

***OELRICHS SCHOOL DISTRICT NO. 23-3
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2020***

***OELRICHS SCHOOL DISTRICT NO. 23-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020***

Board Members:

**Dave Osmotherly – President
Vince Logue
John Cope
Jennifer Her Many Horses
Lance Tlusto**

Superintendent:

Dr. Mitchell Stone

Business Manager:

Valerie Sword

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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

To the School Board
Oelrichs School District No. 23-3
Oelrichs, 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 the Oelrichs School District No. 23-3, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Oelrichs School District No 23-3's basic financial statements and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oelrichs School District No. 23-3's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oelrichs School District No. 23-3's internal control. Accordingly, we do not express an opinion on the effectiveness of Oelrichs School District No. 23-3's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency 2020-001 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oelrichs School District No. 23-3's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The School District's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oelrichs School District's No 23-3's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oelrichs School District No 23-3's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Chamberlain, South Dakota
December 21, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the School Board
Oelrichs School District No. 23-3
Oelrichs, South Dakota**

Report on Compliance for Each Major Federal Program

We have audited Oelrichs School District No. 23-3's, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Oelrichs School District's major federal programs for the year ended June 30, 2020. Oelrichs School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oelrichs School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion for each major federal program. However, our audit does not provide a legal determination on Oelrichs School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Oelrichs School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Oelrichs School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oelrichs School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Chamberlain, South Dakota
December 21, 2020

**OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified:	Yes
Significant deficiencies identified not considered to be material weaknesses:	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weakness identified:	No
Significant deficiencies identified not considered to be material weaknesses:	No
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major program:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Impact Aid:	84.041
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

*OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)*

Section II - Financial Statement Findings

Finding 2020-001

Material Weakness

Internal Control over Year-End Closing Process Including Preparation of the Financial Statements

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements, footnotes, and the SEFA in accordance with generally accepted accounting principles.

Condition: Oelrichs School District 23-3 requested the external auditors to assist in the preparation of the financial statements, related footnotes, and the SEFA for the year ended June 30, 2020.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements, footnotes, and the schedule of federal awards.

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

Repeat Finding from Prior Year(s): Yes

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding and recommendation.

**OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Prior Audit Findings

Finding No. 2019-001

Material Weakness

Internal Control over Year-End Closing Process Including Preparation of the Financial Statements

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: ELO Prof LLC prepared our draft financial statements, notes to the financial statements, and SEFA. These included significant journal entries, including restatements of beginning balances.

Status: Ongoing. Due to cost considerations, we will continue to have ELO Prof LLC prepare our draft financial statements and notes to the financial statements. Moving forward, we will be drafting the SEFA. We have designated a member of management to review the drafted financial statements and notes to the financial statements.

CORRECTIVE ACTION PLAN (UNAUDITED)

Oelrichs School District respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

ELO PROF LLC
PO Box 249
Mitchell, SD 57301

Finding No. 2020-001

Material Weakness

Internal Control over Year-End Closing Process Including Preparation of the Financial Statements

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: ELO Prof LLC prepared our draft financial statements, notes to the financial statements, and SEFA.

Responsible Individual: Valerie Sword, Business Manager

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and notes to the financial statements. We requested that our auditors, ELO Prof LLC, prepare the financial statements, notes to the financial statements, and SEFA as a part of their annual audit. Moving forward, we will be preparing our own SEFA. We have designated a member of management to review the drafted financial statements and accompanying notes.

Anticipated Completion Date: Ongoing

If there are any questions regarding this plan, please contact Valerie Sword at (605) 535-2361.

Sincerely,

Dr. Mitchell Stone, Superintendent
Oelrichs School District No. 23-3



INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Oelrichs School District No. 23-3
Oelrichs, South Dakota**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oelrichs School District No. 23-3 as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Oelrichs School District No 23-3 as of June 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of District's Contributions (SDRS) on Pages 39-45 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 supplemental 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.

The District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) listed in the Table of Contents are (is) presented for purposes of additional analysis and are (is) not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of the Oelrichs School District 23-3's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oelrichs School District 23-3's internal control over financial reporting and compliance.

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

Chamberlain, South Dakota
December 21, 2020

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF NET POSITION – GOVERNMENT-WIDE
JUNE 30, 2020

	<i>Primary Government</i>		<i>Total</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
ASSETS:			
Cash and cash equivalents	\$ 7,265,292	\$ 8,418	\$ 7,273,710
Taxes receivable	217,973	–	217,973
Inventories	–	4,123	4,123
Other assets	150,643	–	150,643
Net pension asset	5,335	238	5,573
Capital assets:			
Land	367,230	–	367,230
Other capital assets, net of depreciation	950,717	13,960	964,677
Total capital assets, net of depreciation	1,317,947	13,960	1,331,907
TOTAL ASSETS	8,957,190	26,739	8,983,929
DEFERRED OUTFLOWS OF RESOURCES:			
Pension-related deferred outflows	302,997	13,495	316,492
TOTAL DEFERRED OUTFLOWS OF RESOURCES	302,997	13,495	316,492
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,260,187	\$ 40,234	\$ 9,300,421
LIABILITIES:			
Accounts payable	92	–	92
TOTAL LIABILITIES	92	–	92
DEFERRED INFLOWS OF RESOURCES:			
Property taxes levied for future periods	214,891	–	214,891
Pension-related deferred inflows	132,171	5,887	138,058
TOTAL DEFERRED INFLOWS OF RESOURCES	347,062	5,887	352,949
NET POSITION:			
Net investment in capital assets	1,317,947	13,960	1,331,907
Restricted for:			
Capital outlay	340,470	–	340,470
Special education	58,450	–	58,450
SDRS pension purposes	176,161	7,846	184,007
Unrestricted	7,020,005	12,541	7,032,546
TOTAL NET POSITION	\$ 8,913,033	\$ 34,347	\$ 8,947,380

