

Sioux Falls School District 49-5



Financial Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

To the School Board
Sioux Falls School District 49-5

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Sioux Falls School District 49-5, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Sioux Falls School District 49-5's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Southeast Technical Institute Housing Foundation, a component unit, which statements reflect total assets, revenue, and net position constituting 7 percent, 2 percent, and 4 percent, respectively, of the aggregate discretely presented component unit and remaining fund information. Those financial statements were audited by other auditors, whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for Southeast Technical Institute Housing Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Sioux Falls School District 49-5, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information on Pages 3 through 16 and 60 through 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Falls School District 49-5's basic financial statements. The accompanying supplementary combining and individual fund statements and schedules on Pages 74 through 87, and the schedule of expenditures of federal awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on Pages 88 through 90, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary combining and individual fund statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary combining and individual fund statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, on our consideration of Sioux Falls School District 49-5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sioux Falls School District 49-5's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sioux Falls School District 49-5's internal control over financial reporting and compliance.

RSM US LLP

Sioux Falls, South Dakota
January 15, 2021

Sioux Falls School District 49-5

Management's Discussion and Analysis

This section of the annual financial report of the Sioux Falls School District 49-5 (the District) presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's net position from governmental and business-type activities increased by approximately \$900,000. Net position increased as a result of revenues over expenses in unrestricted funds of approximately \$6,600,000 and capital outlay revenue in excess of depreciation and other capital outlay expenses of approximately \$11,500,000. This was partially offset by revenue under expenses in other restricted funds of approximately \$17,300,000.
- During the year, the District's total revenues of \$309,018,162 were composed of general revenues in the amount of \$225,473,452 and program revenues totaling \$83,544,710.
- As of June 30, 2020, the District's governmental funds reported combined ending fund balances of \$117,707,854, a decrease of \$48,289,826 compared with the prior year. This decrease is mainly due to Capital Project Fund construction expenditures in excess of revenues of approximately \$58,800,000 using prior year proceeds from the issuance of Series 2018A General Obligation Bonds, partially offset by revenues over expenditures of approximately \$10,500,000 in the other governmental funds.
- The general fund reported an increase in fund balance of \$4,694,985, leaving an ending fund balance of \$20,306,414. The unassigned portion of this ending fund balance was \$19,869,980 or 11.12 percent of total general fund expenditures.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like businesses, such as food services.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources being reported belong. The fiduciary funds of the District are agency funds. Agency funds are custodial in nature and do not involve measurement of results of operation.

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Figure 1

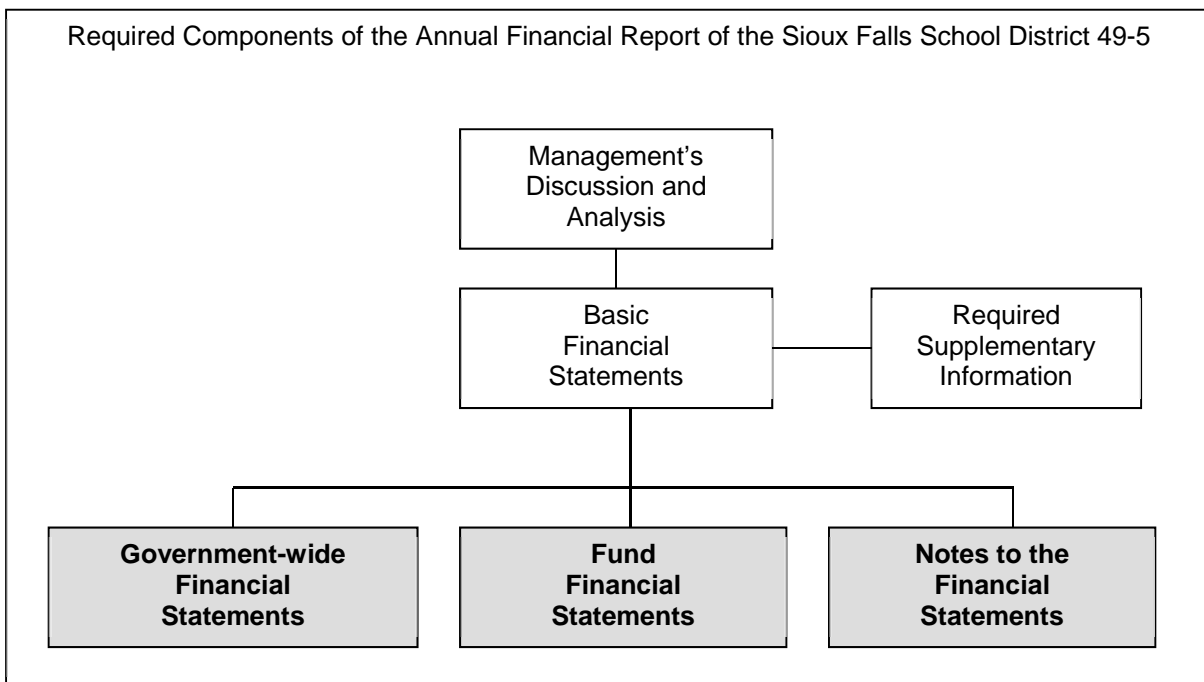


Figure 2 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Management’s Discussion and Analysis

Overview of the Financial Statements (Continued)

Figure 2 Major Features of Government-wide and Fund Financial Statements

| | Government-wide Statements | Fund Financial Statements | | |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses, such as food service and adult education | Instances in which the District administers resources on behalf of someone else, such as student-activities monies |
| Required Financial Statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net position |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the District’s fiduciary funds do not currently contain capital assets, although they can |
| Type of Inflow/Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

Sioux Falls School District 49-5

Management's Discussion and Analysis

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities as well as deferred outflows and inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one way to measure the District's financial health or position.

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

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

- **Governmental activities:** This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of providing certain services. Food services, adult education, and bookstore services are the major activities included here.
- **Component unit:** The District separately reports the activities of Southeast Technical Institute Housing Foundation.

The government-wide financial statements can be found on Pages 17 and 18 of this report.

Fund Financial Statements

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

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like paying the District's general obligation bonds, managing construction projects, or managing medical insurance premiums and claims).

Sioux Falls School District 49-5

Management's Discussion and Analysis

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

The Sioux Falls School District maintains 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, capital outlay, special education, post-secondary vocational, high school project, and middle school project funds, since these are considered major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Pages 19 through 26 of this report.

- **Proprietary funds:** Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information.
 - Enterprise funds (one type of proprietary fund) are the District's business-type activities reported on the government-wide financial statements, but the fund statements provide more detail and additional information, such as cash flows.
 - Internal service funds (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District has two internal service funds—the Group Health Insurance Fund and the Reprographics Fund.

The basic proprietary fund financial statements can be found on Pages 27 through 29 of this report.

