

SELBY AREA SCHOOL DISTRICT NO. 62-5  
SELBY, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2021  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

SELBY AREA SCHOOL DISTRICT NO. 62-5  
SELBY, SOUTH DAKOTA

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AS OF AND FOR THE FISCAL YEAR ENDING JUNE 30, 2021

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA  
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School Board  
Selby Area School District No. 62-5  
Selby, South Dakota

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Selby Area School District No. 62-5 (School District), Walworth County, South Dakota as of June 30, 2021 and for the fiscal year then ended, 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

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

### Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Selby Area School District, Walworth County, South Dakota, as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information (no opinion)

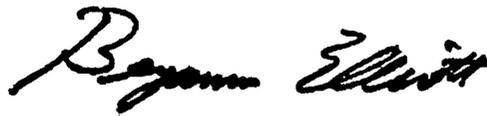
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (page 3 to 8), the budgetary comparison schedules (page 38 to 41), pension schedules (page 42 and 43) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 44) dated June 30, 2022 on my tests of the Selby Area School District's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's compliance and internal control over financial reporting.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

June 30, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Selby Area School District No. 62-5's (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2021. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the Selby Area School District are as follows:

For the year ending June 30, 2021:

Revenue:	
Charges for goods and services	50,564
Operating grants	329,987
Capital grants	0
General receipts	3,037,309
	-----
Total	3,417,860
	-----
Expenses:	
Governmental	3,075,180
Business-type	156,436
	-----
Total	3,231,616
	-----
Increase in Net Position	186,244
Net Position:	
July 1, 2020, adjusted	5,221,276
	-----
June 30, 2021	5,407,520
	=====
Governmental Funds:	
General	1,493,465
Capital Outlay	859,164
Special Education	332,207
Capital Assets	5,186,157
Long-term Debt	(2,502,063)
Business-Type Funds:	
Food Service	38,444
Driver's Education	146
	-----
Total	5,407,520
	=====

During the year ending June 30, 2021 the School District:

- \* Purchased computer equipment and software for \$63,566.
- \* Purchased a copier for \$6,310.
- \* Purchased a scrubber for \$4,459.
- \* Purchased library books for \$5,947.
- \* Paid principal of \$165,000 and interest and fees of \$57,264 on the 2012 Limited Tax General Obligation Certificates.

## BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 8), (2) the basic financial statements (page 9 to 37) and (3) required supplementary information (page 38 to 43). The basic financial statements include two types of statements that present the School District from two different financial points of view.

### Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.

### Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary activities of the School District.

The governmental fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the School District are the general fund, capital outlay fund, and special education fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the School District that operate like a business. The enterprise fund operated by the School District are the food service and driver's education funds.

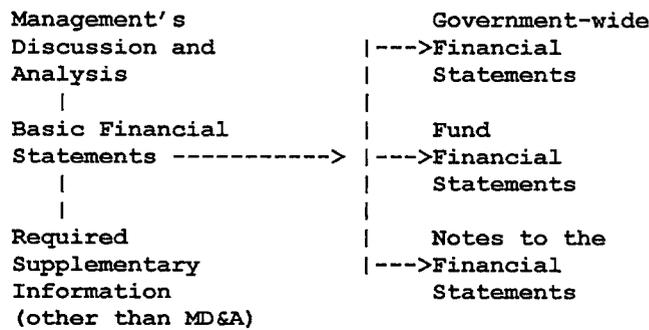
The fiduciary fund financial statements provide information about the financial status of activities (like student council or FFA) in which the School District acts solely as a trustee or agent for the benefit of those groups to whom these funds belong. The School District also administers a private-purpose trust fund for student scholarships.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of required supplementary information that presents a budgetary analysis for the general fund and special revenue funds.

### Required Supplementary Information:

This Management's Discussion and Analysis (page 3 to 8), the Budgetary Comparison Schedules (page 38 to 41), and the Pension Schedules (page 42 and 43) are financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The Budgetary Comparison Schedules are presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the School District's financial statements.



Here is a summary of the major features of these financial statement.

	Government-wide Statements	Fund Statements-----		
		Governmental Funds	Enterprise Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	School Activities except Enterprise (food service) and Fiduciary (student organizations)	Activities operated like a private business (food service)	School's custody of money that belongs to others
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Activities	Statement on Revenues, Expen- ditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Net Position  Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
Basis of Accounting	Accrual	Modified accrual	Accrual	Accrual
Measurement Focus	Economic resources	Current financial resources	Economic resources	Economic resources
Types of Assets & Liabilities	All - Financial and capital, short- and long-term	Only current financial assets and liabilities	All - Financial and capital, short- and long-term	All - Financial and capital (if any), short- and long-term
		No capital assets		
Types of Revenue and Expenditures or Expense	All - Regardless of when cash is received	Revenues when cash is received during year or within 60 days of year-end	All - Regardless of when cash is received	All - Regardless of when cash is received
		Expenditures when goods or services are received and payment is due during year or soon after year-end		

**GOVERNMENT-WIDE STATEMENTS**  
(Reporting the School District as a whole)

The government-wide statements (page 9 and 10) report information about the School District as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets and liabilities. Net position is the difference between assets and liabilities. Changes in these accounts is one way to measure the school's financial health. Increases or decreases in net position measures improvements or declines in the school's financial health. To assess the school's overall financial health you also need to consider other factors such as changes in the student enrollment, property tax base and/or changes in federal and state grants and aid.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the school are listed, which include all taxes and interest earned.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include (1) basic instructional services such as elementary, high school, and special education programs, (2) support services such as guidance, library, administration, and transportation, (3) debt services such as payments on the School District's limited tax general obligation certificates, and (4) extracurricular activities such as sports and music. Property taxes, state and federal grants, and interest earnings finance most of these activities.

The business-type activities account for the School District's breakfast and lunch food service programs and driver's education program. These programs are funded in part by user fees and in part by state and federal grants and School District contributions.

#### FUND FINANCIAL STATEMENTS

(Reporting the School District's most significant funds)

The fund financial statements (page 11 to 17) provide more detailed information about the School District's most significant funds, not the School District as a whole. Funds are accounting tools used to keep track of the receipt and disbursement of School District's resources. State law requires the use of some funds and the school board establishes other funds for a specific purpose, like a capital project fund for a new building.

The fund financial statements show information in three broad categories: governmental, enterprise (business-type), and fiduciary.

**Governmental funds:** Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources available for spending in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements to reconcile the differences between the governmental fund statements and the government-wide statements.

**Enterprise fund:** Services for which the School District charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. The food service fund and the driver's education fund are the only enterprise funds maintained by the School District.

**Fiduciary funds:** The School District is the agent (or fiduciary) for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. Fiduciary funds are excluded from the School District's government-wide financial statements because the School District cannot use these assets to finance the School District's operations.

**MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

Year Ending June 30, 2021:

(Material changes for governmental activities = changes greater than \$200,000)  
 (Material changes for business-type activities = changes greater than \$ 20,000)

	Increase (Decrease)	Reason
<b>Governmental Activities:</b>		
Current assets	787,000	Taxes receivable increase
Capital assets	(217,000)	Depreciation
Deferred inflow	576,000	SDRS activity
Property taxes	214,000	Increased valuations
<b>Business-type Activities:</b>		
Charges for services	(28,000)	Free lunches to all students
Operating grants	43,000	Federal breakfast/lunch reimbursements
Food service	38,000	School re-opened

**SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET**

The School District's general fund budget of \$2,431,715 for the FY21 year is an increase of \$102,323 or 4.39% from FY20. The increase was spread across several line items. There was one supplemental appropriation to the general fund budget in FY21. See page 38 for more information.

**SIGNIFICANT CAPITAL ASSET ACTIVITY**

Significant capital asset activity is reported above. See page 36 for more information.

At June 30, 2021, the School District had invested \$5,204,211 in a broad range of capital assets, including land, buildings, improvements and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$219,064 or 4.03% from June 30, 2020.

**SIGNIFICANT LONG-TERM LIABILITY**

The 2012 Limited Tax GO Certificates, Walworth County settlement agreement, and accrued leave are the School District's only long-term liabilities. See page 37 for more information.

**CURRENTLY KNOWN FACTS**

In FY22 the school expects to receive an ESSER II grant of \$230,742 and an ESSER III grant of approximately \$430,000.

Student enrollments are:	FY10 - 199	FY14 - 189	FY18 - 184	FY22 - 163
	FY11 - 201	FY15 - 179	FY19 - 183	
	FY12 - 187	FY16 - 177	FY20 - 173	
	FY13 - 182	FY17 - 193	FY21 - 167	

On October 1, 2021 the School District refunded its 2012 Limited Tax General Obligation Certificates with Series 2021 \$2,300,000 Limited Tax General Obligation Capital Outlay Refunding Certificates to achieve a Net Present Value benefit of \$172,126 and total cash flow savings of \$196,293.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Selby Area School District's business office at P.O. Box 324, Selby, SD 57472.

## SELBY AREA SCHOOL DISTRICT NO. 62-5

TABLE 1 - NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 AS OF JUNE 30, 2019 AND JUNE 30, 2020

	Governmental Activities		Business-Type Activities		Total Government	
	FY21	FY20	FY21	FY20	FY21	FY20
<b>Assets and deferred outflows:</b>						
Current assets	4,149	3,362	19	36	4,168	3,398
Capital assets	5,186	5,403	18	20	5,204	5,423
Other assets and def. outflow	390	319	16	13	406	332
<b>Total assets and def. outflow</b>	<b>9,725</b>	<b>9,084</b>	<b>53</b>	<b>69</b>	<b>9,778</b>	<b>9,153</b>
<b>Liabilities and deferred inflows:</b>						
Current liabilities	457	442	2	1	459	443
Long-term debt outstanding	2,328	2,320			2,328	2,320
Deferred inflows of resources	1,571	995	13	5	1,584	1,000
<b>Total liabilities and deferred inflows</b>	<b>4,356</b>	<b>3,757</b>	<b>15</b>	<b>6</b>	<b>4,371</b>	<b>3,763</b>
<b>Net position:</b>						
Net invested in capital assets	2,866	2,918	18	20	2,884	2,938
Restricted	1,270	1,244	3	8	1,273	1,252
Unrestricted	1,233	1,165	17	35	1,250	1,200
<b>Total net position</b>	<b>5,369</b>	<b>5,327</b>	<b>38</b>	<b>63</b>	<b>5,407</b>	<b>5,390</b>

TABLE 2 - CHANGES IN NET POSITION (condensed and in thousands)  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2021  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2020

	Governmental Activities		Business-Type Activities		Total Government	
	FY21	FY20	FY21	FY20	FY21	FY20
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	12	13	38	66	50	79
Operating grants and contri.	238	185	91	48	329	233
Capital grants and contri.					0	0
<b>General revenues:</b>						
Property taxes	2,680	2,466			2,680	2,466
Gross receipts tax	93	107			93	107
State sources	187	187			187	187
County sources	56	55			56	55
Interest earned	8	14			8	14
Donations	5				5	0
Other general revenue	4	3			4	3
Sale of surplus property		1			0	1
Compensation for damaged prope	5				5	0
<b>Total revenues</b>	<b>3,288</b>	<b>3,031</b>	<b>129</b>	<b>114</b>	<b>3,417</b>	<b>3,145</b>
<b>Expenses:</b>						
Instruction	1,580	1,515			1,580	1,515
Support services	1,335	1,257			1,335	1,257
Cocurricular activities	103	96			103	96
Interest and fees	57	60			57	60
Food service			153	115	153	115
Driver's education			4		4	0
<b>Total expenses</b>	<b>3,075</b>	<b>2,928</b>	<b>157</b>	<b>115</b>	<b>3,232</b>	<b>3,043</b>
<b>Other financing sources (uses):</b>						
Settlement agreement	(177)				(177)	0
Transfers in (out)	(3)	(25)	3	25	0	0
<b>Change in net position</b>	<b>33</b>	<b>78</b>	<b>(25)</b>	<b>24</b>	<b>8</b>	<b>102</b>
<b>Net position:</b>						
June 30, 2019		5,249		39		5,288
June 30, 2020	5,327	5,327	63	63	5,390	5,390
Adjustment	9				9	
<b>June 30, 2021</b>	<b>5,369</b>		<b>38</b>		<b>5,407</b>	

## SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2021

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash	2,490,298	7,047	2,497,345
Certificates of deposit	0		0
Advance payments to Trust & Agency	3,500		3,500
<b>Receivables:</b>			
Property taxes - current	1,259,520		1,259,520
Property taxes - delinquent	190,284		190,284
Due from other governments	127,380	0	127,380
Inventory	77,783	10,019	87,802
Prepaid expense		1,809	1,809
<b>Total current assets</b>	<b>4,148,765</b>	<b>18,875</b>	<b>4,167,640</b>
<b>Capital assets:</b>			
Land	68,900		68,900
Buildings	6,633,684		6,633,684
Improvements other than buildings	535,369		535,369
Equipment	1,044,572	51,832	1,096,404
Equipment - vehicles	794,810		794,810
Accumulated depreciation	(3,891,178)	(33,778)	(3,924,956)
<b>Total capital assets</b>	<b>5,186,157</b>	<b>18,054</b>	<b>5,204,211</b>
<b>Other assets:</b>			
Net pension assets	2,384	96	2,480
<b>Total assets</b>	<b>9,337,306</b>	<b>37,025</b>	<b>9,374,331</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension related deferred outflows	387,697	15,552	403,249
<b>Total deferred outflow of resources</b>	<b>387,697</b>	<b>15,552</b>	<b>403,249</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	37,154	212	37,366
Contracts payable	161,389		161,389
Payroll deductions payable	84,395		84,395
Prepaid meals		1,266	1,266
<b>Noncurrent liabilities due in one year:</b>			
Leave payable	4,865		4,865
2012 Limited Tax GO Certificates	170,000		170,000
<b>Total current liabilities</b>	<b>457,803</b>	<b>1,478</b>	<b>459,281</b>
<b>Noncurrent liabilities:</b>			
2012 Limited Tax GO Certificates	2,150,000		2,150,000
Walworth County Settlement Agreement	177,198		177,198
<b>Total noncurrent liabilities</b>	<b>2,327,198</b>	<b>0</b>	<b>2,327,198</b>
<b>Total liabilities</b>	<b>2,785,001</b>	<b>1,478</b>	<b>2,786,479</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes levied for a future period	1,259,520		1,259,520
Pension related deferred inflows	311,552	12,509	324,061
<b>Total deferred inflow of resources</b>	<b>1,571,072</b>	<b>12,509</b>	<b>1,583,581</b>
<b>NET POSITION</b>			
Net invested in capital assets	2,866,157	18,054	2,884,211
<b>Restricted for:</b>			
Capital outlay	859,164		859,164
Special education	332,207		332,207
SDRS pension purposes	78,529	3,139	81,668
Unrestricted	1,232,873	17,397	1,250,270
<b>Total net position</b>	<b>5,368,930</b>	<b>38,590</b>	<b>5,407,520</b>

