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

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need 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 (elementary, high school educational programs, etc.), support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, 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 lunch services to all students. The Food Service Fund is the only business-type activity of the District.

NEWELL SCHOOL DISTRICT NO. 9-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.
- 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 that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are greater 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 at the bottom of the governmental funds statements, or 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- 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.

NEWELL SCHOOL DISTRICT NO. 9-2

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

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

Figure A-1				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the District operates similar to private business - food service	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	Statements of Net Position and Activities	Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances	Balance Sheet; Statement of Revenues, Expenses and Changes in Fund Net Position; and Statement of Cash Flows	Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the 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 the year 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

NEWELL SCHOOL DISTRICT NO. 9-2

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

This section explains the differences between the current and prior year's assets, liabilities, and changes in net position. 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 compensated absences payable, energy efficiency loans, and capital outlay certificates payable have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

Table A-1						
COMPARATIVE SUMMARIZED STATEMENT OF NET POSITION						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2020	2019	2020	2019	2020
Current and Other Assets	\$ 2,438,152	\$ 2,589,722	\$ (66,477)	\$ (64,359)	\$ 2,371,675	\$ 2,525,363
Capital Assets	10,605,716	10,709,538	3,257	1,925	10,608,973	10,711,463
Total Assets	13,043,868	13,299,260	(63,220)	(62,434)	12,980,648	13,236,826
Pension Related Deferred Outflows of Resources	\$ 582,542	\$ 277,660	\$ 16,571	\$ 10,889	\$ 599,113	\$ 288,549
Long-Term Debt	\$ 3,547,841	\$ 3,237,086	\$ 1,677	\$ 1,722	\$ 3,549,518	\$ 3,238,808
Other Liabilities	256,861	235,821	6,110	6,715	262,971	242,536
Total Liabilities	\$ 3,804,702	\$ 3,472,907	\$ 7,787	\$ 8,437	\$ 3,812,489	\$ 3,481,344
Taxes Levied for Future Period	\$ 814,899	\$ 827,813	\$ -	\$ -	\$ 814,899	\$ 827,813
Net Position						
Net Investment in						
Capital Assets	\$ 7,172,976	\$ 7,565,073	\$ 3,257	\$ 1,925	\$ 7,176,233	\$ 7,566,998
Restricted	1,160,068	1,022,583	16,615	11,068	1,176,683	1,033,651
Unrestricted (Deficit)	673,765	688,544	(74,308)	(72,975)	599,457	615,569
Total Net Position	\$ 9,006,809	\$ 9,276,200	\$ (54,436)	\$ (59,982)	\$ 8,952,373	\$ 9,216,218
Beginning Net Position	\$ 8,666,525	\$ 9,006,809	\$ (33,710)	\$ (54,436)	\$ 8,632,815	\$ 8,952,373
Change in Net Position	\$ 340,284	\$ 269,391	\$ (20,726)	\$ (5,546)	\$ 319,558	\$ 263,845
Percentage of Change in Net Position	3.93%	2.99%	-61.48%	-10.19%	3.70%	2.95%

NEWELL SCHOOL DISTRICT NO. 9-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities

The increase in net position for the governmental activities from 2019 to 2020 is due to an increase in property tax revenue and working hard to try and keep its operating costs in check.

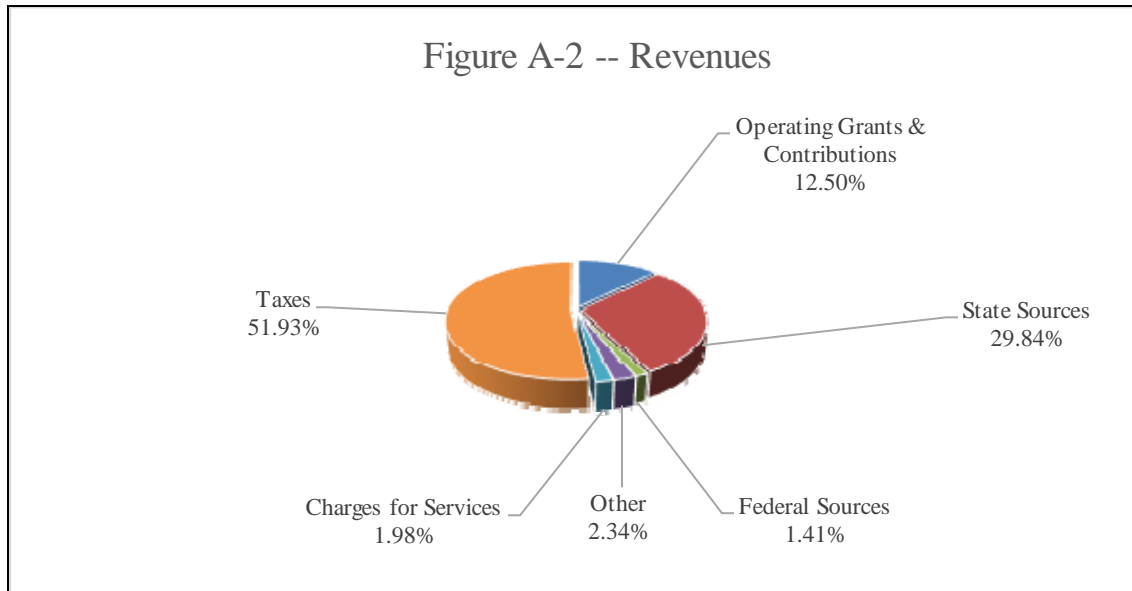
Business-Type Activities

The decrease in net position for business-type activities from 2019 to 2020 is due to expenditures related to the Food Service Fund exceeding revenue related to the fund.

Changes in Net Position

This section illustrates condensed financial comparison of revenues and expenses and provides explanations for significant differences.

The District's revenues totaled \$3,987,571 for the year ended June 30, 2020. (See Table A-2.) Approximately 52 percent of the District's revenue comes from property and other taxes, with another 30 percent coming from state aid, approximately 13 percent comes from operating grants and contributions and 5 percent comes from other sources. (See Figure A-2).