- **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as student activities' monies. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The basic fiduciary fund financial statement can be found on Page 30 of this report.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on Pages 31 through 59 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information is in the form of budgetary comparison schedules for the District's four major governmental funds and excludes major capital project funds. These schedules are accompanied by notes to the required supplementary information which explain the schedules and contain certain other budgetary information. Required supplementary information and notes can be found on Pages 60 through 73 of this report.

The combining statements for the nonmajor funds referred to earlier are presented immediately following the required supplementary information on budgets.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was as follows:

Table 1
Sioux Falls School District 49-5
Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Assets | | | | | | |
| Current and other assets | \$ 272,131,520 | \$ 242,481,622 | \$ 9,036,226 | \$ 7,787,646 | \$ 281,167,746 | \$ 250,269,268 |
| Capital assets, net | 286,551,807 | 342,554,458 | 3,676,210 | 3,401,837 | 290,228,017 | 345,956,295 |
| Total assets | 558,683,327 | 585,036,080 | 12,712,436 | 11,189,483 | 571,395,763 | 596,225,563 |
| Deferred outflows of resources | 62,584,782 | 45,163,720 | 2,959,262 | 2,077,994 | 65,544,044 | 47,241,714 |
| Liabilities | | | | | | |
| Long-term liabilities | 280,555,586 | 270,815,343 | 622,576 | 735,284 | 281,178,162 | 271,550,627 |
| Other liabilities | 39,612,429 | 46,287,211 | 1,197,750 | 1,326,612 | 40,810,179 | 47,613,823 |
| Total liabilities | 320,168,015 | 317,102,554 | 1,820,326 | 2,061,896 | 321,988,341 | 319,164,450 |
| Deferred inflows of resources | 73,408,785 | 81,685,645 | 699,012 | 900,615 | 74,107,797 | 82,586,260 |
| Net Position | | | | | | |
| Net investment in capital asset: | 166,091,514 | 173,260,780 | 3,676,210 | 3,401,837 | 169,767,724 | 176,662,617 |
| Restricted | 58,503,919 | 46,943,908 | 2,257,229 | 1,174,866 | 60,761,148 | 48,118,774 |
| Unrestricted | 3,095,876 | 11,206,913 | 7,218,921 | 5,728,263 | 10,314,797 | 16,935,176 |
| Total net position | \$ 227,691,309 | \$ 231,411,601 | \$ 13,152,360 | \$ 10,304,966 | \$ 240,843,669 | \$ 241,716,567 |

By far, the largest portion of the District's total assets reflects its investment in capital assets. These capital assets are used to provide educational services; consequently, they are not available for future spending. The District's net investment in capital assets was \$176,662,617. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Total net capital assets increased as a result of construction and renovation activities of the Capital Improvement Plan, High School Project, and Middle School Project Funds in excess of depreciation.

Current and other assets decreased by \$30,898,478 from June 30, 2019 to June 30, 2020, mainly due to construction expenditures using prior year proceeds from issuance of the Series 2018A general obligation bonds of approximately \$58,800,000, partially offset by an increase in taxes and other receivables of approximately \$7,000,000 and an increase in cash as a result of increased accounts payable and accrued payroll of approximately \$8,000,000. The increase of deferred inflows of resources of \$8,478,463, and the decrease in deferred outflows of resources of \$18,302,330 are primarily attributable to the investment returns being greater than the assumed rate of return on pension plan assets of 3.79 percent by the South Dakota Retirement System's (SDRS) Pension Trust Fund and changes in assumptions. Liabilities decreased by \$2,823,891 mainly due to the payment of regularly scheduled principal of long-term debt of approximately \$9,000,000, partially offset by an increase in other postemployment benefits (OPEB) liability of approximately \$2,000,000.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

Net Position (Continued)

As of June 30, 2020, the District reported \$48,118,774 of net position that is subject to external restrictions on how they may be used. This restricted net position includes all of the District's special revenue funds, since State statute dictates that this position be used for the specific purposes of the funds, such as for capital outlay, special education and post-secondary education purposes. Restricted net position also includes the District's proportionate share of SDRS pension-related amounts. Restricted net position decreased by \$12,642,374 during the year ended June 30, 2020, mostly due to a decrease in pension-related deferred outflows.

The District's unrestricted net position increased by approximately \$6,600,000, mainly due to the revenues over expenditures of approximately \$4,700,000 in the general fund and approximately \$5,300,000 in the internal service funds, plus a decrease of approximately \$1,200,000 in early retirement obligation, partially offset by revenues under expenditures of approximately \$2,800,000 in the enterprise funds.

Changes in Net Position

The District's combined revenues and expenses were as follows:

Table 2
Sioux Falls School District 49-5
Statement of Activities

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------------------------------|-------------------------|---------------------|--------------------------|-----------------------|-----------------------|--------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 13,627,955 | \$ 14,042,408 | \$ 13,911,074 | \$ 11,644,903 | \$ 27,539,029 | \$ 25,687,311 |
| Operating grants and contributions | 53,230,462 | 51,177,973 | 7,490,709 | 6,679,426 | 60,721,171 | 57,857,399 |
| General revenues: | | | | | | |
| Taxes | 117,834,955 | 127,582,645 | - | - | 117,834,955 | 127,582,645 |
| Revenue from state sources | 85,546,592 | 88,546,753 | 48,163 | 40,440 | 85,594,755 | 88,587,193 |
| Other general revenues | 4,589,588 | 5,620,085 | (5,690) | (1,038) | 4,583,898 | 5,619,047 |
| Unrestricted investment earnings | 3,280,510 | 3,675,280 | 14,766 | 9,287 | 3,295,276 | 3,684,567 |
| Total revenues | 278,110,062 | 290,645,144 | 21,459,022 | 18,373,018 | 299,569,084 | 309,018,162 |
| Expenses | | | | | | |
| Instruction | 176,253,136 | 173,809,661 | 3,462,928 | 3,050,078 | 179,716,064 | 176,859,739 |
| Support services | 93,996,039 | 96,655,601 | - | - | 93,996,039 | 96,655,601 |
| Nonprogrammed charges | 1,338,022 | 1,926,828 | - | - | 1,338,022 | 1,926,828 |
| Debt service | 6,073,858 | 8,544,200 | - | - | 6,073,858 | 8,544,200 |
| Co-curricular activities | 6,215,223 | 5,671,571 | - | - | 6,215,223 | 5,671,571 |
| Food services | - | - | 12,440,112 | 12,302,835 | 12,440,112 | 12,302,835 |
| Community services | 166,823 | 192,991 | 3,787,643 | 3,820,093 | 3,954,466 | 4,013,084 |
| Bookstore services | - | - | 2,181,539 | 2,171,406 | 2,181,539 | 2,171,406 |
| Total expenses | 284,043,101 | 286,800,852 | 21,872,222 | 21,344,412 | 305,915,323 | 308,145,264 |
| Increase (decrease) in net position before transfers | (5,933,039) | 3,844,292 | (413,200) | (2,971,394) | (6,346,239) | 872,898 |
| Transfers | (124,000) | (124,000) | 124,000 | 124,000 | - | - |
| Change in net position | \$ (6,057,039) | \$ 3,720,292 | \$ (289,200) | \$ (2,847,394) | \$ (6,346,239) | \$ 872,898 |