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2021

Functions/Programs:	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary government:</b>							
<i>Governmental activities:</i>							
Instruction	1,579,849		172,752		(1,407,097)		(1,407,097)
Support services	1,334,946	4,363	65,764		(1,264,819)		(1,264,819)
Cocurricular activities	103,121	8,380			(94,741)		(94,741)
Non-program charges	0				0		0
Interest and fees (all)	57,264				(57,264)		(57,264)
<b>Total governmental activities</b>	<b>3,075,180</b>	<b>12,743</b>	<b>238,516</b>	<b>0</b>	<b>(2,823,921)</b>	<b>0</b>	<b>(2,823,921)</b>
<i>Business-type activities:</i>							
Food service	152,760	36,971	91,471			(24,318)	(24,318)
Driver's education	3,676	850				(2,826)	(2,826)
<b>Total primary government</b>	<b>3,231,616</b>	<b>50,564</b>	<b>329,987</b>	<b>0</b>	<b>(2,823,921)</b>	<b>(27,144)</b>	<b>(2,851,065)</b>
<b>General revenue:</b>							
Property taxes					2,680,203		2,680,203
Gross receipts tax					92,774		92,774
<b>Revenue from state sources:</b>							
State aid					186,535		186,535
Revenue from county sources					56,253		56,253
Interest earned					7,718		7,718
Donations					4,650		4,650
Miscellaneous					4,049		4,049
Compensation for damaged property					5,127		5,127
Transfers					(2,500)	2,500	0
<b>Total general revenue and transfers</b>					<b>3,034,809</b>	<b>2,500</b>	<b>3,037,309</b>
<b>Change in net position</b>					<b>210,888</b>	<b>(24,644)</b>	<b>186,244</b>
<b>Net position, July 1, 2020</b>					<b>5,326,306</b>	<b>63,234</b>	<b>5,389,540</b>
Prior period settlement agreement, note 9					(177,198)		(177,198)
Restatement for GASB 84, note 13					8,934		8,934
<b>July 1, 2020, restated</b>					<b>5,158,042</b>	<b>63,234</b>	<b>5,221,276</b>
<b>Net position, June 30, 2021</b>					<b>5,368,930</b>	<b>38,590</b>	<b>5,407,520</b>

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5  
BALANCE SHEET -- GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
	-----	-----	-----	-----
<b>ASSETS</b>				
Cash	1,344,822	843,374	302,102	2,490,298
Certificates of deposit				0
Advanced payments to Trust & Agency	3,500			3,500
Receivables:				
Property taxes - current	844,546	210,800	204,174	1,259,520
Property taxes - delinquent	131,950	29,637	28,697	190,284
Due from other governments	123,121	27	4,232	127,380
Inventory of supplies	77,783			77,783
<b>Total assets</b>	<u>2,525,722</u>	<u>1,083,838</u>	<u>539,205</u>	<u>4,148,765</u>
<b>LIABILITIES</b>				
Accounts payable	21,247	13,874	2,033	37,154
Contracts payable	161,389			161,389
Payroll deductions payable	83,604		791	84,395
<b>Total liabilities</b>	<u>266,240</u>	<u>13,874</u>	<u>2,824</u>	<u>282,938</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Taxes levied for a future period	844,546	210,800	204,174	1,259,520
Unavailable revenue:				
Property taxes - delinquent	131,950	29,637	28,697	190,284
<b>Total deferred inflow of resources</b>	<u>976,496</u>	<u>240,437</u>	<u>232,871</u>	<u>1,449,804</u>
<b>FUND BALANCE</b>				
Nonspendable	81,283			81,283
Restricted		829,527	303,510	1,133,037
Committed				0
Assigned	487,021			487,021
Unassigned	714,682			714,682
<b>Total fund balances</b>	<u>1,282,986</u>	<u>829,527</u>	<u>303,510</u>	<u>2,416,023</u>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<u>2,525,722</u>	<u>1,083,838</u>	<u>539,205</u>	<u>4,148,765</u>

Reconciliation of the above balance sheet - governmental funds to the  
government-wide statement of net position

Total fund balance - governmental funds (above) 2,416,023

Amounts reported in the government-wide statement of net position are  
different because:

Capital assets used in governmental activities are not financial  
resources and therefore not reported as assets in governmental  
funds. Therefore:  
    Add the cost of capital assets 9,077,335  
    Subtract the associated accumulated depreciation (3,891,178)

These pension related amounts are not an available  
financial resource and therefore are not reported  
in the funds.  
    Net pension assets 2,384  
    Deferred outflow of resources 387,697  
    Deferred inflow of resources (311,552)

Long-term liabilities are not due and payable in the current  
period. Therefore, subtract the following long-term liabilities:  
    Accrued leave (4,865)  
    2012 Limited Tax GO Certificates (2,320,000)  
    2021 Walworth County Settlement Agreement (177,198)

Assets such as taxes receivable (delinquent) are not available  
to pay of current period expenditures and therefore are deferred  
in the funds. 190,284

Total net position on government-wide statement of net position 5,368,930

See accompanying notes.

## SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>Revenue:</b>				
<b>Revenue from local sources:</b>				
<b>Taxes:</b>				
Ad valorem taxes	1,694,452	437,459	390,258	2,522,169
Prior year ad valorem taxes	4,180	970	681	5,831
Penalties and interest	2,361	589	425	3,375
Gross receipts	92,774			92,774
Interest earned	4,131	2,713	874	7,718
<b>Cocurricular activities:</b>				
Admissions	8,380			8,380
<b>Other revenue from local sources:</b>				
Medicaid reimbursements	3,765		598	4,363
Donations	4,650			4,650
Other	3,597	452		4,049
<b>Total revenue from local sources</b>	<b>1,818,290</b>	<b>442,183</b>	<b>392,836</b>	<b>2,653,309</b>
<b>Revenue from intermediate sources:</b>				
<b>County sources:</b>				
County apportionment	56,253			56,253
<b>Revenue from state sources:</b>				
Unrestricted grants-in-aid	186,535			186,535
Restricted grants-in-aid	7,528			7,528
<b>Revenue from federal sources:</b>				
Restricted grants-in-aid	152,939	24,450	53,599	230,988
<b>Total revenues</b>	<b>2,221,545</b>	<b>466,633</b>	<b>446,435</b>	<b>3,134,613</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
<b>Regular programs:</b>				
Elementary school	472,143	9,927		482,070
Middle school	233,747	2,108		235,855
High school	399,327	1,801		401,128
Preschool	27,197			27,197
<b>Special programs:</b>				
Programs for special educ.			203,930	203,930
Educ. deprived (Title I)	63,446			63,446
<b>Total instruction</b>	<b>1,195,860</b>	<b>13,836</b>	<b>203,930</b>	<b>1,413,626</b>
<b>Support services:</b>				
<b>Pupils:</b>				
Title I - parent involvement				0
Guidance	10,977			10,977
Health services	812			812
Special education			135,343	135,343
<b>Instruction:</b>				
Title I	11,194			11,194
Educational media	25,191	895		26,086
Technology in school	12,665	3,367		16,032
<b>General administration:</b>				
Board of Education	22,446			22,446
Executive administration	83,869			83,869
<b>School administration:</b>				
Office of principal	78,542			78,542
Other	1,703			1,703
<b>Business:</b>				
Fiscal services	99,381			99,381
Operations and maintenance	277,394	100,351		377,745
Pupil transportation	188,598			188,598
Food service		734		734
Special education administration			45,307	45,307
<b>Total support services</b>	<b>812,772</b>	<b>105,347</b>	<b>180,650</b>	<b>1,098,769</b>

(continued)

SELBY AREA SCHOOL DISTRICT NO. 62-5  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>Nonprogrammed charges:</b>				
Early retirement	34,051			34,051
<b>Total nonprogrammed charges</b>	<b>34,051</b>	<b>0</b>	<b>0</b>	<b>34,051</b>
<b>2012 GO Certificates:</b>				
Principal		165,000		165,000
Interest and fees		57,264		57,264
<b>Total debt service</b>	<b>0</b>	<b>222,264</b>	<b>0</b>	<b>222,264</b>
<b>Cocurricular activities:</b>				
Male activities	23,941			23,941
Female activities	17,958			17,958
Transportation	16,436			16,436
Combined activities	29,371	4,579		33,950
<b>Total cocurricular services</b>	<b>87,706</b>	<b>4,579</b>	<b>0</b>	<b>92,285</b>
<b>Capital outlay:</b>				
		80,282		80,282
<b>Total expenditures</b>	<b>2,130,389</b>	<b>426,308</b>	<b>384,580</b>	<b>2,941,277</b>
<b>Excess of revenues over (under) expenditures</b>				
	91,156	40,325	61,855	193,336
<b>Other financing sources (uses):</b>				
Transfer in (out)	1,088	(2,713)	(875)	(2,500)
Compensation for damaged property	5,127			5,127
<b>Net change in fund balance</b>	<b>97,371</b>	<b>37,612</b>	<b>60,980</b>	<b>195,963</b>
<b>Fund balance:</b>				
July 1, 2020	1,176,681	791,915	242,530	2,211,126
Restatement for GASB 84, note 13	8,934			8,934
July 1, 2020, restated	1,185,615	791,915	242,530	2,220,060
June 30, 2021	1,282,986	829,527	303,510	2,416,023

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 195,963

Capital outlays are reported in governmental funds as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of:	6,310
Copier	
Computer equipment	59,071
Software	4,495
Library books	5,947
Scrubber	4,459
Subtract: Depreciation taken on all capital assets	(297,340)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes	(41,457)
Add current year delinquent taxes	190,284

Expenses and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds

(116,043)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Therefore:

Add current year payments on:	
2012 Limited Tax GO Certificates	165,000
Accrued leave	5,012
Early retirement	34,052
Subtract current year additions to:	
Accrued leave	(4,865)

Change in net position on government-wide statement of activities 210,888

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF NET POSITION - ENTERPRISE FUND  
AS OF JUNE 30, 2021

	Food Service Fund	Driver's Education Fund	Total Enterprise Funds
	-----	-----	-----
<b>Assets:</b>			
<b>Current assets:</b>			
Cash	6,699	348	7,047
Due from other governments			0
Inventory - supplies	1,106		1,106
Inventory - purchased goods	3,731		3,731
Inventory - commodities (donated)	5,182		5,182
Prepaid expenses	1,809		1,809
<b>Capital assets:</b>			
Equipment	51,832		51,832
Accumulated depreciation	(33,778)		(33,778)
<b>Other assets:</b>			
Net pension assets	96		96
	-----	-----	-----
<b>Total assets</b>	<b>36,677</b>	<b>348</b>	<b>37,025</b>
	=====	=====	=====
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension related deferred outflows	15,552		15,552
	-----	-----	-----
<b>Total deferred outflow of resources</b>	<b>15,552</b>	<b>0</b>	<b>15,552</b>
	=====	=====	=====
<b>Current liabilities:</b>			
Accounts payable	10	202	212
Prepaid meals	1,266		1,266
	-----	-----	-----
<b>Total liabilities</b>	<b>1,276</b>	<b>202</b>	<b>1,478</b>
	=====	=====	=====
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Pension related deferred inflows	12,509		12,509
	-----	-----	-----
<b>Total deferred inflow of resources</b>	<b>12,509</b>	<b>0</b>	<b>12,509</b>
	=====	=====	=====
<b>Net position:</b>			
Net invested in capital assets	18,054		18,054
Restricted for SDRS pension purposes	3,139		3,139
Unrestricted	17,251	146	17,397
	-----	-----	-----
<b>Total net position</b>	<b>38,444</b>	<b>146</b>	<b>38,590</b>
	=====	=====	=====

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021

	Food Service Fund -----	Driver's Education Fund -----	Total Enterprise Funds -----
Operating revenue:			
Sales to pupils	29,030	850	29,880
Sales to adults	6,001		6,001
Other sales	1,940		1,940
	-----	-----	-----
Total operating revenue	36,971	850	37,821
	-----	-----	-----
Operating expense:			
Salaries	56,869	3,425	60,294
Employee benefits	29,518		29,518
Purchased services	1,199		1,199
Supplies	1,271	251	1,522
Cost of sales:			
Purchased food	47,279		47,279
Donated food	9,753		9,753
Depreciation	2,006		2,006
Pension related expense	4,865		4,865
	-----	-----	-----
Total operating expenses	152,760	3,676	156,436
	-----	-----	-----
Operating income (loss)	(115,789)	(2,826)	(118,615)
Nonoperating revenue (expense):			
State source:			
Cash reimbursement	367		367
Federal source:			
COVID	5,570		5,570
Cash reimbursement - breakfast	11,179		11,179
Cash reimbursement - lunch	64,806		64,806
Donated food	9,549		9,549
	-----	-----	-----
Total nonoperating revenue (expense)	91,471	0	91,471
	-----	-----	-----
Income (loss) before contributions transfers	(24,318)	(2,826)	(27,144)
Transfer in - general fund	0	2,500	2,500
	-----	-----	-----
Change in net position	(24,318)	(326)	(24,644)
Net position: July 1, 2020	62,762	472	63,234
	-----	-----	-----
Net position: June 30, 2021	38,444	146	38,590
	=====	=====	=====