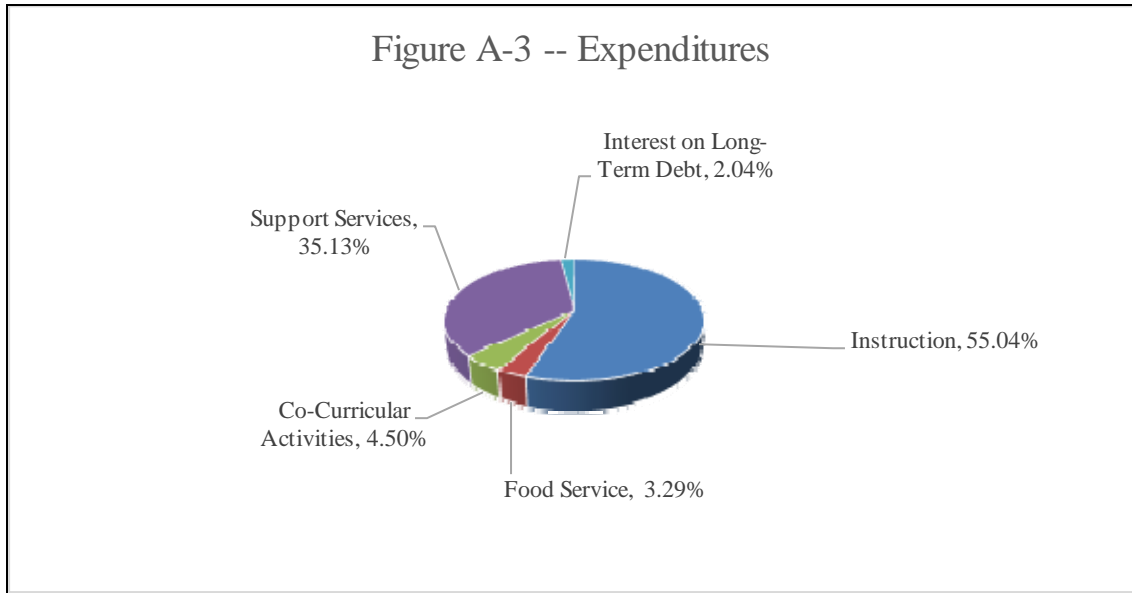


NEWELL SCHOOL DISTRICT NO. 9-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The total cost of all programs and services decreased during fiscal year 2020. The District's expenses cover a range of services, with over 55 percent encompassing instruction, and 35 percent for support services. (See Figure A-3).



NEWELL SCHOOL DISTRICT NO. 9-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONCLUDED)

Changes in Net Position (Concluded)

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

	Table A-2					
	Total Governmental Activities		Total Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 38,034	\$ 43,330	\$ 45,963	\$ 35,552	\$ 83,997	\$ 78,882
Operating Grants and Contributions	526,617	431,296	68,022	67,121	594,639	498,417
<i>General Revenues</i>						
Property Taxes	1,883,763	1,960,285	-	-	1,883,763	1,960,285
Gross Receipts Taxes	104,165	110,521	-	-	104,165	110,521
Revenue State Sources	1,319,810	1,189,693	-	-	1,319,810	1,189,693
Revenue Federal Sources	64,110	56,335	-	-	64,110	56,335
Unrestricted Investment Earnings	87	101	-	-	87	101
Other General Revenues	289,716	93,337	-	-	289,716	93,337
Total Revenues	4,226,302	3,884,898	113,985	102,673	4,340,287	3,987,571
Expenses						
Instruction	2,105,263	2,049,649	-	-	2,105,263	2,049,649
Support Services	1,535,579	1,307,892	-	-	1,535,579	1,307,892
Co-Curricular Activities	161,156	167,632	-	-	161,156	167,632
Interest on Long-Term Debt	78,665	76,066	-	-	78,665	76,066
Food Service	-	-	140,066	122,487	140,066	122,487
Total Expenses	3,880,663	3,601,239	140,066	122,487	4,020,729	3,723,726
Transfers In (Out)	(5,355)	(14,268)	5,355	14,268	-	-
Change in Net Position	340,284	269,391	(20,726)	(5,546)	319,558	263,845
Ending Net Position	\$ 9,006,809	\$ 9,276,200	\$ (54,436)	\$ (59,982)	\$ 8,952,373	\$ 9,216,218

Governmental Activities

The District experienced a decrease in general revenue during the 2020 year as compared to the 2019 year. The decrease in general revenues was due to storm damage proceeds received in 2019.

Business-Type Activities

Revenues of the District's business-type activities decreased by approximately ten percent, and expenses decreased by approximately thirteen percent. The decreases were due to COVID-19. The District did apply for SSO waivers to feed all children that wanted a free breakfast and lunch; however, a limited number of families participated. This limited revenue and expenses.

NEWELL SCHOOL DISTRICT NO. 9-2

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Special Education Fund's fund balance increased by \$109,418, primarily due to an increase in state aid and local tax revenues and decrease in operating expense. The Capital Outlay fund balance increased by \$50,688 due to not needing to transfer as large of an amount of Capital Outlay to the General Fund.

BUDGETARY HIGHLIGHTS

Net variances between budget and actual were due to an unexpected increase in revenues received and decrease in expenses, some was in part to COVID-19. The District did continue to pay all staff; however, because students and staff were not in the buildings from March to May there were other expenses that decreased as a result.

CAPITAL ASSET ADMINISTRATION

By the end of 2020, the District had invested approximately \$10.7 million in a broad range of capital assets, including land, buildings, and various machinery and equipment. (See Table A-3.) Governmental capital asset additions and deletions are not consistently tracked by the District and have not been properly depreciated. Business-type fixed assets are net of depreciation.

	Governmental Activities		Business-Type Activities	
	2019	2020	2019	2020
Land	\$ 24,544	\$ 24,544	\$ -	\$ -
Buildings	4,689,239	4,689,239	-	-
Construction in Progress	-	-	-	-
Improvements Other than Buildings	4,573,339	4,576,871	-	-
Equipment	1,318,594	1,418,884	3,257	1,925
Total Capital Assets (Net)	\$ 10,605,716	\$ 10,709,538	\$ 3,257	\$ 1,925

NEWELL SCHOOL DISTRICT NO. 9-2

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONCLUDED)
JUNE 30, 2020**

LONG-TERM DEBT

At year-end, the District had \$3,238,808 in long-term obligations. This is a decrease of nine percent as shown on Table A-4 below.

Table A-4 Outstanding Debt and Obligations				
	<u>2019</u>	<u>2020</u>	<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
Compensated Absences	\$ 116,778	\$ 94,343	\$ (22,435)	-19%
Energy Efficient Loan	932,740	819,465	(113,275)	-12%
Capital Outlay Certificates	2,500,000	2,325,000	(175,000)	-7%
Total Outstanding Debt and Obligations	\$ 3,549,518	\$ 3,238,808	\$ (310,710)	-9%

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The District’s current economic position has shown change. The District experienced an increase in total property valuation from \$290,713,429 to \$306,739,890. The increase in property valuation increases the District’s ability to generate revenue from property taxes; however, the total amount, which can be levied, is limited by the State of South Dakota.

One of the primary sources of revenue to the District is based on a student to staff ratio allocation from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$1,756,715.

The District has experienced an increase in pay for all staff from fiscal year 2020 to 2021. The District has experienced a decrease in enrollment from fiscal year 2020 to 2021, which will result in a decrease in revenue from the State of South Dakota. The District’s enrollment decreased from 285 to 259 (K-12) between fiscal year 2019 and 2020 and is expected to stay even for fiscal year 2021.

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 Newell School District’s Business Office, 501 Dartmouth Avenue, Newell, SD 57760.