Sioux Falls School District 49-5

Management's Discussion and Analysis

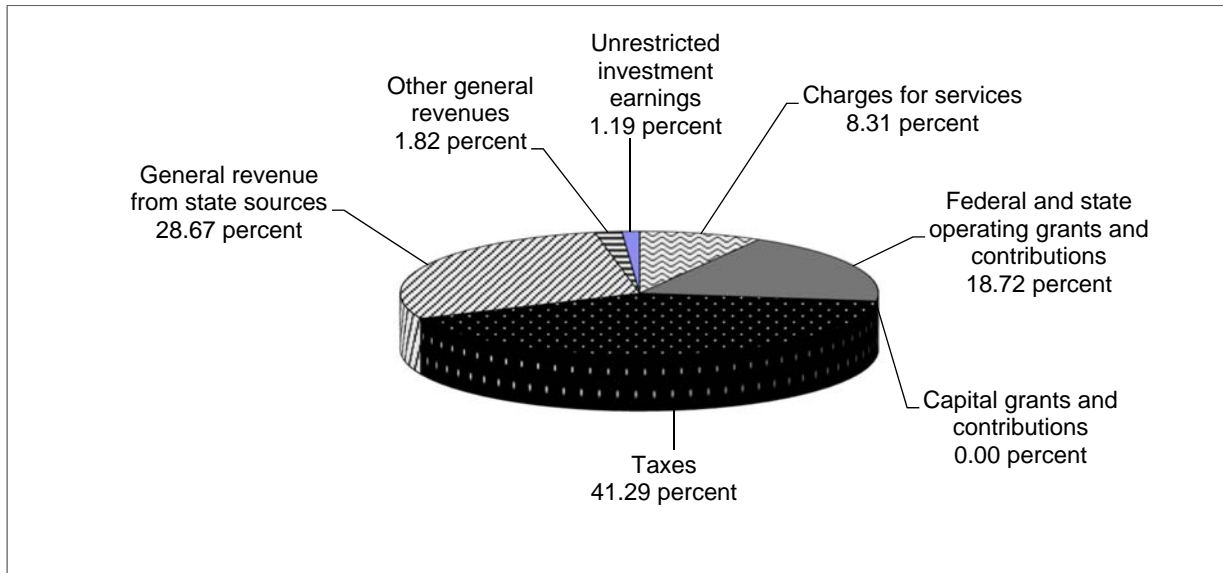
Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (Continued)

The District's total revenues increased by \$9,449,078 mainly due to an increase in State Aid and property taxes of approximately \$12,700,000, partially offset by a decrease in operating grants and contributions of approximately \$2,900,000.

Over one-third of the District's revenue comes from property and other taxes, and approximately one-fourth comes from general state aid. (See Figure 1.)

Figure 1
Sioux Falls School District 49-5
Sources of Revenues for Fiscal Year 2020



Sioux Falls School District 49-5

Management's Discussion and Analysis

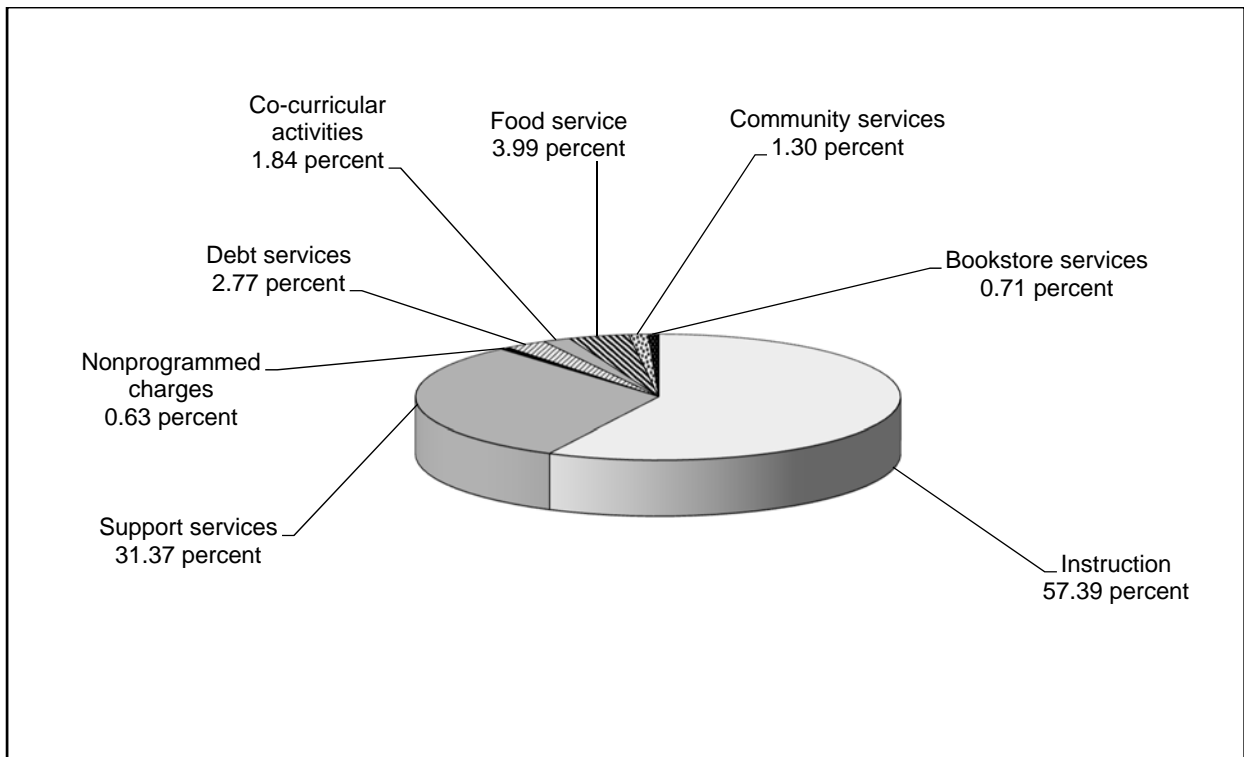
Financial Analysis of the District as a Whole (Continued)

Changes in Net Position (Continued)

The District's total expenses for 2020 were \$308,145,264, representing an increase of \$2,229,941 mainly due to an increase of approximately \$2,500,000 of debt service expenses.

Over half of the total expenses were spent on instruction with approximately one-third for support services. (See Figure 2.)