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE
JUNE 30, 2020

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expenses) Revenues and Changes in Net Position</i>		<i>Total</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Primary Government</i>		
				<i>Governmental Activities</i>	<i>Business-Type Activities</i>	
<i>Governmental Activities:</i>						
Instruction	\$ 1,290,189	\$ --	\$ 217,695	\$ (1,072,494)	\$ --	\$ (1,072,494)
Support Services	1,155,099	--	333	(1,154,766)	--	(1,154,766)
*Interest - on Long-Term Debt				--	--	--
Cocurricular Activities	93,371	3,722	--	(89,649)	--	(89,649)
Total Governmental Activities	2,538,659	3,722	218,028	(2,316,909)	--	(2,316,909)
<i>Business-Type Activities</i>						
Food Service	143,955	6,778	101,504	--	(35,673)	(35,673)
Total Primary Government	\$ 2,682,614	\$ 10,500	\$ 319,532	(2,316,909)	(35,673)	(2,352,582)
<i>General Revenues:</i>						
<i>Taxes:</i>						
				437,069	--	437,069
				21,483	--	21,483
<i>Revenue from State Sources:</i>						
				891,440	--	891,440
				218	--	218
<i>Revenue from Federal Sources</i>						
				2,102,972	--	2,102,972
				105,432	--	105,432
				20,224	--	20,224
				(34,000)	34,000	--
				3,544,838	34,000	3,578,838
				1,227,929	(1,673)	1,226,256
				7,685,104	36,020	7,721,124
				\$ 8,913,033	\$ 34,347	\$ 8,947,380

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	<i>General</i>	<i>Capital Outlay</i>	<i>Special Education</i>	<i>Total Governmental Funds</i>
ASSETS:				
Cash and cash equivalents	\$ 6,872,815	\$ 340,022	\$ 52,455	\$ 7,265,292
Capital credits receivable	70,756	–	–	70,756
Taxes receivable, current	77,165	84,166	53,560	214,891
Taxes receivable, delinquent	2,030	667	385	3,082
Due from other governments	73,444	448	5,995	79,887
TOTAL ASSETS	\$ 7,096,210	\$ 425,303	\$ 112,395	\$ 7,633,908
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
<i>Liabilities:</i>				
Accounts payable	\$ 92	\$ –	\$ –	\$ 92
Total Liabilities	92	–	–	92
 <i>Deferred Inflows of Resources:</i>				
Property taxes levied for future periods	77,165	84,166	53,560	214,891
Unavailable revenue - property taxes	2,030	667	385	3,082
Capital credits redeemable in future period	70,756	–	–	70,756
Total Deferred Inflows of Resources	149,951	84,833	53,945	288,729
 <i>Fund Balances:</i>				
<i>Restricted:</i>				
Capital outlay	–	340,470	–	340,470
Special education	–	–	58,450	58,450
<i>Unassigned</i>	6,946,167	–	–	6,946,167
Total Fund Balances	6,946,167	340,470	58,450	7,345,087
 Total Fund Balances	6,946,167	340,470	58,450	7,345,087
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,096,210	\$ 425,303	\$ 112,395	\$ 7,633,908

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**OELRICHS SCHOOL DISTRICT NO. 23-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances - Governmental Funds \$ 7,345,087

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

Net pension asset reported in governmental activities is not
an available financial resource and therefore is not reported in
the funds. 5,335

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the governmental funds. 1,317,947

Pension related deferred outflows are components of
pension asset and changes are not reported in the funds. 302,997

Assets, including property taxes receivable and other
receivables that are not available to pay for current period
expenditures, are deferred in the governmental funds. 73,838

Net pension asset reported in the governmental activities
is not an available financial resource and therefore is
not reported in the funds. (132,171)