NEWELL SCHOOL DISTRICT NO. 9-2

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Investments	\$ 1,454,454	\$ -	\$ 1,454,454
Taxes Receivable (Note 2)	892,037	-	892,037
Receivables (Note 3)	162,000	453	162,453
Internal Balances (Note 8)	71,781	(71,781)	-
Inventories	-	6,790	6,790
Net Pension Asset (Note 9)	9,450	179	9,629
Capital Assets (Note 4):			
Land	24,544	-	24,544
Other Capital Assets	10,684,994	-	10,684,994
Equipment, Net of Depreciation	-	1,925	1,925
TOTAL ASSETS	13,299,260	(62,434)	13,236,826
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows of Resources (Note 9)	277,660	10,889	288,549
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 13,576,920	\$ (51,545)	\$ 13,525,375
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 235,821	\$ 2,748	\$ 238,569
Unearned Revenue	-	3,967	3,967
Long-Term Liabilities (Note 5):			
Due within One Year	353,275	1,722	354,997
Due in More than One Year	2,883,811	-	2,883,811
TOTAL LIABILITIES	3,472,907	8,437	3,481,344
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for Future Period (Note 2)	827,813	-	827,813
TOTAL DEFERRED INFLOWS OF RESOURCES	827,813	-	827,813
NET POSITION			
Net Investment in Capital Assets	7,565,073	1,925	7,566,998
Restricted for:			
Capital Outlay	505,870	-	505,870
Special Education	227,157	-	227,157
Pension-SDRS (Note 9)	287,110	11,068	298,178
Music, Athletics, and Library (Note 6)	2,446	-	2,446
Unrestricted (Deficit)	688,544	(72,975)	615,569
TOTAL NET POSITION (DEFICIT)	9,276,200	(59,982)	9,216,218
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 13,576,920	\$ (51,545)	\$ 13,525,375

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business- Type Activities	
<i>Governmental Activities:</i>						
Instruction	\$ 2,049,649	\$ -	\$ 431,296	\$ (1,618,353)	\$ -	\$ (1,618,353)
Support Services	1,307,892	-	-	(1,307,892)	-	(1,307,892)
Co-Curricular Activities	167,632	43,330	-	(124,302)	-	(124,302)
Interest on Long-Term Debt *	76,066	-	-	(76,066)	-	(76,066)
Total Governmental Activities	3,601,239	43,330	431,296	(3,126,613)	-	(3,126,613)
<i>Business-Type Activities:</i>						
Food Service	122,487	35,552	67,121	-	(19,814)	(19,814)
Total Primary Government	\$ 3,723,726	\$ 78,882	\$ 498,417	(3,126,613)	(19,814)	(3,146,427)
<i>General Revenues</i>						
Taxes:						
Property Taxes				1,960,285	-	1,960,285
Gross Receipts Taxes				110,521	-	110,521
Revenue from State Sources:						
State Aid				1,189,693	-	1,189,693
Revenue from Federal Sources				56,335	-	56,335
Unrestricted Investment Earnings				101	-	101
Other General Revenues				93,337	-	93,337
Transfers In (Out)				(14,268)	14,268	-
Total General Revenues				3,396,004	14,268	3,410,272
Change in Net Position				269,391	(5,546)	263,845
Net Position (Deficit) -- Beginning				9,006,809	(54,436)	8,952,373
Net Position (Deficit) -- Ending				\$ 9,276,200	\$ (59,982)	\$ 9,216,218

* 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.

NEWELL SCHOOL DISTRICT NO. 9-2

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 715,030	\$ 479,566	\$ 259,858	\$ 1,454,454
Taxes Receivable -- Current	305,697	326,241	209,291	841,229
Taxes Receivable -- Delinquent	23,887	20,939	5,982	50,808
Advance to Other Funds (Note 8)	71,781	-	-	71,781
Due from State Government (Note 3)	161,488	-	512	162,000
Total Assets	\$ 1,277,883	\$ 826,746	\$ 475,643	\$ 2,580,272
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 193,936	\$ -	\$ 41,885	\$ 235,821
Total Liabilities	193,936	-	41,885	235,821
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for Future Periods (Note 2)	300,336	320,876	206,601	827,813
Unavailable Revenue - Property Taxes (Note 2)	23,887	20,939	5,982	50,808
Total Deferred Inflows of Resources	324,223	341,815	212,583	878,621
FUND BALANCES				
Nonspendable - Advance to Other Funds	71,781	-	-	71,781
Restricted - Capital Outlay	-	484,931	-	484,931
Restricted - Special Education	-	-	221,175	221,175
Restricted - Music, Athletics, and Library (Note 6)	2,446	-	-	2,446
Unassigned	685,497	-	-	685,497
Total Fund Balances	759,724	484,931	221,175	1,465,830
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,277,883	\$ 826,746	\$ 475,643	\$ 2,580,272

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances - Governmental Funds	\$ 1,465,830
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	10,709,538
Long-term liabilities, including capital outlay certificates payable, and accrued leave payable, are not due in the current period and therefore are not reported in the funds.	(3,237,086)
Assets, such as taxes receivable, that are not available to pay for current period expenditures are deferred in the funds.	50,808
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	9,450
Pension related deferred outflows are components of pension liability and therefore are not reported in the funds.	277,660
Net Position - Governmental Funds	\$ 9,276,200

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues:				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 709,769	\$ 740,856	\$ 475,328	\$ 1,925,953
1120 Prior Years' Ad Valorem Taxes	16,989	9,057	5,073	31,119
1140 Gross Receipts Taxes	110,521	-	-	110,521
1190 Penalties and Interest on Taxes	6,625	2,700	1,550	10,875
1500 Earnings on Investments and Deposits	101	-	-	101
<i>1700 Cocurricular Activities:</i>				
1710 Admissions	14,230	-	-	14,230
1740 Cocurricular Activities	3,140	-	-	3,140
1790 Other Pupil Activity	25,960	-	-	25,960
<i>1900 Other Revenue from Local Sources:</i>				
1910 Rentals	150	-	-	150
1920 Contributions and Donations	2,100	-	-	2,100
1990 Other	17,916	-	18,920	36,836
2110 County Apportionment	37,306	-	-	37,306
<i>3000 Revenue from State Sources:</i>				
3110 Unrestricted Grants-in-Aid	1,189,693	-	-	1,189,693
3120 Restricted Grants-In-Aid	1,824	-	106,769	108,593
<i>4000 Revenue from Federal Sources:</i>				
4120 Unrestricted Grants-in-Aid Received from Federal Government Through State	56,335	-	-	56,335
4150-4199 Restricted Grants-in-Aid Received from Federal Government through State	227,820	-	94,883	322,703
Total Revenues	2,420,479	752,613	702,523	3,875,615

Expenditures:

1100 Instruction - Regular Programs:

1110 Elementary	365,283	14,131	-	379,414
1120 Middle/Junior High	362,411	4,010	-	366,421
1130 High School	497,743	11,756	-	509,499
1140 Preschool	33,553	-	-	33,553

1200 Instruction - Special Programs:

1220 Programs for Special Education	-	-	433,312	433,312
1273 Educationally Deprived	151,403	-	-	151,403

2100 Support Services - Pupils:

2120 Guidance	6,890	-	-	6,890
2130 Health	-	-	36,256	36,256
2170 Student Therapy Services	-	-	43,415	43,415

2200 Support Services - Instructional Staff:

2210 Improvement of Instruction	4,856	-	240	5,096
2220 Educational Media	72,062	4,398	-	76,460

2300 Support Services - General:

2310 Board of Education	102,331	-	-	102,331
2320 Executive Administration	161,475	-	-	161,475

2400 Support Services - School:

2410 Office of the Principal	112,412	-	-	112,412
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NEWELL SCHOOL DISTRICT NO. 9-2