Figure 2
Sioux Falls School District 49-5
Functional Expense for Fiscal Year 2020



Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds

Governmental Funds

The focus of the Sioux Falls School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$117,707,854, a decrease of \$48,289,826 during the current fiscal year. Approximately 15.38 percent of the ending fund balances, or \$18,100,700, constitutes unassigned fund balances, which are generally available for spending at the District's discretion. Approximately 0.36 percent, or \$425,291, constitutes assigned fund balance for the hail damage project fund. Restricted fund balances are amounts restricted to specific purposes by law or creditors and include amounts in special revenue funds that can be spent at the District's discretion within the purposes of the funds. These restricted special revenue fund balances are within the 1) capital outlay fund \$13,868,242; 2) special education fund \$2,997,950; and 3) post-secondary vocational fund \$5,768,229. Additional fund balances restricted or committed for specific purposes include 1) debt service \$6,309,744; and 2) construction projects \$69,737,189. The remainder of the fund balances are amounts that cannot be spent and consist of \$500,509 of inventory and prepaid expenses.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$19,869,980, while total fund balance was \$20,306,414. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.12 percent of total general fund expenditures, while total fund balance represents 11.37 percent of that same amount.

The fund balance of the District's general fund increased by \$4,694,985 during the current fiscal year. The District had originally budgeted to decrease fund balance by \$884,390 which was supplementally revised to use approximately \$1,300,000 of cash from fund balance for the current fiscal year. However, total expenditures were under budget by approximately \$4,000,000, mainly in purchased services and supplies and materials. In addition, revenue from state sources exceeded budget by approximately \$1,800,000.

The fund balance of the District's capital outlay fund increased by \$5,378,720 during the current fiscal year to \$20,177,986 as of June 30, 2020. The District had originally budgeted to increase fund balance by \$1,811,747, which was supplementally revised to increase fund balance by approximately \$250,000. However, total expenditures were under budget by approximately \$3,500,000, mainly in capital acquisitions. In addition, property taxes exceeded budget by approximately \$1,100,000.

The fund balance of the District's special education fund increased by \$1,533,643 to \$2,997,950 as of June 30, 2020. The District had budgeted to use approximately \$800,000 of cash from fund balance. However, total expenditures were under budget by approximately \$2,200,000, mainly in salaries, purchased services, and supplies and materials.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

Governmental Funds (Continued)

The fund balance of the District's post-secondary vocational fund increased by \$1,507,095 to \$5,832,304 as of June 30, 2020. The District had originally budgeted to decrease fund balance by approximately \$800,000. However, total expenditures were approximately \$3,000,000 under budget, mainly in salaries, benefits, and capital acquisitions.

Proprietary Funds

The District's enterprise funds showed a decrease in net position of \$2,847,394 to \$10,304,966 as of June 30, 2020. The operating decrease is due primarily to the food service fund and community services fund. The District's internal service funds saw an increase in net position of \$5,258,500, due mainly to the group health insurance fund. The group health insurance fund's net position was \$15,023,344 as of June 30, 2020. This represents approximately 41.1 percent of total expenses and will be used for cash flow purposes and as a reserve to cover possible future claims in excess of premiums.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the District's budget several times. These amendments are primarily for supplemental revenues received after the original budget was adopted and for increases in appropriations to prevent budget overruns. Significant differences between the original budget and the final amended budget are summarized as follows:

- Increase of approximately \$3,700,000 in other local sources and related expenditures primarily due to contributions from District agency accounts and outside organizations not in the original budget.
- Increase of approximately \$2,400,000 in federal revenues and related expenditures due to additional federal grants received after the original budget was adopted.

Capital Asset Administration

As of June 30, 2020, the District had invested \$345,956,295 in a broad range of capital assets, including land, land improvements, buildings, construction in progress, and various machinery and equipment (see Table 3). This amount represents a net increase (including additions, deductions, and depreciation) of \$55,728,278, or 19.2 percent over last year. This year's capital asset purchases were primarily construction and remodeling of buildings as part of the Capital Improvement Plan, and costs related to building a new high school and middle school. Additional information regarding the District's capital assets can be found in Note 5 to the financial statements.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

Capital Asset Administration (Continued)

Table 3
Sioux Falls School District 49-5
Capital Assets, Net

| | Governmental Activities | | Business-Type Activities | | Total Dollar | Total Percentage |
|--------------------------|-------------------------|-----------------------|--------------------------|---------------------|----------------------|------------------|
| | 2019 | 2020 | 2019 | 2020 | Change | Change |
| Land | \$ 17,157,770 | \$ 17,568,200 | \$ - | \$ - | \$ 410,430 | 2.39% |
| Land improvements | 8,383,644 | 8,942,228 | 2,243 | 1,900 | 558,241 | 6.66% |
| Buildings | 245,596,396 | 242,080,648 | 2,414,938 | 2,224,988 | (3,705,698) | -1.49% |
| Machinery and equipment | 9,035,353 | 7,816,250 | 1,259,029 | 1,174,949 | (1,303,183) | -12.66% |
| Construction in progress | 6,378,644 | 66,147,132 | - | - | 59,768,488 | 937.01% |
| Totals | \$ 286,551,807 | \$ 342,554,458 | \$ 3,676,210 | \$ 3,401,837 | \$ 55,728,278 | 19.20% |

Long-Term Liabilities

At year-end, the District had \$271,550,627 in capital outlay certificates, general obligation bonds, and other long-term obligations. Long-term liabilities decreased during the year by \$9,627,535 due mainly to scheduled repayment of principal. This is a decrease of 3.42 percent as shown in Table 4 below.

Table 4
Sioux Falls School District 49-5
Outstanding Debt and Obligations

| | Governmental Activities | | Business-Type Activities | | Total Dollar | Total Percentage |
|----------------------------------|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|------------------|
| | 2019 | 2020 | 2019 | 2020 | Change | Change |
| Capital outlay certificates | \$ 118,355,376 | \$ 107,880,311 | \$ - | \$ - | \$ (10,475,065) | -8.85% |
| General obligation bonds | 137,048,250 | 136,844,165 | - | - | (204,085) | -0.15% |
| Other postemployment benefits | 20,408,609 | 22,192,979 | 474,754 | 568,470 | 1,878,086 | 8.99% |
| Early retirement plan obligation | 2,649,925 | 1,470,391 | - | - | (1,179,534) | -44.51% |
| Accrued vacation | 2,093,426 | 2,427,497 | 147,822 | 166,814 | 353,063 | 15.75% |
| Totals | \$ 280,555,586 | \$ 270,815,343 | \$ 622,576 | \$ 735,284 | \$ (9,627,535) | -3.42% |

The District's outstanding bonds and certificates carry ratings of Aaa when covered by bond insurance and ratings of Aa2 and Aa3 when not covered by bond insurance. The ratings were issued by Moody's Investors Services.

The District maintains an early retirement plan for teachers and administrators, which allows those meeting certain qualifications to retire early and receive from 80 percent to 90 percent of their last year's salary in equal payments spread over the next five years. This plan allows the District to reduce the overall program cost by hiring lower-paid employees to replace the higher-paid employees.

Additional information regarding the District's long-term liabilities can be found in Note 6 to the financial statements.