Net Position - Governmental Activities \$ 8,913,033

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 149,381	\$ 171,091	\$ 105,327	\$ 425,799
Prior years ad valorem taxes	1,985	2,446	1,442	5,873
Utility taxes	21,483	--	--	21,483
Penalties and interest on taxes	462	503	298	1,263
<i>Earnings on investments and deposits</i>	105,432	--	--	105,432
<i>Cocurricular Activities:</i>				
Admissions	3,578	--	--	3,578
Other student activity income	144	--	--	144
<i>Other local revenue:</i>				
Rentals	8,800	--	--	8,800
Refund of prior year expenditures	6,524	--	--	6,524
Other	941	--	--	941
<i>Revenue from Intermediate Sources:</i>				
County Sources	3,959	--	--	3,959
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	834,668	--	56,772	891,440
Other state revenue	218	--	--	218
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	2,058,965	18,114	25,893	2,102,972
Restricted grants-in-aid	191,362	--	26,333	217,695
<i>Revenue in Lieu of Taxes</i>	333	--	--	333
TOTAL REVENUES	<u>3,388,235</u>	<u>192,154</u>	<u>216,065</u>	<u>3,796,454</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
JUNE 30, 2020
(CONTINUED)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<u>EXPENDITURES</u>				
<i>Instructional Services:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 321,798	\$ 275	\$ --	\$ 322,073
Middle/junior high	211,212	--	--	211,212
High school	358,449	--	--	358,449
<i>Special Programs:</i>				
Culturally different	26,276	--	--	26,276
Educationally deprived	97,325	--	--	97,325
Programs for special education	--	--	152,314	152,314
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	4,515	--	--	4,515
Health	747	--	--	747
Psychological	--	--	3,959	3,959
Speech pathology	--	--	53,075	53,075
Student therapy services	--	--	14,028	14,028
<i>Instructional Staff:</i>				
Improvement of instruction	61,485	--	--	61,485
Educational media	87,754	--	--	87,754
<i>General Administration:</i>				
Board of education	39,423	--	--	39,423
Executive administration	155,243	--	--	155,243
<i>School Administration:</i>				
Office of the principal	90,398	--	--	90,398
Title I program administration	1,925	--	--	1,925
<i>Business:</i>				
Fiscal services	119,755	--	--	119,755
Operation and maintenance of plant	252,524	28,488	--	281,012
Pupil transportation	109,807	--	--	109,807
Internal services	--	6,567	--	6,567
Food services	7,873	--	--	7,873
<i>Central:</i>				
Staff services	303	--	--	303
<i>Cocurricular Activities:</i>				
Male activities	28,898	12,352	--	41,250
Female activities	30,669	--	--	30,669
Combined activities	13,853	--	--	13,853
Transportation	3,865	--	--	3,865
<i>Capital Outlays</i>	--	398,635	--	398,635
TOTAL EXPENDITURES	2,024,097	446,317	223,376	2,693,790
<i>Excess of Revenue Over (Under) Expenditures</i>	1,364,138	(254,163)	(7,311)	1,102,664
OTHER FINANCING SOURCES:				
Interfund transfer (out)	(74,000)	--	40,000	(34,000)
Sale of surplus property	--	7,500	--	7,500
TOTAL OTHER FINANCING SOURCES	(74,000)	7,500	40,000	(26,500)
<i>Net Change in Fund Balances</i>	1,290,138	(246,663)	32,689	1,076,164
<i>FUND BALANCE, Beginning</i>	5,656,029	587,133	25,761	6,268,923
FUND BALANCE, Ending	\$ 6,946,167	\$ 340,470	\$ 58,450	\$ 7,345,087

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 1,076,164

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 398,635

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (48,695)

In the statement of activities, gains \$0 and losses (\$40,596) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$7,500 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (+gain, -losses, -proceeds = amount) (40,596)

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 4,134

Pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (161,713)

Change in net position of governmental activities \$ 1,227,929

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Food Service Fund</u>
ASSETS:	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 8,418
Inventory	4,123
<i>Total Current Assets</i>	<u>12,541</u>
 <i>Noncurrent Assets:</i>	
Machinery and equipment - local funds	40,885
Less accumulated depreciation	<u>(26,925)</u>
<i>Total Noncurrent Assets</i>	<u>13,960</u>
 <i>Restricted Assets:</i>	
Net pension asset	<u>238</u>
TOTAL ASSETS	<u>\$ 26,739</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Pension-related deferred outflows of resources	<u>\$ 13,495</u>
 LIABILITIES:	
 DEFERRED INFLOWS OF RESOURCES:	
Pension-related deferred inflows of resources	<u>5,887</u>
 NET POSITION:	
Net investment in capital assets	13,960
Restricted net pension	7,846
Unrestricted	<u>12,541</u>
<i>Total Net Position</i>	<u><u>\$ 34,347</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Food Service Fund</u>
OPERATING REVENUE:	
Sales to Pupils	\$ --
Sales to Adults	4,698
Other	<u>2,080</u>
<i>Total Operating Revenue</i>	<u>6,778</u>
 <i>Food Service:</i>	
Personnel	79,661
Cost of Sales	54,149
Depreciation	2,157
Miscellaneous	2,884
Supplies	<u>5,104</u>
<i>Total Operating Expenses</i>	<u>143,955</u>
<i>Operating (Loss)</i>	(137,177)
 NONOPERATING REVENUES:	
<i>State Sources:</i>	
Cash reimbursements	276
<i>Federal Sources:</i>	
Cash reimbursements	93,776
Donated food	<u>7,452</u>
<i>Total Nonoperating Revenue</i>	<u>101,504</u>
<i>Income Before Transfers</i>	(35,673)
Transfers In	<u>34,000</u>
<i>Change in Net Position</i>	(1,673)
NET POSITION - Beginning	<u>36,020</u>
NET POSITION - Ending	<u><u>\$ 34,347</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
JUNE 30, 2020