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021

	Food Service Fund	Driver's Education Fund	Total Enterprise Funds
	-----	-----	-----
Cash flows from:			
Operating activities:			
Receipts from customers	36,971	850	37,821
Cash paid for employees	(83,524)	(3,425)	(86,949)
Payments to suppliers	(47,180)	(49)	(47,229)
Net cash provided (used) by operating activities	----- (93,733)	----- (2,624)	----- (96,357)
Noncapital financing activities:			
Transfer in		2,500	2,500
Grant cash reimbursements, state	367		367
Grant cash reimbursements, federal	97,808		97,808
Capital financing activities:			
None	0	0	0
Investing activities:			
None	0	0	0
Net increase (decrease) in cash and cash equivalents	----- 4,442	----- (124)	----- 4,318
Cash and cash equivalents:			
July 1, 2020	2,257	472	2,729
June 30, 2021	----- 6,699	----- 348	----- 7,047
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(115,789)	(2,826)	(118,615)
Value of donated commodities used	9,753		9,753
Depreciation	2,006		2,006
Pension related expense reduction	4,865		4,865
Change in operating accounts:			
Accounts receivable			0
Inventory - supplies	151		151
Inventory - purchased	2,408		2,408
Prepaid expense - payroll related	2,863		2,863
Accounts payable	10	202	212
Net cash provided (used) by operating activities	----- (93,733)	----- (2,624)	----- (96,357)
Noncash investing, capital and financing activities:			
Value of donated commodities received	9,549		9,549

See accompanying notes.

SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2021

	Private Purpose Trusts (Scholarships)	Custodial Funds
	-----	-----
<b>Assets:</b>		
Cash	1,610	83,497
Accounts receivable		379
	-----	-----
<b>Total assets</b>	<b>1,610</b>	<b>83,876</b>
	=====	=====
<b>Liabilities:</b>		
Accounts payable		46
Due to general fund - advance		3,500
	-----	-----
<b>Total liabilities</b>	<b>0</b>	<b>3,546</b>
	=====	=====
<b>Net position:</b>		
Restricted for student activities		80,330
Restricted for scholarships	1,610	
	-----	-----
<b>Total net position</b>	<b>1,610</b>	<b>80,330</b>
	=====	=====

SELBY AREA SCHOOL DISTRICT NO. 62-5

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDING JUNE 30, 2021

	Private Purpose Trust (Scholarships)	Custodial Funds
	-----	-----
<b>Additions:</b>		
Collections for student activities		135,642
Donations	2,000	
	-----	-----
<b>Total additions</b>	<b>2,000</b>	<b>135,642</b>
	-----	-----
<b>Deductions:</b>		
Payments for student activities		129,414
Scholarships	7,000	
	-----	-----
<b>Total deductions</b>	<b>7,000</b>	<b>129,414</b>
	-----	-----
<b>Change in net position</b>	<b>(5,000)</b>	<b>6,228</b>
<b>Net Position:</b>		
July 1, 2020	6,610	0
Restatement for GASB 84, note 13		83,036
Restatement for GASB 84, note 13		(8,934)
	-----	-----
July 1, 2020, restated	6,610	74,102
	-----	-----
June 30, 2021	1,610	80,330
	=====	=====

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Selby Area School District's (School District) Board of Education.

The School District's officials at June 30, 2021 are:

Board Members:

Brian Begeman, Chairman  
Tom Fiedler  
Mike Hirsch  
Brett Huber  
Matt Mortenson  
Pat Starks  
Steve Zabel

Superintendent:

Leonard Schroeder

Business Manager:

Donald Knecht

Attorney:

Von Wald Law Offices

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Selby Area School District does not have any component units.

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

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good and services.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds. School District funds are described below within their respective fund type:

**Governmental Funds**

General fund - a fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of a school district, excluding capital outlay and special education fund expenditures. The general fund is always a major fund.

*Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:*

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

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

#### Enterprise Funds

*Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise fund:*

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

Driver's education fund - a fund used to record financial transactions related to the School District's driver's education operations. This fund is financed by user charges and School District contributions and is a major fund.

#### Fiduciary Funds

Fiduciary are never considered to be major funds.

Private-purpose trust fund types - private-purpose trust funds are used to account for trust arrangements under which the principal and income benefit individuals, private organizations, or other governments. The School District maintains a private-purpose trust fund for scholarships.

Custodial fund type: Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Selby Area School District custodial funds are used to hold assets as an agent in a trustee capacity for various classes and student clubs.

#### c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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:*

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

*Fund Financial Statements:*

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

**Basis of Accounting**

*Government-wide Financial Statements:*

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. 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:*

In the 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 School District's availability period accruing and recording revenues is 60 days. The revenues which are accrued at June 30, 2021 are grants and other accounts receivable.

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

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the Selby Area School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**d. Interfund Eliminations and Reclassifications:**

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, enterprise funds have access to their cash resources on demand and consequently all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

*Government-wide Financial Statements:*

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total June 30, 2021 balance of capital assets for governmental activities include approximately 25% for which the costs were determined by estimates of the original costs. The total June 30, 2021 balance of capital assets for business-type activities includes approximately 33% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 36.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/structures	25,500	Straight-line	50
Improvements	25,500	Straight-line	20
Equipment	2,500	Straight-line	5-15
Equipment - food service	2,500	Straight-line	15

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

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

h. Long-term Liabilities:

*Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of the 2012 Limited Tax General Obligation Certificates, Settlement Agreement and accrued leave obligations.

*Fund Financial Statements:*

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

i. Accrued Leave:

Accrued leave is for School District's sick leave bank for teachers and administrators. Sick leave for the first year is 25 days. Sick leave will accumulate to 60 days maximum at a rate of 10 days per year. Participants will get reimbursed for any unused sick leave up to 50 days when they leave the School District at a rate of \$10 per day if they have been with the School District for at least 3 years (\$500 maximum).

At June 30, 2021 there are 486.50 days of reimbursable sick leave for a recognized sick leave liability on the financial statements of \$4,865.

j. Program Revenues and General Revenues:

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

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

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

k. Deferred Inflows and Deferred Outflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

l. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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.

m. Equity Classifications:

*Government-wide Financial Statements:*

Equity is classified as "Net Position" and is displayed in three components:

1. Net Invested in Capital Assets - Consist of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consist of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of "Net Invested in Capital Assets" or "Restricted Net Position".

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

n. Fund Balance Classification Policies and Procedures:

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

- \* Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by School Board, Superintendent, or Business Manager.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Selby Area School District fund balance classifications are made up of:

<u>Fund Balance Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Inventory		77,783
	General - Advance	Resolution	3,500
Restricted	Capital Outlay	Statute	829,527
	Special Education	Statute	303,510
Committed			0
Assigned	General	Next Year's Budget	487,021
Unassigned	General		714,682
			-----
			2,416,023

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

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

The purpose of each special revenue fund and revenue source is:

Major Special Revenue Fund	Revenue Source (see page 12 and 13)
* Capital Outlay	Property taxes
* Special Education	Property taxes, Medicaid services reimbursements, and federal grants

o. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

p. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

q. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- \* Allowance for doubtful accounts - estimated uncollectables
- \* Inventory - estimated fair market value
- \* Depreciation - estimated cost of certain assets and service lives
- \* SDRS Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. DEPOSITS, INVESTMENTS AND RISK

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

Deposits - The School District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 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 FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at June 30, 2021 were as follows: Insured \$395,658  
Collateralized \*\* \$2,190,997, for a total of \$2,586,655.