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<i>2500 Support Services - Business:</i>				
2520 Fiscal Services	99,830	8,750	-	108,580
2530 Facilities Acquisition and Construction	-	31,761	-	31,761
2540 Operation and Maintenance of Plant	324,622	-	-	324,622
2550 Pupil Transportation	110,748	-	-	110,748
2560 Food Services	6,215	-	-	6,215
2570 Internal Services	-	11,777	-	11,777
<i>2700 Support Services - Special Education:</i>				
2730 Transportation Costs	-	-	9,811	9,811
2750 Other Special Education Costs	-	-	70,071	70,071
5000 Debt Service	-	364,341	-	364,341
<i>6000 Cocurricular Activities:</i>				
6900 Combined Activities	154,434	4,067	-	158,501
7000 Capital Outlay	3,532	100,290	-	103,822
Total Expenditures	2,569,800	555,281	593,105	3,718,186
Excess of Revenues over (under) Expenditures	(149,321)	197,332	109,418	157,429
Other Financing Sources (Uses)				
5130 Sale of Surplus Property	100	10,220	-	10,320
5140 Compensation for Loss of General Capital Assets	6,625	-	-	6,625
5150 Transfer In (Out) (Note 8)	142,596	(156,864)	-	(14,268)
Total Other Financing Sources (Uses)	149,321	(146,644)	-	2,677
Net Change in Fund Balances	-	50,688	109,418	160,106
Fund Balances -- Beginning	759,724	434,243	111,757	1,305,724
Fund Balances -- Ending	\$ 759,724	\$ 484,931	\$ 221,175	\$ 1,465,830

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 160,106

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. 103,822

The fund financial statement property tax accruals differ from the government wide statement property tax accruals as the fund financial statements require the amounts to be "available." (7,662)

Governmental funds recognize expenditures for amounts of compensated absences with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the governmental funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits. 22,480

Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Government-wide statements. 288,275

Pension revenues in the Statement of Activities do not provide current financial resources and are not reported as revenues in the funds. (411,156)

Changes in the pension related deferred outflows are direct components of pension asset and are not reflected in the governmental funds. 113,526

Change in Net Position of Governmental Activities \$ 269,391

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

PROPRIETARY FUNDS BALANCE SHEET
JUNE 30, 2020

	<u>Food Service Fund</u>
ASSETS	
Current Assets:	
Accounts Receivable	\$ 453
Inventory of Supplies	1,187
Inventory of Food Purchased for Resale	2,876
Inventory of Donated Food	2,727
Total Current Assets	7,243
Noncurrent Assets:	
Net Pension Asset (Note 9)	179
Capital Assets (Note 4):	
Equipment	57,436
Less Accumulated Depreciation	(55,511)
Total Noncurrent Assets	2,104
TOTAL ASSETS	9,347
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows (Note 9)	10,889
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 20,236
LIABILITIES	
Current Liabilities:	
Payroll Deductions and Withholdings	\$ 2,748
Accrued Leave Payable (Note 5)	1,722
Unearned Revenue	3,967
Advance from General Fund (Note 8)	71,781
Total Liabilities	80,218
NET POSITION	
Net Investment in Capital Assets	1,925
Restricted Pension (Note 9)	11,068
Deficit Net Position	(72,975)
Total Net Position (Deficit)	(59,982)
TOTAL LIABILITIES AND NET POSITION	\$ 20,236

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION (DEFICIT)
 FOR THE YEAR ENDED JUNE 30, 2020

	Food Service Fund
Operating Revenue	
<i>Sales:</i>	
To Pupils	\$ 31,409
To Adults	4,143
Total Operating Revenue	35,552
Operating Expenses	
Cost of Sales - Purchased Food	40,563
Salaries	38,492
Employee Benefits	24,984
Cost of Sales - Donated Food	10,892
Purchased Services	3,565
Supplies	2,648
Depreciation - Local Funds (Note 4)	1,332
Miscellaneous	11
Total Operating Expenses	122,487
Operating Loss	(86,935)
Nonoperating Revenue	
<i>Federal Sources:</i>	
Cash Reimbursements	56,607
Donated Food	10,514
Total Nonoperating Revenue	67,121
Income (Loss) Before Transfers	(19,814)
Transfers In (Note 8)	14,268
Change in Net Position	(5,546)
Net Position (Deficit) -- Beginning	(54,436)
Net Position (Deficit) -- Ending	\$ (59,982)

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Food Service Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 37,141
Other Cash Receipts	(11)
Payments to Suppliers	(49,137)
Payments to Employees	(58,868)
Net Cash Used in Operating Activities	(70,875)
Cash Flows from Noncapital Financing Activities	
Operating Subsidies	56,607
Transfers In	14,268
Net Cash Provided by Noncapital Financing Activities	70,875
Net Change in Cash	-
Cash -- Beginning	-
Cash -- Ending	\$ -
Reconciliation of Operating Loss to Net Cash Flows Used in Operating Activities	
Operating Loss	\$ (86,935)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>	
Cost of Sales - Donated Food	10,892
Depreciation Expense	1,332
<i>Change in Assets and Liabilities:</i>	
Inventories	(2,361)
Pension Asset	(135)
Pension Related Deferred Outflows	5,682
Accrued Leave and Payroll Deductions Payable	(939)
Unearned Revenue	1,589
Net Cash Used in Operating Activities	\$ (70,875)
Noncash Investing, Capital and Financing Activities	
Value of Commodities Received	\$ 10,514

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	Private-Purpose Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and Investments	\$ 10,667	\$ 79,930
<u>LIABILITIES</u>		
Amounts Held for Others	-	\$ 79,930
<u>NET POSITION</u>		
Restricted for Scholarships	\$ 10,667	

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

	Private- Purpose Trust Fund
ADDITIONS	
Interest Earnings	\$ -
REDUCTIONS	
Scholarships	-
Change in Net Position	-
Net Position - Beginning	10,667
Net Position - Ending	\$ 10,667

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies

Reporting Entity

The reporting entity of 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 funds included in this report are controlled by or dependent upon the District's Board of Education. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments.

Basis of Presentation

Government-Wide Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are 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 and services.

The Statement of Net Position reports all financial and capital resources in a balance sheet form (assets equal liabilities plus 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 are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least five 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 from year-to-year, or because of public interest in the fund's operations.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued):

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district. The General Fund is always a major fund. It is used to account for all financial resources except those accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted or committed to expenditure for specific purposes. Fund equity of these funds is restricted by law.

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

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

Proprietary Funds:

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

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 and is the only enterprise fund maintained by the District.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains one private-purpose trust fund, which is a scholarship fund that was established by a donation made to the District for payment of scholarships to District students.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

Fund Financial Statements (Concluded):

Fiduciary Funds (Continued):

Agency Funds - Agency funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The District maintains a variety of agency funds. Agency funds are established to account for the monies earned by student organizations for various expenditures.

Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned, and expenses and related liabilities are recorded when an obligation is incurred.

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. Available means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the District, the length of that cycle is 60 days.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued):

Fund Financial Statements (Continued):

Under the modified accrual basis of accounting, receivables may be measurable but not available. Reported deferred inflows are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

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

All proprietary and fiduciary fund types 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.

Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in Advances to asset accounts) are equally offset by a non-spendable fund balance designation, which indicates that they do not constitute available spendable resources since they are not a component of net current assets. Current portions of interfund loans receivable (reported in Due from asset accounts) are considered available, spendable resources.

Capital Assets

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

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

Government-wide Statements:

The District does not have subsidiary records to support its governmental capital asset balance. In addition, capital asset additions and deletions have not been consistently or accurately recorded since 1994. No accumulated depreciation or depreciation expense is recorded in the government-wide statements for governmental activities.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Fund Financial Statements:

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

The estimated useful lives of equipment reported in the proprietary funds are 5 to 15 years.

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences payable, energy efficient loans, and capital outlay certificates.

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

Funding for compensated absences is expended in the general, special revenue, and food service funds.

Program Revenues

In the government-wide Statement of Activities, reported program revenues are derived 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:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program. There were none during 2020.

Proprietary Funds Revenue and Expense Classifications

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

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies (Continued)

Inventory

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

Inventory in the enterprise fund consists of food and supplies held for consumption. Inventory is recorded at the time individual inventory items are purchased and expensed when consumed.

There are no significant amounts of governmental supplies inventory maintained by the District.

Deposits and Investments

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

Deposits – The 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 that 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 better, 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 deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2020, the District’s cash and investments consisted of checking accounts and non-negotiable certificates of deposit. The bank balances at June 30, 2020 are as follows:

	<u>Bank Balance</u>
Insured - FDIC	\$ 250,000
Uninsured, collateralized in accordance with SDCL 4-6A-3	1,240,421
Total Deposits	\$ 1,490,421

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.

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.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

Custodial Credit Risk:

The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2020, none of the District's deposits were exposed to custodial credit risk.

State law allows income from deposits 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 to the fund making the investment.

Deferred Inflows and Outflows of Resources and Unearned Revenue

In addition to assets, a separate section for deferred outflows of resources is reported. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period. Deferred outflows consist of pension activity.

In addition to liabilities, a separate section for deferred inflows of resources is reported. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. Deferred inflows of resources consist of property taxes. Unearned revenues are resources obtained prior to revenue recognition and consist of accounts credits for student meals not yet used.

Pensions

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

Cash and Cash Equivalents

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

Equity Classifications

Government-wide Statements:

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

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

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Government-wide Statements (Continued):

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

Fund Financial Statements:

Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as restricted net position held in trust for other purposes.

The District classifies governmental fund balances as follows:

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

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

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

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the School Board, Superintendent and Business Manager.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories.

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

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

Emerging Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has not yet determined the specific impact on the financial statements. The statement is effective for the District's year ending June 30, 2022.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(1) Summary of Significant Accounting Policies (Concluded)

Emerging Accounting Standards (Continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The District has not yet determined the specific impact on the financial statements. The statement is effective for the District’s year ending June 30, 2021.

Subsequent Events

Subsequent events were evaluated through the date of the Independent Auditor’s Report, which is the date in which the financial statements were available to be issued.

(2) Property Taxes

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 is not intended to be used to finance the current year’s appropriations and therefore is not susceptible to accrual, has been reported as deferred inflows 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 fiscal period or within the “availability period.”

(3) Due from State Government

Amounts due from state governments include grant reimbursements and gross receipts taxes due from the State of South Dakota.

(4) Changes in Capital Assets

Changes in capital assets used in governmental activities were as follows (see Note 1):

	Balance June 30, 2019	Additions	Transfers/ Retirements	Balance June 30, 2020
Governmental Activities				
Land	\$ 24,544	\$ -	\$ -	\$ 24,544
Buildings	4,689,239	-	-	4,689,239
Improvements Other than Building	4,573,339	3,532	-	4,576,871
Equipment -- Local Funds	1,318,594	100,290	-	1,418,884
Governmental Activities Capital Assets	\$ 10,605,716	\$ 103,822	\$ -	\$ 10,709,538

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Changes in capital assets used in business-type activities were as follows:

	Balance June 30, 2019	Additions	Transfers/ Retirements	Balance June 30, 2020
Business-Type Activities				
Equipment	\$ 57,436	\$ -	\$ -	\$ 57,436
Less Accumulated Depreciation	(54,179)	(1,332)	-	(55,511)
Business -Type Activities Capital Assets, Net	\$ 3,257	\$ (1,332)	\$ -	\$ 1,925

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(5) Long-Term Debt

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2020:

	Balance			Balance	Due Within
	June 30, 2019	Additions	Reductions	June 30, 2020	One Year
Governmental Activities					
Capital Outlay Certificates	\$ 2,500,000	\$ -	\$ (175,000)	\$ 2,325,000	\$ 175,000
Notes Payable	932,740	-	(113,275)	819,465	138,275
Compensated Absences Payable	115,101	18,799	(41,279)	92,621	40,000
Governmental Activities Long-Term Liabilities	\$ 3,547,841	\$ 18,799	\$ (329,554)	\$ 3,237,086	\$ 353,275
Business-Type Activities					
Compensated Absences Payable	\$ 1,677	\$ 269	\$ (224)	\$ 1,722	\$ 1,722

The

governmental compensated absences will be paid from the General Fund and Special Education Fund.

Long-term debt, other than compensated absences, is comprised of the following at June 30, 2020:

Capital Outlay Certificates:

2014 General Obligation Limited Tax Series due in variable payments, including interest at 1.20 to 4.25 percent through December 2033; paid from the Capital Outlay Fund. \$ 1,790,000

2012 Crossover Refunding Capital Outlay Certificates, require variable semi-annual payments; including interest at 0.90 to 2.75 percent, through January 2027; paid from the Capital Outlay Fund. 535,000

Total Capital Outlay Certificates **2,325,000**

Notes Payable:

South Dakota Energy Efficiency School Loan, requires variable annual installments, is non-interest bearing through July 2024; paid from the Capital Outlay Fund. 700,000

South Dakota Energy Efficiency School Loan, requires variable annual installments, is non-interest bearing through July 2029; paid from the Capital Outlay Fund. 119,465

Total Notes Payable **819,465**

\$ 3,144,465

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(5) Long Term Debt (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2020, excluding compensated absences, are as follows:

Year Ending June 30,	Capital Outlay Certificates		Notes Payable	Total Principal	Total Interest
	Principal	Interest	Principal		
2021	175,000	72,723	138,275	313,275	72,723
2022	185,000	69,485	163,275	348,275	69,485
2023	185,000	65,948	163,275	348,275	65,948
2024	190,000	61,473	163,275	353,275	61,473
2025	190,000	56,511	138,275	328,275	56,511
2026-2030	800,000	206,793	53,090	853,090	206,793
2031-2033	600,000	64,888	-	600,000	64,888
	\$ 2,325,000	\$ 597,821	\$ 819,465	\$ 3,144,465	\$ 597,821

(6) Donor Restrictions

The restricted fund balance in the General Fund at June 30, 2020 of \$2,446 is restricted for music, athletics, and library in accordance with donor restrictions.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, the District managed its risks as follows:

Property/Liability Insurance

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

Workmen's Compensation

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

Health Insurance

The District joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. During the year ended June 30, 2020, the coverage provided a deductible of \$2,500 per person up to \$5,000 per family. The plan also provides for coinsurance of 80 percent up to \$10,000. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(7) Risk Management (Continued)

Unemployment Benefits

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

During the year ended June 30, 2020, no claims for unemployment benefits were paid. At June 30, 2020, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

(8) Interfund Activity

During the fiscal year, the following amounts were transferred between funds:

Fund	Transfer In	Transfer Out
General Fund	\$ 156,864	\$ 14,268
Capital Outlay Fund	-	156,864
Food Service Fund	14,268	-
Total Transfers	\$ 171,132	\$ 171,132

The General Fund transferred \$14,268 to the Food Service Fund to fund operations. The Capital Outlay Fund transferred \$156,864 to the General Fund to pay for operations at June 30, 2020. Additionally, included in Advance To/From Other Funds, the Food Service Fund borrowed \$71,781 from the General Fund for operations at June 30, 2020.