	<i>Food Service Fund</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 6,778
Payments to Employees	(74,152)
Payments to Suppliers	<u>(56,654)</u>
<i>Net Cash (Used) by Operating Activities</i>	<u>(124,028)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Subsidies	94,052
Transfers from other funds	<u>34,000</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>128,052</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 4,024
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>4,394</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 8,418</u>
 Net Increase in Cash and Cash Equivalents	 <u>\$ 4,024</u>
 RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
<i>Operating (Loss)</i>	\$ (137,177)
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>	
Depreciation Expense	2,157
Cost of Sales - Donated Food	7,452
Change in Assets and Liabilities:	
Receivables	--
Accounts payable	--
Inventory	(1,969)
Pension change	<u>5,509</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (124,028)</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of commodities received	<u>\$ 7,452</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 16,942</u>
TOTAL ASSETS	<u><u>\$ 16,942</u></u>
LIABILITIES	
Amounts held for others	<u>\$ 16,942</u>
TOTAL LIABILITIES	<u><u>\$ 16,942</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a. Reporting Entity:

The reporting entity of Oelrichs School District No. 23-3 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The District participates in a cooperative service unit with several other School Districts. See Note 10 – Joint Venture for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in the notes because of the nature of their relationship with the District.

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

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

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

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

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)***

b. **Government-Wide and Fund Financial Statements: (continued)**

Government-Wide Financial Statements: (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

Fund Financial Statements:

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

c. **Fund Types and Major Funds:**

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

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

c. *Fund Types and Major Funds: (continued)*

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

Governmental Funds:

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

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

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

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

d. **Measurement Focus and Basis of Accounting:**

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

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

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

d. **Measurement Focus and Basis of Accounting:** *(continued)*

Fund Financial Statements: *(continued)*

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

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

e. **Interfund Eliminations and Reclassifications:**

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

f. **Cash and Cash Equivalents:**

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

g. **Inventory:**

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

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

Inventory in the governmental funds and governmental activities consist of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statement are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. Nonspendable fund balances related to inventory are reported net of the related liability (accounts payable). The governmental funds did not report any inventory balances as of June 30, 2020.

**OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

h. **Pensions:**

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

i. **Capital Assets:**

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

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

Government-Wide Financial Statements:

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

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

	Capitalization Threshold	Estimated Useful Life
Land	All	–
Buildings	\$ 20,000	50-100 years
Improvements	10,000	20 years
Equipment - (Government)	5,000	7-20 years
Equipment - (Proprietary Funds)	2,000	12 years

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

Fund Financial Statements:

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

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

j. **Long-Term Liabilities:**

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

Government-Wide Financial Statements:

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The District does not have any long-term liabilities.

Compensated Absences Payable – Compensated absences payable is the annual leave earned by employees. Vacation leave is earned by employees at varying rates depending on years of service. Sick leave is earned by the employees at the rate of one day for each month worked. Unused sick leave may accumulate to a total of 800 hours. Sick leave is only paid out to retirees of the District who have been employees for 12 years at a rate of \$25/day up to 100 days. Accrued leave payable balances are reported in Note 5 as compensated absences. For employees normally paid out of the governmental funds, these amounts are charges as an expenditure at the time of termination or when the benefit becomes payable to the employee.

Fund Financial Statements:

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

k. **Deferred Outflows/Inflows of Resources:**

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9.

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

1. *Net Position and Fund Balance:*

Government-Wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

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

Assigned – Amounts that are constrained by the District's intent to be used for specific purposes but are not restricted. Amounts can be assigned by committees of the School Board or management of the District.

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

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

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)*

m. *Proprietary Fund Revenue and Expense Classifications:*

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

n. *Program Revenues:*

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

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

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

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

o. *Emerging Accounting Standards:*

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, which expand disclosure requirements for certain types of debt. The School District has not yet determined the specific impact of this statement on the financial statements. The standard's original effective date was for fiscal years beginning after June 15, 2019 with a postponement of one year. The standard's new effective date is now for fiscal years beginning after June 15, 2020, making the standard effective for the School District's year ending June 30, 2021. Early implementation is allowed. During the year, the School did not early implement GASB 88.

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School has not yet determined the specific impact of this statement on the financial statements. The standard's original effective date was for fiscal years beginning after June 15, 2021 with a postponement of 18 months. The standard's new effective date is now for fiscal years beginning after December 15, 2022, making the standard effective for the School District's year ending June 30, 2024. Early implementation is allowed.

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

o. Emerging Accounting Standards: (continued)

In 2019, the GASB issued Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The School has not yet determined the specific impact of this statement on the financial statements. The standard's original effective date was for fiscal years beginning after December 15, 2019 with a postponement of one year. The standard's new effective date is now for fiscal years beginning after December 15, 2020, making the standard effective for the School District's year ending June 30, 2022. Early implementation is allowed.

2. DEPOSITS AND INVESTMENTS:

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund of the fund making the investment. The District's policy is to credit all income from investments to the fund that generated the income. The District also reports deposits at cost plus interest and credits all income from deposits to the fund that generated the income.

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) and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

2. DEPOSITS AND INVESTMENTS: (continued)

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

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.