\*\* Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2021 was \$2,581,452, which equals \$2,497,345 on the government-wide statement of net position plus \$85,107 on the fiduciary funds statement less \$1,000 of petty cash.

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

During the year ending June 30, 2021 the School District had no investments.

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

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

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2021, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in BankWest.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the general fund. U.S.GAAP requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income (if any) to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings (if any) are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These transfers are not violations of the statutory restrictions on interfund transfers.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

#### 5. DUE FROM OTHER GOVERNMENTS

At June 30, 2021 amounts due from other governments was Title I, Title II and Title IV due from the federal government of \$26,645, federal RLIS of \$1,952, federal IDEAS of \$4,209, property tax and electric gross receipts tax due from Walworth County of \$40,304, property tax and electric gross receipts tax due from Campbell County of \$5,342, telephone gross receipts tax due from the state of \$48,754, and miscellaneous amounts of \$174 for a total of \$127,380.

#### 6. INVENTORY

In the government-wide governmental activities financial statements and governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is recorded at cost using the periodic inventory method. In the governmental fund financial statements, inventory is equally offset by Nonspendable Fund Balance which indicates that it does not constitute an "available spendable resources" even though it is a component of net current assets. Inventory of \$77,783 at June 30, 2021 is primarily for janitorial supplies in the general fund.

In the government-wide business-type activities financial statements and enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense as they are consumed using the perpetual inventory method. Inventory is stated at cost using the first-in first-out valuation method. Donated items are valued at estimated market value based on the USDA price list at the date of receipt. Inventory of \$10,019 at June 30, 2021 is primarily for food in the food service fund.

7. CHANGES IN CAPITAL ASSETS (see schedule one, page 36)

A summary of changes in capital assets for the fiscal year ending June 30, 2021 is found on schedule one at the end of these footnotes.

There is no construction-in-progress at June 30, 2021.

8. CHANGES IN LONG-DEBT (see schedule two, page 37)

A summary of changes in long-term debt for the fiscal year ending June 30, 2021 is found on schedule two at the end of these footnotes. The School District has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgements, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

9. SETTLEMENT AGREEMENT WITH WALWORTH COUNTY

To correct prior year over payment of malapportioned Clerk of Courts fines from 2017 to 2020 the Selby Area School District reached a settlement agreement with Walworth County to repay these over payments, without interest, by a reduction of future Clerk of Courts fines. The agreed upon over payment, after fees, is \$177,198.

10. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund	Restricted by	Governmental Activities Amount	Business-type Activities Amount
Capital outlay	Law	\$ 859,164	
Special education	Law	332,207	
SDRS pension: General	Contract	78,529	\$ 3,139
		-----	-----
	Total restricted net position	\$ 1,269,900	\$ 3,139

11. INTERFUND TRANSFERS AND BALANCES

Net transfers "in" and "(out)" between funds are:

	Governmental	Enterprise	Purpose
General	\$ 3,588		Interest transfer
General	(2,500)		Operations
Capital outlay	(2,713)		Interest transfer
Special education	(875)		Interest transfer
Driver's Education		\$ 2,500	Operations
	-----	-----	
	\$ (2,500)	\$ 2,500	

12. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. School District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. 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 SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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

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

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ending June 30, 2021, 2020 and 2019 were \$78,705, \$75,183 and \$76,681, respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

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

Proportionate share of total pension liability	\$ 7,018,575
Less: Proportionate share of net position restricted for pension benefits	(7,021,055)
	-----
Proportionate share of net pension (asset)/liability	\$ (2,480)
	=====

At June 30, 2021 the School District reported a (asset)/liability of \$(2,480) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2020 and the total pension liability used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was .000570941 which is a decrease of .00003014 over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized net pension expense of \$120,908.

At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,486	\$ 1,942
Change in assumptions	79,870	322,118
Net difference between projected and actual earnings on pension plan investments	230,465	0
Changes in proportion and difference between client contribution and proportionate share of contributions	4,723	
School District contributions subsequent to the measurement date	78,705	
	-----	-----
Totals	\$ 403,249	\$ 324,060
	(78,705)	=====
	(324,060)	
	-----	
To be amortized over 4 years	\$ 484	
	=====	

The \$78,705 reported as deferred outflow of resources related to the pension, results from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending June 30, 2022	\$ 3,264
June 30, 2023	2,517
June 30, 2024	(398)
June 30, 2025	(4,899)
	-----
	\$ 484

Actuarial Assumptions:

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

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

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which my utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
	-----	
	100.0%	
	=====	

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 will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
School District's proportionate share of the net pension (asset)/liability	\$961,915	\$(2,480)	\$(791,335)

Pension Plan Fiduciary Net Position:

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

13. PRIOR PERIOD RESTATEMENT

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

- 1) Adjust for the Settlement Agreement with Walworth County described in note 9.
- 2) As of June 30, 2021 the Selby Area School District implemented GASB Statement No. 84. "Fiduciary Activities" (GASB 84). Certain funds previously accounted for a agency activities are not considered fiduciary in nature and are now reported in the General Fund. The Selby Area School District restated the net position and fund balance of the funds indicated below to appropriately reflect the balances as of July 1, 2020 as follows:

	Governmental Activities
Net Position July 1, 2020 (previously reported)	5,326,306
Settlement Agreement	(177,198)
Restatement: Implementation of GASB 84	8,934
	-----
Net Position July 1, 2020 (restated)	5,158,042
	=====
	General Fund
Net Position July 1, 2020 (previously reported)	1,176,681
Restatement: Implementation of GASB 84	8,934
	-----
Net Position July 1, 2020 (restated)	1,185,615
	=====

	Custodial Funds
Net Position July 1, 2020 (previously reported)	0
Restatement: Implementation of GASB 84	83,036
Restatement: Implementation of GASB 84	(8,934)
	-----
Net Position July 1, 2020 (restated)	74,102
	=====

#### 14. EMPLOYEE BENEFIT PLAN

The School District offers eligible employees a "Flexible Benefits Plan" (also known as "Flex One" plan) under IRC Sec.125. The Plan allows eligible employees to use money provided by the School District through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan. All salary redirections are sent to commercial companies that administer the Plan.

#### 15. PROPERTY TAXES

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

School District property tax revenue 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 not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund financial statements.

Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 11 and 13.

#### 16. JOINT VENTURE

Oahe Special Education Cooperative  
P.O. Box 97, Java, South Dakota 57452  
605.649.6296

The School participates in Oahe Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member school districts. At June 30, 2021, the School's percentage of participation in the co-op is 1/6th, the same as the other school districts in the coop.

The co-op's governing board has one representatives from the school board of each member school. 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

School 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 of the co-op are available at its business office at P.O. Box 97, Java, South Dakota 57452. At June 30, 2021 this co-op had total AUDITED unrestricted net position of \$503,925 and no long-term debt.