Sioux Falls School District 49-5

Management's Discussion and Analysis

Financial Analysis of the District's Funds (Continued)

Economic Factors and Next Year's Budgets and Rates

For taxes payable in 2021, the District experienced an increase in total property valuation of approximately \$893 million or 7.06 percent from the prior year. With the exception of the general fund and bond redemption fund, the increase in property valuation affects the District's ability to increase the revenue generated from property taxes.

For the general fund, the primary source of revenue to the District is based on a per-student state aid formula from the State of South Dakota. This per-student allocation is based on the current year's fall enrollment count and, by law, is supposed to increase each year by the lesser of the rate of inflation or 3 percent. The fall 2019 enrollment count was 24,179. The state aid formula for fiscal year 2019-20 ensured that property taxes plus state aid equaled \$5,786 per pupil. The allocation for fiscal year 2020-21 is \$5,961 per pupil. Since the funding formula was implemented in 1997-98, the annual increases in the allocation have not always kept up with the increases in costs of education, primarily salary and benefit increases. During fiscal year 2002-03, the School Board passed a resolution to opt out of the State funding limitation in the amount of \$3.5 million in order to maintain District programs at the current level and allow for the day-to-day costs of a new elementary school. This opt-out resolution was passed in a public election and was originally scheduled to sunset at the end of calendar year 2007.

In preparation of the \$3.5 million reduction in annual revenues related to the end of the 2002-03 opt-out, the District convened a panel of 10 local experienced business leaders to study and evaluate the Sioux Falls School District's current liquid position, current and projected level of expenditures, and any efficiencies that could be obtained. Upon completion of their evaluation, the panel was asked to make recommendations to improve and strengthen the District's financial operations. The panel recommended that the District maintain a general fund balance at or near 8.5 percent of annual expenditures, reduce the opt-out amount to \$3.2 million, and extend it through calendar year 2012. During fiscal year 2005-06, the School Board passed a resolution to adopt the panel's recommendations. The lowered and extended opt-out was not referred to a public vote. For fiscal year 2007-08, the Board reduced the amount of the opt-out to \$2.7 million.

In response to a freeze in the formula during the 2010 legislative session, a second iteration of this panel recommended the School Board increase the opt-out to \$5 million and extend it through 2018. The Board adopted this recommendation but only accessed \$2.7 million for fiscal year 2011. In response to the 8.6 percent cut in the per-student allocation during the 2011 legislative session, the panel recommended, and the Board approved, a 10-year, \$7.5 million per year opt-out beginning in 2012, and an additional 10-year, \$5 million per year opt-out beginning in 2018.

In the spring of 2019, the business panel met again and suggested 10-year, \$1.5 million opt-outs that are passed every year and inflated slightly each year. The Board passed the 1st 10-year \$1.5 million opt out for taxes payable in 2020. This gave the Board access to \$14 million in opt-out authority for 2020, of which the Board approved \$9.1 million.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Sioux Falls School District's Finance Office, 201 East 38th Street, Sioux Falls, South Dakota 57105-5898.

Sioux Falls School District 49-5

Statement of Net Position June 30, 2020

| | Primary Government | | | Component |
|--------------------------------------------------------------------------|----------------------------|-----------------------------|-----------------------|-----------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Unit STI Housing Foundation |
| Assets and Deferred Outflows of Resources | | | | |
| Assets: | | | | |
| Cash | \$ 103,936,029 | \$ 6,223,001 | \$ 110,159,030 | \$ 1,264,131 |
| Certificates of deposit | 61,100,000 | - | 61,100,000 | - |
| Taxes receivable, net | 64,820,817 | - | 64,820,817 | - |
| Other receivables | 4,670,414 | 344,769 | 5,015,183 | 8,183 |
| Due from other governments | 6,652,434 | 142,323 | 6,794,757 | - |
| Internal balances | 75,740 | (75,740) | - | - |
| Inventories | 369,312 | 1,107,433 | 1,476,745 | - |
| Prepaid expenses | 131,197 | 7,666 | 138,863 | 10,510 |
| Investments—restricted | - | - | - | 241,150 |
| Net pension asset | 725,679 | 38,194 | 763,873 | - |
| Capital assets: | | | | |
| Land and construction in progress | 83,715,332 | - | 83,715,332 | - |
| Other capital assets, net of accumulated depreciation | 258,839,126 | 3,401,837 | 262,240,963 | 2,593,276 |
| Total assets | 585,036,080 | 11,189,483 | 596,225,563 | 4,117,250 |
| Deferred outflows of resources: | | | | |
| Deferred charge on refunding | 5,693,609 | - | 5,693,609 | - |
| Other postemployment benefits-related deferred outflows | 2,589,242 | 136,897 | 2,726,139 | - |
| Pension-related deferred outflows | 36,880,869 | 1,941,097 | 38,821,966 | - |
| Total deferred outflows of resources | 45,163,720 | 2,077,994 | 47,241,714 | - |
| Total assets and deferred outflows of resources | \$ 630,199,800 | \$ 13,267,477 | \$ 643,467,277 | \$ 4,117,250 |
| Liabilities, Deferred Inflows of Resources and Net Position | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 12,288,521 | \$ 159,790 | \$ 12,448,311 | \$ 87,201 |
| Accrued wages and related benefits payable | 29,640,705 | 802,087 | 30,442,792 | - |
| Accrued interest payable | 3,996,148 | - | 3,996,148 | - |
| Unearned revenue and deposits | 361,837 | 364,735 | 726,572 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 12,006,511 | 166,814 | 12,173,325 | 160,219 |
| Due in more than one year | 258,808,832 | 568,470 | 259,377,302 | 2,988,301 |
| Total liabilities | 317,102,554 | 2,061,896 | 319,164,450 | 3,235,721 |
| Deferred inflows of resources: | | | | |
| Taxes levied for future periods | 64,561,935 | - | 64,561,935 | - |
| Other postemployment benefit-related deferred inflows | 1,839,645 | 96,190 | 1,935,835 | - |
| Pension-related deferred inflows | 15,284,065 | 804,425 | 16,088,490 | - |
| Total deferred inflows of resources | 81,685,645 | 900,615 | 82,586,260 | - |
| Net position: | | | | |
| Net investment in capital assets | 173,260,780 | 3,401,837 | 176,662,617 | (555,244) |
| Restricted for: | | | | |
| Capital outlay | 14,210,009 | - | 14,210,009 | - |
| Special education | 2,794,364 | - | 2,794,364 | - |
| Post secondary | 5,290,011 | - | 5,290,011 | - |
| Debt service | 2,327,041 | - | 2,327,041 | - |
| SDRS pension | 22,322,483 | 1,174,866 | 23,497,349 | - |
| Unrestricted | 11,206,913 | 5,728,263 | 16,935,176 | 1,436,773 |
| Total net position | 231,411,601 | 10,304,966 | 241,716,567 | 881,529 |
| Total liabilities, deferred inflows of resources and net position | \$ 630,199,800 | \$ 13,267,477 | \$ 643,467,277 | \$ 4,117,250 |