Concentrations of Credit Risk – The District places no limit on the amount that may be deposited with any one financial institution or invested with any one issuer.

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.

3. DUE FROM OTHER GOVERNMENTS:

As of June 30, 2020, amounts due from other governments as reported in the financial statements consisted of the following:

SD Department of Education	\$ 52,989
Fall River County	<u>26,898</u>
	<u><u>\$ 79,887</u></u>

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

4. CHANGES IN CAPITAL ASSETS:

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

	<i>Balance 7/1/2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2020</i>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 123,500	\$ --	\$ --	\$ 123,500
Construction in progress	--	243,730	--	243,730
<i>Total capital assets not being depreciated</i>	<u>123,500</u>	<u>243,730</u>	<u>--</u>	<u>367,230</u>
Capital assets being depreciated:				
Buildings	968,487	--	--	968,487
Improvements	17,775	--	--	17,775
Equipment	509,155	154,905	101,847	562,213
<i>Total capital assets being depreciated</i>	<u>1,495,417</u>	<u>154,905</u>	<u>101,847</u>	<u>1,548,475</u>
Less accumulated depreciation for:				
Buildings	324,083	16,304	--	340,387
Equipment	277,051	31,291	61,251	247,091
Improvements	9,180	1,100	--	10,280
<i>Total accumulated depreciation</i>	<u>610,314</u>	<u>48,695</u>	<u>61,251</u>	<u>597,758</u>
<i>Total capital assets being depreciated, net</i>	<u>885,103</u>	<u>106,210</u>	<u>40,596</u>	<u>950,717</u>
<i>Net Capital Assets</i>	<u>\$ 1,008,603</u>	<u>\$ 349,940</u>	<u>\$ 40,596</u>	<u>\$ 1,317,947</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,588
Support services	36,373
Co-curricular activities	3,734
<i>Total Depreciation Expense</i>	<u>\$ 48,695</u>

	<i>Balance 7/1/2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2020</i>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 40,885	\$ --	\$ --	\$ 40,885
Less accumulated depreciation for:				
Less: Accumulated Depreciation	24,768	2,157	--	26,925
<i>Total capital assets being depreciated, net</i>	<u>\$ 16,117</u>	<u>\$ (2,157)</u>	<u>\$ --</u>	<u>\$ 13,960</u>

All depreciation expense related to the business-type activities was for the Food Service Fund.

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

5. *LONG TERM LIABILITIES:*

The School district does not have any long term liabilities June 30, 2020.

6. *RESTRICTED NET POSITION:*

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

Purpose	Restricted By	Amount
<i>Major Purposes:</i>		
Capital Outlay	Law	\$ 340,470
Special Education	Law	58,450
Share of Net Pension Liability	Law	184,007
<i>Total</i>		\$ 582,927

7. *PROPERTY TAX:*

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

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

The District is permitted by state statute to levy the specified amounts of taxes per \$1,000 of taxable valuation of the property in the school district. State statute allows the General Fund tax rates to be increased by special election of the voters.

8. *INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS:*

Transfers to/from other funds at June 30, 2020 consist of the following:

Transfer from General Fund to Special Education for operating purposes	<u>\$ 40,000</u>
Transfer from General Fund to Food Service for operating purposes	<u>\$ 34,000</u>

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

9. *PENSION PLAN:*

a. *Plan Information:*

All employees working more than 20 hours per week during the school year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established 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 vest after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

b. *Benefits Provided:*

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

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

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

9. *PENSION PLAN: (continued)*

b. *Benefits Provided: (continued)*

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

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

All benefits except those depending on the Member’s Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

c. *Contributions:*

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The School District’s share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019, and 2018, were \$70,051, \$67,083, and \$65,803, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$	6,553,137
Less proportionate share of net pension restricted for pension benefits		6,558,710
<i>Proportionate share of net pension liability (asset)</i>	\$	(5,573)

At June 30, 2020, the District reported a (asset) of (\$5,573) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2019 and the total pension liability (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 0.05258410%, which is a decrease of 0.007220% from its proportion measured as of June 30, 2018.

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

9. **PENSION PLAN:** (continued)

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

For the year ended June 30, 2020, the District recognized pension expense (reduction of pension expense) of (\$167,222). 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	\$ 21,858	\$ 2,522
Changes in Assumption	192,459	78,899
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	32,102
Changes in Proportion and Difference Between School		
District Contributions and Proportionate Share of Contributions	32,124	24,535
District Contributions Subsequent to the Measurement Date	70,051	-
TOTAL	\$ 316,492	\$ 138,058

\$70,049 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

<i>Year Ended</i>	
<i>June 30,</i>	
2021	\$ 130,842
2022	(18,490)
2023	(15,018)
2024	11,051
Thereafter	-
TOTAL	\$ 108,385

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

9. **PENSION PLAN:** (continued)

e. **Actuarial Assumptions:**

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

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

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MO-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 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	2.0%	0.9%
<i>Total</i>	<u>100%</u>	

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

9. *PENSION PLAN: (continued)*

f. *Discount Rate:*

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

g. *Sensitivity of liability (asset) to changes in the discount rate:*

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

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
School District's proportionate share of the net pension liability (asset)	\$ 924,922	\$ (5,573)	\$ (763,757)

h. *Pension Plan Fiduciary Net Position:*

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

10. *JOINT VENTURE:*

The District participates in the Black Hills Educational Benefits Cooperative (BHEBC); a cooperative service unit formed for the purpose of providing health insurance services to the member school districts. The relative percentage of participation of each member in BHEBC was not deemed to be a measurable matter.