(9) Pension Plan

All employees, working more than 20 hours per week during the school year, participate in the SDRS, a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.sdrs.sd.gov/publications/> 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.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(9) Pension Plan (Continued)

Benefits Provided (Continued):

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

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

Legislation enacted in 2017 established the current Cost-of-Living Adjustment (COLA) process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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, 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 COLA.

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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019, and 2018 were **\$114,372**, \$114,652, and \$125,589, respectively, equal to the required contributions each year.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(9) Pension Plan (Continued)

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

At June 30, 2019, SDRS is 100.09 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2020 are as follows:

Proportionate Share of Net Position Restricted for Pension Benefits	\$	11,333,771
Less: Proportionate Share of Total Pension Asset		11,324,142
Proportionate Share of Net Pension Asset	\$	9,629

At June 30, 2020, the District reported an asset of \$9,629 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019 and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the District's proportion was 0.0908679 percent, which is a decrease of .0052556 from its proportion measured at June 30, 2018.

For the year ended June 30, 2020, the District recognized pension revenue of \$418,820. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 33,405	\$ -
Changes in Assumption	196,246	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	(55,474)	-
District Contributions Subsequent to the Measurement Date	114,372	-
Total	\$ 288,549	\$ -

The deferred outflow of resources includes \$114,372 resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(revenue) by the Plan as follows:

2021	\$	210,535
2022		(32,628)
2023		(22,200)
2024		18,470
	\$	174,177

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020**

(9) Pension Plan (Continued)

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50 percent at entry to 3.00 percent after 25 years of service
Discount Rate	6.50 percent, net of pension plan investment expense
Future COLAs	1.88 percent

Mortality rates were based on 97 percent of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuations 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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 percent. 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).

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2020**

(9) Pension Plan (Concluded)

Sensitivity of Asset to Changes in the Discount Rate:

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

	1% Decrease	Current Discount Rate	1% Increase
District’s Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,598,310	\$ (9,629)	\$ (1,319,810)

Pension Plan Fiduciary Net Position:

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

(10) Operating Lease

The District leases a telephone system under an operating lease agreement. Monthly payments of \$485 will be made from the general fund through 2022. The future minimum lease payments are as follows:

Year Ending June 30,	Future Minimum Lease Payment
2021	5,821
2022	2,912
	\$ 8,733

(11) Current Economic Conditions

The District has been impacted by the world-wide coronavirus pandemic. The District’s revenue consists primarily of funding provided by the State of South Dakota, the federal government, and local counties. The continued uncertainty regarding the local and national economy and labor markets as a result of the coronavirus pandemic could have a significant impact on the District’s ability to maintain staffing and continue to provide services to students. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the District’s financial position is not known.

REQUIRED SUPPLEMENTARY INFORMATION

NEWELL SCHOOL DISTRICT NO. 9-2

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		(Budgetary Basis)	Variance
	Original	Final	Actual	
Revenues:				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 719,672	\$ 719,672	\$ 709,769	\$ (9,903)
1120 Prior Years' Ad Valorem Taxes	20,000	20,000	16,989	(3,011)
1140 Gross Receipts Taxes	104,100	104,100	110,521	6,421
1190 Penalties and Interest on Taxes	10,500	10,500	6,625	(3,875)
1500 Earnings on Investments and Deposits	80	80	101	21
<i>1700 Cocurricular Activities:</i>				
1710 Admissions	13,600	13,600	14,230	630
1740 Cocurricular Activities	3,900	3,900	3,140	(760)
1790 Other Pupil Activity	24,500	24,500	25,960	1,460
<i>1900 Other Revenue from Local Sources:</i>				
1910 Rentals	575	575	150	(425)
1920 Contributions and Donations	-	-	2,100	2,100
1990 Other	12,000	12,000	17,916	5,916
1971 Laptop Insurance Fee	2,000	2,000	-	(2,000)
1973 Medicaid Indirect Admn. Services	10,000	10,000	-	(10,000)
2110 County Apportionment	36,000	36,000	37,306	1,306
<i>3000 Revenue from State Sources:</i>				
3110 Unrestricted Grants-in-Aid	1,171,798	1,171,798	1,189,693	17,895
3120 Restricted Grants-in-Aid	-	-	1,824	1,824
<i>4000 Revenue from Federal Sources:</i>				
4120 Unrestricted Grants-in-Aid Received from Federal Government Through State	64,000	64,000	56,335	(7,665)
4150-4199 Restricted Grants-in-Aid Received from Federal Government Through State	213,665	213,665	227,820	14,155
Total Revenues	2,406,390	2,406,390	2,420,479	14,089
Expenditures:				
<i>1100 Instruction - Regular Programs:</i>				
1110 Elementary	369,656	369,656	365,283	4,373
1120 Middle/Junior High	357,590	357,590	362,411	(4,821)
1130 High School	445,850	445,850	497,743	(51,893)
1141 Preschool	39,011	39,011	33,553	5,458
<i>1200 Instruction - Special Programs:</i>				
1273 Educationally Deprived	160,418	160,418	151,403	9,015
<i>1500 Post Secondary Occupational Programs:</i>				
1512 CTE	6,819	6,819	-	6,819
<i>2100 Support Services - Pupils:</i>				
2120 Guidance	-	-	6,890	(6,890)
<i>2200 Support Services - Instructional Staff:</i>				
2210 Improvement of Instruction	-	-	4,856	(4,856)
2220 Educational Media	60,795	60,795	72,062	(11,267)

NEWELL SCHOOL DISTRICT NO. 9-2

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		(Budgetary Basis)	Variance
	Original	Final	Actual	
<i>2300 Support Services - General:</i>				
2310 Board of Education	112,245	112,245	102,331	9,914
2320 Executive Administration	162,729	162,729	161,475	1,254
<i>2400 Support Services - School:</i>				
2410 Office of the Principal	110,022	110,022	112,412	(2,390)
2490 Other	1,081	1,081	-	1,081
<i>2500 Support Services - Business:</i>				
2520 Fiscal Services	105,366	105,366	99,830	5,536
2540 Operation and Maintenance of Plant	356,417	356,417	328,154	28,263
2550 Pupil Transportation	137,190	137,190	110,748	26,442
2560 Food Services	-	-	6,215	(6,215)
<i>6000 Cocurricular Activities:</i>				
6900 Combined Activities	164,795	164,795	154,434	10,361
Total Expenditures	2,589,984	2,589,984	2,569,800	20,184
Excess of Revenue over (under) Expenditures	(183,594)	(183,594)	(149,321)	34,273
Other Financing Sources				
5130 Sale of Surplus Property	-	-	100	100
5140 Compensation for Loss of General Capital Assets	-	-	6,625	6,625
5150 Transfer In	183,594	183,594	142,596	(40,998)
Total Other Financing Sources	183,594	183,594	149,321	(34,273)
Change in Fund Balance	-	-	-	-
Fund Balance -- Beginning	759,724	759,724	759,724	-
Fund Balance -- Ending	\$ 759,724	\$ 759,724	\$ 759,724	\$ -