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Activities
Year Ended June 30, 2020

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit STI Housing Foundation |
|-----------------------------------------------------------------|-----------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|-----------------------|------------------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Instruction | \$ 173,809,661 | \$ 13,806,654 | \$ 49,274,939 | \$ - | \$ (110,728,068) | \$ - | \$ (110,728,068) | \$ - |
| Support services | 96,655,601 | - | 85,559 | - | (96,570,042) | - | (96,570,042) | - |
| Community services | 192,991 | - | - | - | (192,991) | - | (192,991) | - |
| Nonprogrammed charges | 1,926,828 | - | - | - | (1,926,828) | - | (1,926,828) | - |
| Interest on long-term debt | 8,544,200 | - | - | - | (8,544,200) | - | (8,544,200) | - |
| Cocurricular activities | 5,671,571 | 235,754 | 1,817,475 | - | (3,618,342) | - | (3,618,342) | - |
| Total governmental activities | 286,800,852 | 14,042,408 | 51,177,973 | - | (221,580,471) | - | (221,580,471) | - |
| Business-type activities: | | | | | | | | |
| Food services | 12,302,835 | 3,936,623 | 6,679,426 | - | - | (1,686,786) | (1,686,786) | - |
| Community services | 3,820,093 | 2,402,553 | - | - | - | (1,417,540) | (1,417,540) | - |
| Bookstore services | 2,171,406 | 2,248,640 | - | - | - | 77,234 | 77,234 | - |
| Instruction | 3,050,078 | 3,057,087 | - | - | - | 7,009 | 7,009 | - |
| Total business-type activities | 21,344,412 | 11,644,903 | 6,679,426 | - | - | (3,020,083) | (3,020,083) | - |
| Total primary government | \$ 308,145,264 | \$ 25,687,311 | \$ 57,857,399 | \$ - | (221,580,471) | (3,020,083) | (224,600,554) | - |
| Component unit: | | | | | | | | |
| STI Housing Foundation | \$ 901,618 | \$ 1,003,228 | \$ - | \$ - | - | - | - | 101,610 |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 127,582,645 | - | 127,582,645 | - |
| Revenue from state sources not restricted to specific programs: | | | | | | | | |
| State aid | | | | | 80,204,969 | - | 80,204,969 | - |
| Other | | | | | 8,341,784 | 40,440 | 8,382,224 | - |
| Grants and contributions not restricted to specific programs | | | | | 2,122,465 | - | 2,122,465 | - |
| Unrestricted investment earnings | | | | | 3,675,280 | 9,287 | 3,684,567 | 14,462 |
| Other general revenue (expense) | | | | | 3,497,620 | (1,038) | 3,496,582 | - |
| Transfers | | | | | (124,000) | 124,000 | - | - |
| Total general revenues and transfers | | | | | 225,300,763 | 172,689 | 225,473,452 | 14,462 |
| Change in net position | | | | | 3,720,292 | (2,847,394) | 872,898 | 116,072 |
| Net position—beginning | | | | | 227,691,309 | 13,152,360 | 240,843,669 | 765,457 |
| Net position—ending | | | | | \$ 231,411,601 | \$ 10,304,966 | \$ 241,716,567 | \$ 881,529 |

See notes to financial statements.

Sioux Falls School District 49-5

Balance Sheet Governmental Funds June 30, 2020

| | General | Capital Outlay | Special Education | Post Secondary Vocational | Middle School Project | High School Project | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------------------------------------|----------------------|----------------------|----------------------|---------------------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | | | |
| Cash | \$ 36,741,235 | \$ 21,496,462 | \$ 7,630,867 | \$ 6,294,408 | \$ 8,178,039 | \$ - | \$ 5,676,187 | \$ 86,017,198 |
| Certificates of deposit | - | - | - | - | 17,200,000 | 40,200,000 | 3,700,000 | 61,100,000 |
| Current taxes receivable, net | 34,666,435 | 15,932,404 | 10,009,372 | - | - | - | 2,557,814 | 63,166,025 |
| Delinquent taxes receivable, net | 1,030,070 | 398,968 | 210,412 | - | - | - | 15,342 | 1,654,792 |
| Accounts receivable, net | 569,949 | 93,499 | - | 903,459 | - | - | - | 1,566,907 |
| Due from other funds | 1,696,399 | - | - | 87,990 | 1,554,132 | - | - | 3,338,521 |
| Due from other governments | 5,019,625 | 61,733 | 993,934 | 577,142 | - | - | - | 6,652,434 |
| Interest receivable | - | - | - | - | 647,404 | 1,529,296 | 140,433 | 2,317,133 |
| Inventory and prepaid expenses | 436,434 | - | - | 64,075 | - | - | - | 500,509 |
| Total assets | \$ 80,160,147 | \$ 37,983,066 | \$ 18,844,585 | \$ 7,927,074 | \$ 27,579,575 | \$ 41,729,296 | \$ 12,089,776 | \$ 226,313,519 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 2,301,166 | \$ 1,064,338 | \$ 488,053 | \$ 1,270,107 | \$ 1,821,284 | \$ 4,141,345 | \$ 1,146,124 | \$ 12,232,417 |
| Accrued wages and related benefits payable | 21,329,273 | - | 4,853,334 | 450,576 | - | - | - | 26,633,183 |
| Due to other funds | - | - | - | 12,250 | - | 1,554,132 | 1,696,399 | 3,262,781 |
| Unearned revenue | - | - | - | 361,837 | - | - | - | 361,837 |
| Total liabilities | 23,630,439 | 1,064,338 | 5,341,387 | 2,094,770 | 1,821,284 | 5,695,477 | 2,842,523 | 42,490,218 |
| Deferred inflows of resources: | | | | | | | | |
| Taxes levied for a future period | 35,227,754 | 16,398,975 | 10,302,488 | - | - | - | 2,632,718 | 64,561,935 |
| Unavailable revenue—property taxes | 884,740 | 341,767 | 180,560 | - | - | - | 13,445 | 1,420,512 |
| Unavailable revenue—intergovernmental | 110,800 | - | 22,200 | - | - | - | - | 133,000 |
| Total deferred inflows of resources | 36,223,294 | 16,740,742 | 10,505,248 | - | - | - | 2,646,163 | 66,115,447 |
| Fund balances: | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Inventory and prepaid expenses | 436,434 | - | - | 64,075 | - | - | - | 500,509 |
| Restricted for: | | | | | | | | |
| Debt service | - | 6,309,744 | - | - | - | - | - | 6,309,744 |
| Construction projects | - | - | - | - | 25,758,291 | 36,033,819 | 7,945,079 | 69,737,189 |
| Capital outlay purposes | - | 13,868,242 | - | - | - | - | - | 13,868,242 |
| Special education purposes | - | - | 2,997,950 | - | - | - | - | 2,997,950 |
| Post-secondary vocational purposes | - | - | - | 5,768,229 | - | - | - | 5,768,229 |
| Assigned: | | | | | | | | |
| Hail damage project | - | - | - | - | - | - | 425,291 | 425,291 |
| Unassigned | 19,869,980 | - | - | - | - | - | (1,769,280) | 18,100,700 |
| Total fund balances | 20,306,414 | 20,177,986 | 2,997,950 | 5,832,304 | 25,758,291 | 36,033,819 | 6,601,090 | 117,707,854 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 80,160,147 | \$ 37,983,066 | \$ 18,844,585 | \$ 7,927,074 | \$ 27,579,575 | \$ 41,729,296 | \$ 12,089,776 | \$ 226,313,519 |

See notes to financial statements.