The members of the BHEBC are Black Hills Special Service Cooperative, New Underwood School District, Wall School District, Custer School District, Oelrichs School District, and Belle Fourche School District.

BHEBC’s governing board is composed of two representatives from each member school district. The board is responsible for adopting BHEBC’s budget and setting service fees at a level adequate to fund the adopted budget. Members are not liable for claims in excess of BHEBC’s assets.

Separate financial statements may be obtained by writing to BHSSC, PO Box 218, Sturgis SD 57785. At June 30, 2020, this joint venture had assets of \$6,922,030, current liabilities of \$646,199 and total fund equity of \$6,275,831.

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

10. JOINT VENTURE: (continued)

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special education and other services to the member school districts. During the year ended June 30, 2020, the district paid \$6,500 for services provided by the Co-op.

The members of the Co-op and their relative percentage participation in the Co-op are as follows:

Belle Fourche School District	8.33%	Hot Springs School District	8.33%
Custer School District	8.33%	Lead/Deadwood School District	8.33%
Douglas School District	8.33%	Meade School District	8.33%
Edgemont School District	8.33%	Oelrichs School District	8.33%
Haakon School District	8.33%	Rapid City School District	8.33%
Hill City School District	8.33%	Spearfish School District	8.33%

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

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

Separate financial statements may be obtained by writing to BHSSC, PO Box 218, Sturgis SD 57785.

At June 30, 2020, this joint venture had assets of \$6,323,391, deferred inflows of \$1,406,733, liabilities of \$804,883, and net position of \$4,111,775.

11. RISK MANAGEMENT:

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

Employee Health Insurance:

As discussed in Note 10, the District joined together with other educational units in the state to form a public entity risk pool. This is a public entity risk pool currently operating as a common risk management and insurance program for six-member districts. 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. The coverage provides a deductible of \$1,500 per person up to \$3,000 per family. The plan also provides for coinsurance of 70 or 80 percent up to \$6,000. The coverage also includes a \$1,000,000 lifetime maximum payment per person.

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

11. RISK MANAGEMENT: (continued)

Liability Insurance:

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

Workers' Compensation:

The District purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits:

The District has elected to be self-insured and retain all risk for liabilities resulting in claims for unemployment benefits. There were no unemployment claims paid during the year ended June 30, 2020. There are no claims anticipated for the year ended June 30, 2020.

12. CONCENTRATIONS:

The District is dependent upon grant revenues, property taxes and operating revenues from the State of South Dakota for its primary existence.

13. SUBSEQUENT EVENTS:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

OELRICHS SCHOOL DISTRICT NO. 23-3
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – BUDGETARY BASIS
JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 136,000	\$ 136,000	\$ 149,381	\$ 13,381
Prior years ad valorem taxes	1,600	1,600	1,985	385
Utility taxes	28,000	28,000	21,483	(6,517)
Penalties and interest on taxes	650	650	462	(188)
<i>Earnings on investments and deposits</i>	–	–	105,432	105,432
<i>Cocurricular Activities:</i>				
Admissions	4,250	4,250	3,578	(672)
Other student activity income	50	50	144	94
<i>Other local revenue:</i>				
Rentals	9,400	9,400	8,800	(600)
Contributions and donations	120	120	–	(120)
Refund of prior year expenditures	5,000	5,000	6,524	1,524
Other	2,500	2,500	941	(1,559)
<i>Total revenue from local sources</i>	<u>187,570</u>	<u>187,570</u>	<u>298,730</u>	<u>111,160</u>
<i>Revenue from Intermediate Sources:</i>				
County Sources	<u>4,000</u>	<u>4,000</u>	<u>3,959</u>	<u>(41)</u>
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	928,609	928,609	834,668	(93,941)
Restricted grants-in-aid	1,321	1,321	–	(1,321)
Other state revenue	650	650	218	(432)
<i>Total revenue from state sources</i>	<u>930,580</u>	<u>930,580</u>	<u>834,886</u>	<u>(95,694)</u>
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	31,750	31,750	2,058,965	2,027,215
Restricted grants-in-aid	150,371	204,538	191,362	(13,176)
<i>Revenue in Lieu of Taxes</i>	<u>20,000</u>	<u>20,000</u>	<u>333</u>	<u>(19,667)</u>
<i>Total revenue from federal sources</i>	<u>202,121</u>	<u>256,288</u>	<u>2,250,660</u>	<u>1,994,372</u>
TOTAL REVENUES	<u>1,324,271</u>	<u>1,378,438</u>	<u>3,388,235</u>	<u>2,009,797</u>