#### 17. RISK MANAGEMENT

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

##### Health:

The School purchases health insurance for its teachers and full-time employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Life:

The School District provides its teachers and full-time employees with \$10,000 of life insurance coverage through South Dakota Benefits Funds.

##### Liability:

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

##### Workmen's Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool (Fund), which provides workers' compensation insurance coverage for participating members of the pool.

The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members.

The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

The pool provides loss coverage to all participants, through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,000,000 per individual per incident.

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

Unemployment Benefits:

The School has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. Any claims would be paid from the general fund. During the year ending June 30, 2021 no unemployment payments were made and in FY22 no unemployment payments are expected to be made.

18. TAX ABATEMENTS

As of June 30, 2021 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

19. LITIGATION

The School District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

20. OTHER DISCLOSURES

The Selby Area School District and the City of Selby share the cost of a library. Each government pays for its costs through their own budget. There is no separate accounting. The school is responsible for library fines.

In FY22 the school expects to receive an ESSER II grant of \$230,742 and an ESSER III grant of approximately \$430,000.

On October 1, 2021 the School District refunded its 2012 Limited Tax General Obligation Certificates with Series 2021 \$2,300,000 Limited Tax General Obligation Capital Outlay Refunding Certificates to achieve a Net Present Value benefit of \$172,126 and total cash flow savings of \$196,293.

SELBY AREA SCHOOL DISTRICT NO. 62-5

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
 CHANGES IN CAPITAL ASSETS  
 FOR THE YEAR ENDING JUNE 30, 2021

	Beginning 6-30-20	Adjustments	Additions	(Deletions)	Ending 6-30-21	Accumulated Depreciation 6-30-20	Adjustments	(Additions)	Deletions	Accumulated Depreciation 6-30-21	Remaining Cost 6-30-21
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>General capital assets:</b>											
Land	68,900				68,900						68,900
Buildings	6,633,684				6,633,684	(2,129,510)		(125,583)		(2,255,093)	4,378,591
Improvements	535,369				535,369	(377,741)		(28,028)		(405,769)	129,600
Equipment	964,290		80,282		1,044,572	(593,123)		(88,371)		(681,494)	363,078
Equipment - vehicles	794,810				794,810	(493,464)		(55,358)		(548,822)	245,988
Construction-in-progr.	0				0	0				0	0
<b>Totals</b>	<b>8,997,053</b>	<b>0</b>	<b>80,282</b>	<b>0</b>	<b>9,077,335</b>	<b>(3,593,838)</b>	<b>0</b>	<b>(297,340)</b>	<b>0</b>	<b>(3,891,178)</b>	<b>5,186,157</b>
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
						Governmental depreciation is allocated as follows:					
						Instruction		108,348			
						Support		178,156			
						Co-curricular		10,836			
								297,340			
								=====			
<b>Enterprise fund:</b>											
<b>Food service fund:</b>											
Equipment	51,832				51,832	(31,772)		(2,006)		(33,778)	18,054
<b>Totals</b>	<b>51,832</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51,832</b>	<b>(31,772)</b>	<b>0</b>	<b>(2,006)</b>	<b>0</b>	<b>(33,778)</b>	<b>18,054</b>
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

SELBY AREA SCHOOL DISTRICT NO. 62-5

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
 CHANGES IN LONG-TERM DEBT  
 FOR THE ONE YEAR ENDING JUNE 30, 2021

	Beginning 6-30-20 -----	Additions	(Deletions) -----	Governmental Ending 6-30-21 -----	Principal Due in FY22 -----
<b>GOVERNMENTAL - DIRECT BORROWING</b>					
2012 Limited Tax General Obligation Certificates:					
Total amount of \$3,450,000					
Maturing 12-15-2032					
Interest from 1.1% to 2.7%					
First semi-annual interest payment: 6-15-2013					
Purpose - Construct new facilities					
- Rehabilitate existing facilities					
Callable on December 15, 2020					
Collateral - Limited tax general obligations of the Selby Area School District 62-5, for which the District has pledged its power to levy direct general ad valorem property taxes, subject to the limitation that the ad valorem property tax levy for the payment of the Certificates and other capital outlay fund purposes may not exceed \$3 per \$1,000 of assessed valuation under South Dakota law.					
Paid by the capital outlay fund	2,485,000		(165,000)	2,320,000	170,000
<b>GOVERNMENTAL - OTHER DEBT</b>					
2021 Settlement Agreement with Walworth County					
Total amount of \$177,198					
Maturing: undetermined					
Interest: zero					
Payments: Future Walworth County Clerk of the Courts fine funds due Selby Area School District					
Collateral: none					
	0.00	177,198		177,198	Unknown
Early Retirement	34,051		(34,051)	0	0
Accrued sick leave liability	5,012	4,865	(5,012)	4,865	4,865
	-----	-----	-----	-----	-----
	2,524,063	182,063	(204,063)	2,502,063	174,865
	=====	=====	=====	=====	=====
Remaining Payment Schedule as of June 30, 2021					
	Total Payment -----	Principal -----	Interest -----	Remaining Balance -----	
2012 Limited Tax General Obligation Certificates:					
6-30-22	223,355	170,000	53,355	2,150,000	
6-30-23	225,075	175,000	50,075	1,975,000	
6-30-24	221,444	175,000	46,444	1,800,000	
6-30-25	222,582	180,000	42,582	1,620,000	
6-30-26	223,475	185,000	38,475	1,435,000	
FY27-FY31	1,121,631	1,000,000	121,631	435,000	
FY32-FY33	446,705	435,000	11,705	0	
	-----	-----	-----	-----	
	2,684,267	2,320,000	364,267		
	=====	=====	=====		

SELBY AREA SCHOOL DISTRICT NO. 62-5  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2021

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	1,694,093			1,694,093	6,900
Gross receipts	100,000			100,000	(7,226)
Interest earned	3,700			3,700	431
Cocurricular activities:					
Admissions	10,000			10,000	(1,620)
Other revenue from local sources:					
Medical reimbursements	3,000			3,000	765
Donations	250			250	4,400
Other	5,000			5,000	(1,403)
Intermediate sources:					
County apportionment	40,000			40,000	16,253
PILOT	1,500			1,500	(1,500)
State sources:					
State aid, unrestricted	169,500			169,500	17,035
Restricted grants-in-aid	11,000			11,000	(3,472)
Federal sources:					
Restricted grants-in-aid	103,078			103,078	49,861
Total revenues	2,141,121	0	0	2,141,121	80,424
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	484,346	4,665		489,011	16,868
Middle school	239,052	1,750		240,802	7,055
High school	415,546	1,750		417,296	17,969
Preschool	29,352			29,352	2,155
Special programs:					
Educ. deprived (Title I)	66,948	8,000		74,948	11,502
Support services:					
Pupils:					
Title I - parent involvement	250			250	250
Guidance	11,279			11,279	302
Health	1,200			1,200	388
Instruction:					
Title I - mentor program	11,000	2,000		13,000	1,806
Professional dev - RLIS	3,307			3,307	3,307
Educational media	26,566			26,566	1,375
Technology in school	20,201			20,201	7,536
General administration:					
Board of Education	34,301			34,301	11,855
Executive administration	89,330			89,330	5,461
School administration:					
Office of principal	81,542			81,542	3,000
Other	2,221			2,221	518
Business:					
Fiscal services	105,876			105,876	6,495
Operations and maintenance	320,207			320,207	42,813
Pupil transportation	244,884			244,884	56,286
Nonprogram charges:					
Early retirement	34,051			34,051	0
Cocurricular activities:					
Male activities	25,121			25,121	1,180
Female activities	19,209			19,209	1,251
Transportation	30,156			30,156	13,720
Combined activities	37,105	500		37,605	8,234
Contingencies	80,000			80,000	80,000
Amount transferred				0	0
Total expenditures	2,413,050	0	18,665	2,431,715	301,326
Other sources and (uses):					
Transfer in	286,929			286,929	(285,841)
Transfer (out)	(15,000)			(15,000)	15,000
Compensation for damaged prop.				0	5,127
Net change in fund balance	0	0	(18,665)	(18,665)	116,036
Fund balance:					
July 1, 2020, adjusted	1,185,615			1,185,615	0
June 30, 2021	1,185,615	0	(18,665)	1,166,950	116,036