Sioux Falls School District 49-5

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2020**

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Total fund balances—governmental funds | \$ 117,707,854 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Net pension asset reported in governmental activities is not an available resource and, therefore, is not reported in the funds. | 725,679 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 342,554,458 |
| Certain delinquent taxes receivable not available to pay current expenditures are recorded as deferred inflows in the funds. | 1,420,512 |
| OPEB-related deferred outflows are components of OPEB liability and, therefore, are not reported in the funds. | 2,589,242 |
| Pension-related deferred outflows are components of pension asset and, therefore, are not reported in the funds. | 36,880,869 |
| Long-term liabilities, including bonds payable, other postemployment benefits, early retirement obligation, and accrued vacation are not due and payable in the current period and, therefore, are not reported in the funds. | (270,815,343) |
| Certain federal and state receivables are not available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the funds. | 133,000 |
| Debt refunding charges are reported as expenditures in the governmental funds; however, they are recorded as deferred outflows on the statement of net position and amortized over the life of the debt. | 5,693,609 |
| Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds. | (3,996,148) |
| OPEB-related deferred inflows are components of OPEB liability and, therefore, are not reported in the funds. | (1,839,645) |
| Pension-related deferred inflows are components of pension asset and, therefore, are not reported in the funds. | (15,284,065) |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position, except for capital assets, which are reported above with capital assets used in governmental activities. | 15,641,579 |
| Net position—governmental activities | <u><u>\$ 231,411,601</u></u> |

See notes to financial statements.

Sioux Falls School District 49-5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020**

| | General | Capital Outlay | Special Education | Post Secondary Vocational | Middle School Project | High School Project | Other Governmental Funds | Total Governmental Funds |
|----------------------------------------------------|--------------------|-------------------|----------------------|---------------------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | | | |
| Local sources: | | | | | | | | |
| Taxes | \$ 71,482,865 | \$ 32,899,234 | \$ 19,123,619 | \$ - | \$ - | \$ - | \$ 3,420,321 | \$ 126,926,039 |
| Tuition and fees | 417,293 | 41,839 | 115,782 | 13,121,024 | - | - | - | 13,695,938 |
| Earnings on investments and deposits | 750,275 | 136,241 | 32,978 | 140,314 | 815,922 | 1,494,579 | 181,252 | 3,551,561 |
| Co-curricular activities | 235,754 | - | - | - | - | - | - | 235,754 |
| Other | 5,448,437 | 928,722 | 410,324 | 1,093,021 | - | - | 10,000 | 7,890,504 |
| Total local sources | 78,334,624 | 34,006,036 | 19,682,703 | 14,354,359 | 815,922 | 1,494,579 | 3,611,573 | 152,299,796 |
| Intermediate sources, county apportionment | 770,205 | - | - | - | - | - | - | 770,205 |
| State sources: | | | | | | | | |
| Unrestricted grants in aid: | | | | | | | | |
| State aid | 80,204,969 | - | - | - | - | - | - | 80,204,969 |
| State apportionment | 2,200,754 | - | - | - | - | - | - | 2,200,754 |
| Bank franchise taxes | 4,861,944 | - | - | - | - | - | - | 4,861,944 |
| Restricted grants in aid | 179,392 | - | 19,737,267 | 7,543,901 | - | - | - | 27,460,560 |
| Tuition | 103,122 | - | 7,594 | - | - | - | - | 110,716 |
| Other | 96,495 | - | - | 1,182,591 | - | - | - | 1,279,086 |
| Total state sources | 87,646,676 | - | 19,744,861 | 8,726,492 | - | - | - | 116,118,029 |
| Federal sources: | | | | | | | | |
| Restricted grants in aid: | | | | | | | | |
| Received directly from federal government | 2,917,717 | 52,757 | - | - | - | - | - | 2,970,474 |
| Received from federal government through the state | 9,996,613 | 115,339 | 6,129,378 | 874,984 | - | - | - | 17,116,314 |
| Other federal revenue | 27,327 | 457,518 | - | 23,210 | - | - | - | 508,055 |
| Total federal sources | 12,941,657 | 625,614 | 6,129,378 | 898,194 | - | - | - | 20,594,843 |
| Other | 64,665 | - | - | - | - | - | - | 64,665 |
| Total revenues | 179,757,827 | 34,631,650 | 45,556,942 | 23,979,045 | 815,922 | 1,494,579 | 3,611,573 | 289,847,538 |

(Continued)

Sioux Falls School District 49-5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020**

| | General | Capital Outlay | Special Education | Post Secondary Vocational | Middle School Project | High School Project | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------------|--------------------|-------------------|----------------------|---------------------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| Instruction: | | | | | | | | |
| Regular programs: | | | | | | | | |
| Elementary programs | 43,140,216 | - | - | - | - | - | - | 43,140,216 |
| Middle school programs | 22,871,591 | - | - | - | - | - | - | 22,871,591 |
| High school programs | 26,458,815 | - | - | - | - | - | - | 26,458,815 |
| Total regular programs | 92,470,622 | - | - | - | - | - | - | 92,470,622 |
| Special programs: | | | | | | | | |
| Programs for the gifted and talented | 924,452 | - | - | - | - | - | - | 924,452 |
| Programs for mild disabilities | - | - | 16,799,446 | - | - | - | - | 16,799,446 |
| Programs for severe disabilities | - | - | 8,421,035 | - | - | - | - | 8,421,035 |
| Day programs | - | - | 2,609,125 | - | - | - | - | 2,609,125 |
| Homebound programs | - | - | 87,344 | - | - | - | - | 87,344 |
| Early childhood programs | - | - | 1,642,804 | - | - | - | - | 1,642,804 |
| Prolonged assistance programs | - | - | 620,351 | - | - | - | - | 620,351 |
| Programs for the culturally different | 5,681,381 | - | - | - | - | - | - | 5,681,381 |
| Programs for the educationally deprived | 4,192,395 | - | - | - | - | - | - | 4,192,395 |
| Other | 5,084,226 | - | 367,373 | - | - | - | - | 5,451,599 |
| Total special programs | 15,882,454 | - | 30,547,478 | - | - | - | - | 46,429,932 |
| Adult/continuing education programs: | | | | | | | | |
| Adult basic education programs | - | - | - | 275,339 | - | - | - | 275,339 |
| Adult continuing education programs | - | - | - | 53,230 | - | - | - | 53,230 |
| Total adult/continuing education programs | - | - | - | 328,569 | - | - | - | 328,569 |
| Post-secondary occupational programs | | | | | | | | |
| | - | - | - | 10,491,435 | - | - | - | 10,491,435 |
| Total instruction | 108,353,076 | - | 30,547,478 | 10,820,004 | - | - | - | 149,720,558 |