OELRICHS SCHOOL DISTRICT NO. 23-3
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – BUDGETARY BASIS
JUNE 30, 2020
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
<i>Instructional Services:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 326,344	\$ 331,444	\$ 321,798	\$ 9,646
Middle/junior high	280,274	259,716	211,212	48,504
High school	345,881	363,381	358,449	4,932
<i>Special Programs:</i>				
Culturally different	24,133	26,276	26,276	--
Educationally deprived	78,430	101,129	97,325	3,804
<i>Support Services:</i>				
<i>Pupils:</i>				
Attendance and social work	1,200	--	--	--
Guidance	5,225	5,225	4,515	710
Health	790	790	747	43
<i>Instructional Staff:</i>				
Improvement of instruction	37,371	66,696	61,485	5,211
Educational media	70,856	97,381	87,754	9,627
<i>General Administration:</i>				
Board of education	74,951	74,951	39,423	35,528
Executive administration	159,622	159,622	155,243	4,379
<i>School Administration:</i>				
Office of the principal	93,115	93,115	90,398	2,717
Title I program administration	3,000	4,200	1,925	2,275
<i>Business:</i>				
Fiscal services	155,842	170,842	119,755	51,087
Operation and maintenance of plant	270,427	270,427	252,524	17,903
Pupil transportation	116,442	116,442	109,807	6,635
Food services	5,058	8,358	7,873	485
<i>Central:</i>				
Staff services	600	600	303	297
<i>Cocurricular Activities:</i>				
Male activities	46,612	33,612	28,898	4,714
Female activities	35,203	37,506	30,669	6,837
Combined activities	18,422	20,238	13,853	6,385
Transportation	3,937	3,951	3,865	86
<i>Total cocurricular activities</i>	<u>104,174</u>	<u>95,307</u>	<u>77,285</u>	<u>18,022</u>
TOTAL EXPENDITURES	<u>2,153,735</u>	<u>2,245,902</u>	<u>2,024,097</u>	<u>221,805</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(829,464)</u>	<u>(867,464)</u>	<u>1,364,138</u>	<u>2,231,602</u>
OTHER FINANCING SOURCES (USES):				
Transfers (Out)	829,464	867,464	(74,000)	(941,464)
Sale of surplus property	--	--	--	--
Total Other Financing Sources (Uses):	<u>829,464</u>	<u>867,464</u>	<u>(74,000)</u>	<u>(941,464)</u>
<i>Net Change in Fund Balances</i>	--	--	1,290,138	1,290,138
<i>FUND BALANCE, Beginning</i>	<u>5,656,029</u>	<u>5,656,029</u>	<u>5,656,029</u>	<u>--</u>
<i>FUND BALANCE, Ending</i>	<u>\$ 5,656,029</u>	<u>\$ 5,656,029</u>	<u>\$ 6,946,167</u>	<u>\$ 1,290,138</u>

OELRICHS SCHOOL DISTRICT NO. 23-3
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – CAPITAL OUTLAY FUND – BUDGETARY BASIS
JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 162,000	\$ 162,000	\$ 171,091	\$ 9,091
Prior year ad valorem taxes	1,230	1,230	2,446	1,216
Penalties and interest on taxes	750	750	503	(247)
<i>Revenue from Federal Sources:</i>				
Unrestricted grants-in-aid	<u>14,349</u>	<u>14,349</u>	<u>18,114</u>	<u>3,765</u>
TOTAL REVENUES	<u>178,329</u>	<u>178,329</u>	<u>192,154</u>	<u>13,825</u>
<u>EXPENDITURES</u>				
<i>Instructional Services:</i>				
Elementary	1,000	1,000	275	725
Middle school	100	100	–	100
High school	3,550	3,550	–	3,550
<i>Support Services:</i>				
<i>Instructional staff:</i>				
Educational media	69,377	41,772	–	41,772
Facilities Acquisition and Construction	20,000	249,000	243,730	5,270
Business	5,000	5,000	–	5,000
Operation and maintenance of plant	87,500	42,500	28,488	14,012
Student transportation services	151,300	154,905	154,905	–
Internal services	9,200	9,200	6,567	2,633
<i>Cocurricular Activities:</i>				
Male activities	4,800	17,800	12,352	5,448
Female activities	4,000	4,000	–	4,000
TOTAL EXPENDITURES	<u>355,827</u>	<u>528,827</u>	<u>446,317</u>	<u>82,510</u>
<i>Excess of Revenue Over (Under)</i>				
<i>Expenditures</i>	<u>(177,498)</u>	<u>(350,498)</u>	<u>(254,163)</u>	<u>96,335</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	175,061	348,061	–	(348,061)
Compensation for loss of general capital assets	2,437	2,437	–	(2,437)
Sale of surplus property	–	–	7,500	7,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>177,498</u>	<u>350,498</u>	<u>7,500</u>	<u>(342,998)</u>
<i>Net Change in Fund Balances</i>	–	–	(246,663)	(246,663)
FUND BALANCE, Beginning	<u>587,133</u>	<u>587,133</u>	<u>587,133</u>	<u>–</u>
FUND BALANCE, Ending	<u>\$ 587,133</u>	<u>\$ 587,133</u>	<u>\$ 340,470</u>	<u>\$ (246,663)</u>