SELBY AREA SCHOOL DISTRICT NO. 62-5

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2021

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	422,700		422,700	439,018	16,318
Interest earned	1,700		1,700	2,713	1,013
Other revenue from local sources:					
Donations	500		500		(500)
Other	100		100	452	352
Federal sources:					
Restricted grants-in-aid	0		0	24,450	24,450
Total revenues	425,000	0	425,000	466,633	41,633
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	18,000		18,000	9,927	8,073
Middle school	4,600		4,600	2,108	2,492
High school	7,600		7,600	1,801	5,799
Programs for special education:					
Special education			0		0
Title I			0		0
Support services:					
Instruction:					
Educational media	7,000		7,000	6,842	158
Technology in school	70,386		70,386	62,438	7,948
General administration:					
Board of Education			0		0
Business:					
Fiscal services	11,800		11,800	10,805	995
Operation and maintenance	104,700	4,988	109,688	104,810	4,878
Pupil transportation			0		0
Food services	700	35	735	734	1
Debt service:	222,264		222,264	222,264	0
Cocurricular activities	5,000		5,000	4,579	421
Total expenditures	452,050	5,023	457,073	426,308	30,765
Other financial sources (uses):					
Transfer in	27,050		27,050		(27,050)
Transfer (out)			0	(2,713)	(2,713)
Net change in fund balance	0	(5,023)	(5,023)	37,612	42,635
Fund balance:					
July 1, 2020	791,915		791,915	791,915	0
June 30, 2021	791,915	(5,023)	786,892	829,527	42,635

SELBY AREA SCHOOL DISTRICT NO. 62-5

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2021

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	409,148		409,148	391,364	(17,784)
Interest earned	1,000		1,000	874	(126)
Medicaid reimbursement	1,200		1,200	598	(602)
Other			0		0
State sources:					
Restricted grants-in-aid			0		0
Federal sources:					
Restricted grants-in-aid	54,599		54,599	53,599	(1,000)
<b>Total revenues</b>	<b>465,947</b>	<b>0</b>	<b>465,947</b>	<b>446,435</b>	<b>(19,512)</b>
Expenditures:					
Instruction:					
Special programs:					
Special education	268,937		268,937	203,930	65,007
Support services:					
Special education:					
Pupils	144,325	6,900	151,225	135,343	15,882
Administration	48,250		48,250	45,307	2,943
Transportation	1,000	1,200	2,200		2,200
Preschool flowthrough	3,435		3,435		3,435
<b>Total expenditures</b>	<b>465,947</b>	<b>8,100</b>	<b>474,047</b>	<b>384,580</b>	<b>89,467</b>
Other sources and (uses):					
Transfer in			0		0
Transfer (out)			0	(875)	(875)
<b>Change in fund balance</b>	<b>0</b>	<b>(8,100)</b>	<b>(8,100)</b>	<b>60,980</b>	<b>69,080</b>
Fund balance:					
July 1, 2020	242,530		242,530	242,530	0
June 30, 2021	242,530	(8,100)	234,430	303,510	69,080

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

1. Budgets and Budgetary Accounting:

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

- a. 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.
- b. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
- c. The proposed budget is published for public review no later than July 15 of each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. 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.
- f. 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 1h below.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. There was one supplemental budget in FY21. See pages 38, 39, and 40.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2021.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund, capital outlay fund and special education fund. Formal budgetary integration is not employed for debt service funds (if any) because effective budgetary control is alternatively achieved through bond indenture provisions.
- k. Budgets for the general fund, capital outlay fund and special education fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a school bus would be reported as an expenditure of the support service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

SELBY SCHOOL DISTRICT No. 62-5  
FOR THE SEVEN YEARS ENDING JUNE 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	School's Pension Allocation Percentage	School's Proportionate Share of Net Pension (Asset) Liability	School's Covered Employee Payroll for a June 30th Year End	School's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0570941%	(2,480)	1,253,050	(00.19%)	100.04%
June 30, 2019	0.0601081%	(6,370)	1,278,017	(00.49%)	100.09%
June 30, 2018	0.0615885%	(1,436)	1,280,367	(00.11%)	100.02%
June 30, 2017	0.0606008%	(5,500)	1,254,017	(00.43%)	100.10%
June 30, 2016	0.0595268%	201,076	1,131,900	17.76%	96.89%
June 30, 2015	0.0580585%	(246,243)	1,059,983	(23.23%)	104.10%
June 30, 2014	0.0583219%	(420,185)	1,019,883	(41.19%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the Plan Fiduciary's net pension (asset)/liability which is 6/30 of the School's previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SELBY SCHOOL DISTRICT No. 62-5  
FOR THE EIGHT YEARS ENDING JUNE 30, 2021

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

School's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Employee Payroll for its June 30th Year End	Contributions as a Percentage of Covered Employee Payroll
June 30, 2021	78,705	78,705	0	1,311,750	6.00%
June 30, 2020	75,183	75,183	0	1,253,050	6.00%
June 30, 2019	76,681	76,681	0	1,278,017	6.00%
June 30, 2018	76,822	76,822	0	1,280,367	6.00%
June 30, 2017	75,241	75,241	0	1,254,017	6.00%
June 30, 2016	67,914	67,914	0	1,131,900	6.00%
June 30, 2015	63,599	63,599	0	1,059,983	6.00%
June 30, 2014	61,193	61,193	0	1,019,883	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

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

Actuarial Assumption Changes:

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

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

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

Actuarial Method Changes:

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

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

Governing Board  
Selby Area School District No. 62-5  
Selby, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Selby Area School District (School District), Walworth County, South Dakota, as of June 30, 2021 and for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated June 30, 2022 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Selby Area School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Selby Area School District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Selby Area School District's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Selby Area School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

I did note minor matters involving internal control that I reported to the governing body and management of the Selby Area School District in a separate Letter of Comments dated June 30, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the School District's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Selby Area School District's compliance and internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

June 30, 2022



SELBY AREA SCHOOL DISTRICT NO. 62-5  
June 30, 2021

SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

There are no current written audit findings.