The accompanying notes to required supplementary information are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		(Budgetary	Variance
	Original	Final	Basis) Actual	
Revenues:				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 722,763	\$ 722,763	\$ 740,856	\$ 18,093
1120 Prior Years' Ad Valorem Taxes	13,000	13,000	9,057	(3,943)
1190 Penalties and Interest on Taxes	4,000	4,000	2,700	(1,300)
Total Revenues	739,763	739,763	752,613	12,850
Expenditures:				
<i>1100 Instruction - Regular Programs:</i>				
1110 Elementary	5,500	5,500	14,131	(8,631)
1120 Middle/Junior High	4,750	4,750	4,010	740
1130 High School	74,300	74,300	11,756	62,544
<i>2200 Support Services - Instructional Staff:</i>				
2220 Educational Media	-	-	4,398	(4,398)
2227 Technology in School	7,000	7,000	-	7,000
<i>2500 Support Services - Business:</i>				
2520 Fiscal Services	6,150	6,150	8,750	(2,600)
2530 Facilities Acquisition and Construction	-	-	132,051	(132,051)
2540 Operation and Maintenance of Plant	35,000	35,000	-	35,000
2550 Pupil Transportation	23,183	23,183	-	23,183
2570 Internal Services	11,500	11,500	11,777	(277)
2630 Information	3,000	3,000	-	3,000
5000 Debt Service	364,340	364,340	364,341	(1)
6900 Combined Activities	5,000	5,000	4,067	933
Total Expenditures	539,723	539,723	555,281	(15,558)
Excess of Revenues under Expenditures	200,040	200,040	197,332	(2,708)
Other Financing Sources				
5130 Sale of Surplus Property	-	-	10,220	10,220
5150 Transfer In (Out)	(200,040)	(200,040)	(156,864)	43,176
Total Other Financing Sources	(200,040)	(200,040)	(146,644)	53,396
Change in Fund Balance	-	-	50,688	50,688
Fund Balance -- Beginning	434,243	434,243	434,243	-
Fund Balance -- Ending	\$ 434,243	\$ 434,243	\$ 484,931	\$ 50,688

The accompanying notes to required supplementary information are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		(Budgetary Basis)	Variance
	Original	Final	Actual	
Revenues:				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 427,095	\$ 427,095	\$ 475,328	\$ 48,233
1111 Mobile Home Taxes	12,000	12,000	-	\$ (12,000)
1120 Prior Years' Ad Valorem Taxes	6,500	6,500	5,073	(1,427)
1190 Penalties and Interest on Taxes	2,000	2,000	1,550	(450)
<i>1900 Other Revenue from Local Sources:</i>				
1972 DSS Medicaid Reimb	10,700	10,700	-	(10,700)
1973 Medicaid Indirect Administrative Services	1,400	1,400	-	(1,400)
1990 Other	-	-	18,920	18,920
<i>3000 Revenue from State Sources:</i>				
3120 Restricted Grants-in-Aid	64,660	64,660	106,769	42,109
<i>4000 Revenue from Federal Sources:</i>				
4150-4199 Restricted Grants-in-Aid Received from Federal Government Through State	103,348	103,348	94,883	(8,465)
Total Revenues	627,703	627,703	702,523	74,820
Expenditures:				
<i>1200 Instruction - Special Programs:</i>				
1220 Programs for Special Education	461,425	461,425	433,312	28,113
<i>2100 Support Services - Pupils:</i>				
2130 Health	-	-	36,256	(36,256)
2150 Speech Pathology Services	36,016	36,016	-	36,016
2170 Student Therapy Services	47,037	47,037	43,415	3,622
<i>2200 Support Services - Instructional Staff:</i>				
2210 Improvement of Instruction	750	750	240	510
<i>2700 Support Services - Special Education:</i>				
2710 Administration Costs	73,096	73,096	-	73,096
2730 Transportation Costs	9,379	9,379	9,811	(432)
2750 Other Special Education Costs	-	-	70,071	(70,071)
Total Expenditures	627,703	627,703	593,105	34,598
Change in Fund Balance	-	-	109,418	109,418
Fund Balance -- Beginning	111,757	111,757	111,757	-
Fund Balance -- Ending	\$ 111,757	\$ 111,757	\$ 221,175	\$ 109,418

The accompanying notes to required supplementary information are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
JUNE 30, 2020**

	2020	2019	2018	2017
District's Proportion of the Net Pension Asset (Liability)	0.0908679%	0.0961235%	0.0985984%	0.1034787%
District's Proportionate Share of Net Pension Asset (Liability)	\$ 9,629	\$ 2,242	\$ 8,950	\$ (349,541)
District's Covered-Employee Payroll	\$ 1,910,962	\$ 1,998,290	\$ 2,003,303	1,967,630
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered-Employee Payroll	0.50%	0.11%	0.45%	-17.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	100.09%	100.02%	100.10%	96.89%
	2016	2015		
District's Proportion of the Net Pension Asset (Liability)	0.0993560%	0.0941110%		
District's Proportionate Share of Net Pension Asset (Liability)	\$ 421,395	\$ 678,032		
District's Covered-Employee Payroll	1,813,933	1,642,017		
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered-Employee Payroll	23.23%	41.29%		
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	104.10%	107.00%		

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS
JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 114,372	\$ 114,652	\$ 125,589	\$ 119,928
Contributions in Relation to the Contractually Required Contribution	114,372	114,652	125,589	119,928
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,900,766	\$ 1,910,962	\$ 1,998,290	\$ 2,003,303
Contributions as a Percentage of Covered- Employee Payroll	6%	6%	6%	6%
	<u>2016</u>	<u>2015</u>		
Contractually Required Contribution	\$ 115,391	\$ 108,837		
Contributions in Relation to the Contractually Required Contribution	115,391	108,837		
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>		
District's Covered-Employee Payroll	\$ 1,967,630	\$ 1,813,933		
Contributions as a Percentage of Covered- Employee Payroll	6%	6%		

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

(1) Basis of Presentation

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

(2) Budgetary Legal Requirements

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

1. Prior to the first regular board meeting in May of each year, the School Board prepares a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding at the fund level, and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five 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. The District does not employ encumbrance accounting as an extension of formal budgetary integration.
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 only.
11. The financial statements prepared in conformity with US GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary Required Supplementary Information Schedule, the purchase of a bus would be reported as an expenditure of the Support Services/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020**

(3) Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions

Changes in Benefit Terms: There were no significant changes.

Changes of Assumptions: Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5 percent and no greater than 3.5 percent.