OELRICHS SCHOOL DISTRICT NO. 23-3
REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION FUND – BUDGETARY BASIS
JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 91,100	\$ 91,100	\$ 105,327	\$ 14,227
Prior years' ad valorem taxes	650	650	1,442	792
Penalties and interest on taxes	435	435	298	(137)
<i>Revenue from State Sources:</i>				
Restricted grants-in-aid	25,500	25,500	56,772	31,272
<i>Revenue from Federal Sources:</i>				
Unrestricted grants-in-aid	31,000	31,000	25,893	(5,107)
Restricted grants-in-aid	26,355	26,355	26,333	(22)
TOTAL REVENUES	175,040	175,040	216,065	41,025
<u>EXPENDITURES</u>				
<i>Instructional Services:</i>				
Programs for special education	254,505	220,505	152,314	68,191
<i>Support Services:</i>				
Psychological	8,000	8,000	3,959	4,041
Speech pathology	55,600	55,600	53,075	2,525
Student therapy services	19,000	19,000	14,028	4,972
TOTAL EXPENDITURES	337,105	303,105	223,376	79,729
<i>Excess of Revenues Over (Under) Expenditures</i>	(162,065)	(128,065)	(7,311)	120,754
<i>OTHER FINANCING SOURCES (USES):</i>				
Transfer in	162,065	128,065	40,000	(88,065)
<i>Net Change in Fund Balance</i>	--	--	32,689	32,689
FUND BALANCE, Beginning	25,761	25,761	25,761	--
FUND BALANCE, Ending	\$ 25,761	\$ 25,761	\$ 58,450	\$ 32,689

OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

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

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

**OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
District's proportion of the net pension liability (asset)	0.05258410%	0.05306100%	0.04722430%	0.07222900%	0.0669089%
District's proportionate share of net pension liability (asset)	\$ (5,572)	\$ (1,243)	\$ (4,286)	\$ 243,982	\$ (283,780)
District's covered-employee payroll	\$ 1,118,046	\$ 1,108,683	\$ 961,453	\$ 1,279,573	\$ 1,344,535
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.50%)	(0.11%)	(0.45%)	19.07%	(21.11%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.02%	100.10%	96.89%	104.10%

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

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

**OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

	2020	2019	2018	2017	2016
Contractually-required contribution	\$ 70,051	\$ 67,083	\$ 65,803	\$ 57,687	\$ 79,500
Contributions in relation to the contractually-required contribution	<u>70,051</u>	<u>67,083</u>	<u>65,803</u>	<u>57,687</u>	<u>79,500</u>
Contribution deficiency (excess)	<u>\$ --</u>				
District's covered-employee payroll	\$ 1,167,512	\$ 1,118,046	\$ 1,108,683	\$ 961,453	\$ 1,279,573
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.21%

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

*OELRICHS SCHOOL DISTRICT NO. 23-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020*

Changes of benefit terms:

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% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

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

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

SUPPLEMENTARY INFORMATION

OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>PASS-THROUGH ENTITY IDENTIFYING NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<i>U.S. Department of the Interior:</i>			
Mineral Leasing (Note 4)	15.277	--	\$ 18,047
Payments in Lieu of Taxes (Note 4)	15.226	--	333
<i>Total U.S. Department of the Interior</i>			18,380
<i>U.S. Department of Agriculture:</i>			
<i>Pass through Fall River County:</i>			
Schools and Roads - Grants to Counties (Note 4)	10.666	--	3,800
<i>Child Nutrition Cluster</i>			
<i>Pass through the S.D. Department of Education:</i>			
<i>Non Cash Assistance (Commodities):</i>			
National School Lunch Program	10.555	NSLP-17-139	7,452
<i>Cash Assistance:</i>			
School Breakfast Program (Note 4)	10.553	--	30,578
National School Lunch Program (Note 4)	10.555	NSLP-17-139	61,938
National School Lunch Program (Note 4)	10.555	--	751
National School Lunch Program (Note 4)	10.555	--	509
<i>Total Child Nutrition Cluster</i>			101,228
<i>Pass through the S.D. Department of Education:</i>			
Fresh Fruit and Vegetable Program	10.582		1,975
<i>Total U.S. Department of Agriculture</i>			107,003
<i>U.S. Department of Education:</i>			
<i>Pass through the S.D. Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	--	136,232
Supporting Effective Instruction	84.367	--	14,199
<i>Special Educaiton Cluster</i>			
Special Education Preschool Grants	84.173	--	514
Special Education Grants to States	84.027	--	25,819
<i>Total Special Education Cluster</i>			26,333
<i>Direct Programs</i>			
Impact Aid	84.041	--	1,098,559
Indian Education Grants to Local Educational Agencies	84.060	--	26,276
Supporting Effective Instruction	84.367	--	12,680
<i>Total U.S. Department of Education</i>			1,314,279
GRAND TOTAL			\$ 1,439,662

OELRICHS SCHOOL DISTRICT NO. 23-3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020
(CONTINUED)

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Oelrichs School District No. 23-3 under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Oelrichs School District No. 23-3, it is not intended to and does not present the financial position, changes in net position, or cash flows of Oelrichs School District No. 23-3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE:

Oelrichs School District No. 23-3 does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. FEDERAL REIMBURSEMENTS:

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.