However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25 percent) is less than 100 percent, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100 percent. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03 percent as of June 30, 2018 and is 1.88 percent as of June 30, 2019.

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

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.

OTHER REPORTS



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

School Board
Newell School District No. 9-2
Newell, 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 **NEWELL SCHOOL DISTRICT NO. 9-2** (the District) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 8, 2021, in which an adverse opinion was expressed on the governmental activities and an unmodified opinion on the business-type activities, each major fund, and the aggregate remaining fund information. The governmental activities are adverse due to a lack of recording certain capital assets and depreciation expense.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 preceding paragraph 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings as #2020-001 through #2020-004, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

School Board

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District'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.



KETEL THORSTENSON, LLP
Certified Public Accountants

February 8, 2021

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF FINDINGS
JUNE 30, 2020**

Material Weaknesses

2020-001 FINDING: Segregation of Duties

Condition and Cause:

- a) Monthly check registers are not produced from the software system and given to the superintendent, high school secretary, or a School Board member to review for validity and check number sequence, and are not signed-off by an authorized reviewer.
- b) Activity ticket sales documentation does not include a reconciliation of number of tickets sold.

Criteria and Effect:

- a) Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated. The effectiveness of the internal control system relies on enforcement by management.
- b) This finding does not allow ticket sales revenue to be reconciled based on the number of tickets sold.

Repeat Finding from Prior Year: Yes, prior year finding 2019-001.

Recommendation:

- a) The superintendent, secretary, or a School Board member should review the monthly check registers produced from the software system for validity and check number sequence. Authorization signoffs should be performed by the reviewer.
- b) We recommend number of tickets sold is tracked and reconciled to cash collected.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2020-002 FINDING: Capital Asset Records

Condition and Cause: Capital asset records were not properly maintained to support the amounts reported for governmental activities capital assets, resulting in lack of control over public assets and inaccurate financial statements.

Criteria and Effect: Accounting principles generally accepted in the United States of America require that capital assets be recorded as assets and depreciated. These conditions result in unreliable data being reported for capital assets for governmental activities and lack of safeguards for these assets. In addition, the District's audit report for governmental activities expresses an adverse opinion.

Repeat Finding from Prior Year: Yes, prior year finding 2019-002.

Recommendation: The District needs to establish and maintain adequate capital assets accounting records. The general ledger capital asset balance should be reconciled to the accounting records established.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF FINDINGS (CONTINUED)
JUNE 30, 2020**

Material Weaknesses (Continued)

2020-003 FINDING: Preparation of Financial Statements

Condition and Cause: As in prior years, we were requested to draft the audited financial statements, and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for us to do with organizations of the District's size.

Criteria and Effect: It is our responsibility to inform the School Board that this deficiency could result in a material misstatement to the financial statements that would have not been prevented or detected by the District's management.

Repeat Finding from Prior Year: Yes, prior year finding 2019-003.

Recommendation: As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the District's financial statements. We are satisfied that the appropriate steps have been taken to provide the District with the completed financial statements. It is the responsibility of management and the School Board to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2020-004 FINDING: Audit Adjustments

Condition and Cause: During the course of our engagement, we assisted with adjusting SDRS pension activity and we proposed material audit adjustments. The adjustments included:

- a. Adjusting property tax receivable and unavailable revenue
- b. Adjusting accrued leave
- c. Adjusting capital assets

Other entries were proposed as part of the audit but were not recorded due to the overall insignificance on the financial statements.

Criteria and Effect: These adjustments were not recorded through the District's existing internal controls, and therefore, resulted in a material misstatement of the District's financial statements. As in past audits, these adjustments were made by us as part of our audit process.

Repeat Finding from Prior Year: Yes, prior year finding 2019-004.

Recommendation: We recommend management adjust all significant accounts at year end. This will provide the District with accurate financial information. Specifically:

- a. Property tax receivable and related revenues should be monitored and adjusted at least annually.
- b. Accrued leave balances should be monitored and recorded on an annual basis.
- c. Property and equipment should be recorded and adjusted at least annually.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

MANAGEMENT RESPONSE

OFFICE OF BUSINESS MANAGER
NEWELL SCHOOL DISTRICT #9-2
P.O. BOX 99
NEWELL SD 57760
Phone: 605-456-2393
Fax: 605-456-2395

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

Newell School District No. 9-2 (the District) respectfully submits the following summary schedule of prior audit findings from the June 30, 2019 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2019 Schedule of Findings.

2019-001 FINDING: Segregation of Duties

Status: The District made efforts to implement better internal controls as it related to segregation of duties, however there are still segregation of duties issues.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: Due to the limited staff at the District's business office, it is difficult to achieve complete segregation of duties. Comment is revised and repeated in 2020. See Corrective Action Plan.

2019-002 FINDING: Capital Asset Records

Status: The District did not track capital assets in the current year.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: Due to turnover within the business office capital assets were not tracked. Comment is repeated in 2020. See Corrective Action Plan.

2019-003 FINDING: Preparation of Financial Statements

Status: It is more cost effective for the District to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as a part of the annual audit process. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: As the District has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2020. See Corrective Action Plan.

2019-004 FINDING: Audit Adjustments

Status: The District made efforts to record all year-end entries, but several audit adjustments were made.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: The finding is altered based on specific audit adjustments each year, is repeated in the Schedule of Findings. See Corrective Action Plan.

OFFICE OF BUSINESS MANAGER
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CORRECTIVE ACTION PLAN
JUNE 30, 2020

Newell School District No. 9-2 (the District) respectfully submits the following corrective action plan regarding findings from the June 30, 2020 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

2020-001 FINDING: Segregation of Duties

Responsible Individuals: Sophie Burditt, Business Manager; Andrew Fergen, Superintendent

Corrective Action Plan: The District agrees with the above finding and will have the High School Secretary review the monthly check registers produced from the software. However, the Superintendent and School Board are emailed the information in with the bank reconciliation that shows the check register for the SUI software as part of the monthly board packet.

Football gate admission continues to be a finding because of the way the gate is set up outside. It is not likely at this time that will change. Volleyball and Basketball games do use numbered tickets for gate admissions and are reconciled.

Anticipated Completion Date: February 2021

2020-002 FINDING: Capital Asset Records

Responsible Individuals: Sophie Burditt, Business Manager; Andrew Fergen, Superintendent

Corrective Action Plan: Due to record keeping in the 1990's, the school will continue to have this finding. The District will work to improve the capital asset records going forward.

Anticipated Completion Date: Fiscal year 2020-2021

2020-003 FINDING: Preparation of Financial Statements

Responsible Individuals: Sophie Burditt, Business Manager

Corrective Action Plan: The District agrees with the above finding, and the District has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2021. It is more cost effective for the District to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements as a part of the annual audit process. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Anticipated Completion Date: Ongoing

OFFICE OF BUSINESS MANAGER
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CORRECTIVE ACTION PLAN (CONTINUED)
JUNE 30, 2020

2020-004 FINDING: Audit Adjustments

Responsible Individuals: Sophie Burditt, Business Manager

Corrective Action Plan: The District agrees with the above finding and will make the audit adjustments per the auditor's recommendations.

Anticipated Completion Date: February 2021.