(Continued)

Sioux Falls School District 49-5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020**

| | General | Capital Outlay | Special Education | Post Secondary Vocational | Middle School Project | High School Project | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------|-------------------|-------------------|----------------------|---------------------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|
| Support services: | | | | | | | | |
| Pupils: | | | | | | | | |
| Attendance and social work services | 737,916 | - | - | - | - | - | - | 737,916 |
| Guidance services | 5,617,570 | - | - | 898,691 | - | - | - | 6,516,261 |
| Health services | 1,264,079 | - | 7,466 | - | - | - | - | 1,271,545 |
| Psychological services | - | - | 134,087 | - | - | - | - | 134,087 |
| Speech pathology services | - | - | 2,527,179 | - | - | - | - | 2,527,179 |
| Student therapy services | - | - | 2,147,119 | - | - | - | - | 2,147,119 |
| Orientation and mobility services | - | - | 135,348 | - | - | - | - | 135,348 |
| Total pupils | 7,619,565 | - | 4,951,199 | 898,691 | - | - | - | 13,469,455 |
| Instructional staff: | | | | | | | | |
| Improvement of instructional services | 6,867,554 | - | - | 803,526 | - | - | - | 7,671,080 |
| Educational media services | 3,820,389 | - | - | - | - | - | - | 3,820,389 |
| Total instructional staff | 10,687,943 | - | - | 803,526 | - | - | - | 11,491,469 |
| General and administrative: | | | | | | | | |
| Board of Education services | 1,056,171 | - | - | 229,870 | - | - | - | 1,286,041 |
| Executive administration services | 2,151,291 | - | - | - | - | - | - | 2,151,291 |
| Total general and administrative | 3,207,462 | - | - | 229,870 | - | - | - | 3,437,332 |
| School administration: | | | | | | | | |
| Office of the principal services | 11,813,468 | - | - | - | - | - | - | 11,813,468 |
| Other | 1,373,552 | - | - | 3,195,272 | - | - | - | 4,568,824 |
| Total school administration | 13,187,020 | - | - | 3,195,272 | - | - | - | 16,382,292 |

(Continued)

Sioux Falls School District 49-5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020**

| | General | Capital Outlay | Special Education | Post Secondary Vocational | Middle School Project | High School Project | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------|-------------------|-------------------|----------------------|---------------------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|
| Business: | | | | | | | | |
| Fiscal services | 1,616,893 | - | - | 759,827 | - | - | 375 | 2,377,095 |
| Facilities acquisition | - | - | - | 204,553 | - | - | - | 204,553 |
| Operation and maintenance of plant | 17,340,763 | - | - | 1,696,618 | - | - | - | 19,037,381 |
| Pupil transportation services | 5,534,460 | - | - | - | - | - | - | 5,534,460 |
| Food services | 777,562 | - | - | - | - | - | - | 777,562 |
| Internal services | (9,240) | - | - | - | - | - | - | (9,240) |
| Other | - | - | - | 102,379 | - | - | - | 102,379 |
| Total business | 25,260,438 | - | - | 2,763,377 | - | - | 375 | 28,024,190 |
| Central: | | | | | | | | |
| Planning and research | 739,746 | - | - | - | - | - | - | 739,746 |
| Data processing services | 3,198,249 | - | - | 1,560,635 | - | - | - | 4,758,884 |
| Total central | 3,937,995 | - | - | 1,560,635 | - | - | - | 5,498,630 |
| Special education: | | | | | | | | |
| Administrative costs | - | - | 2,798,733 | - | - | - | - | 2,798,733 |
| Transportation costs | - | - | 2,414,826 | - | - | - | - | 2,414,826 |
| Other | - | - | 3,159,873 | - | - | - | - | 3,159,873 |
| Total special education | - | - | 8,373,432 | - | - | - | - | 8,373,432 |
| Total support services | 63,900,423 | - | 13,324,631 | 9,451,371 | - | - | 375 | 86,676,800 |
| Community services: | | | | | | | | |
| Nonpublic schools | 192,280 | - | - | - | - | - | - | 192,280 |
| Other | 2,706 | - | - | - | - | - | - | 2,706 |
| Total community services | 194,986 | - | - | - | - | - | - | 194,986 |
| Nonprogrammed charges: | | | | | | | | |
| Unemployment payments | 58,130 | - | - | 5,706 | - | - | - | 63,836 |
| Early retirement payments | 1,561,592 | - | 151,143 | 457,520 | - | - | - | 2,170,255 |
| Payments to other educational institutions | - | 872,271 | - | - | - | - | - | 872,271 |
| Total nonprogrammed charges | 1,619,722 | 872,271 | 151,143 | 463,226 | - | - | - | 3,106,362 |

(Continued)

Sioux Falls School District 49-5

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2020

| | General | Capital Outlay | Special Education | Post Secondary Vocational | Middle School Project | High School Project | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------|--------------------|--------------------|----------------------|---------------------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|
| Co-curricular activities: | | | | | | | | |
| Male activities | 1,312,031 | - | - | - | - | - | - | 1,312,031 |
| Female activities | 1,047,662 | - | - | - | - | - | - | 1,047,662 |
| Combined activities | 2,107,240 | - | - | 6,628 | - | - | - | 2,113,868 |
| Total co-curricular activities | 4,466,933 | - | - | 6,628 | - | - | - | 4,473,561 |
| Other | 134,913 | - | - | - | - | - | - | 134,913 |
| Debt service: | | | | | | | | |
| Principal | - | 9,015,000 | - | - | - | - | - | 9,015,000 |
| Interest | - | 4,667,103 | - | - | - | - | 5,976,052 | 10,643,155 |
| Total debt service | - | 13,682,103 | - | - | - | - | 5,976,052 | 19,658,155 |
| Capital outlay | - | 11,242,746 | 47 | 1,615,526 | 14,097,898 | 44,505,302 | 2,725,983 | 74,187,502 |
| Total expenditures | 178,670,053 | 25,797,120 | 44,023,299 | 22,356,755 | 14,097,898 | 44,505,302 | 8,702,410 | 338,152,837 |
| Revenues over (under) expenditures | 1,087,774 | 8,834,530 | 1,533,643 | 1,622,290 | (13,281,976) | (43,010,723) | (5,090,837) | (48,305,299) |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | 3,581,183 | - | - | - | - | - | - | 3,581,183 |
| Transfers out | - | (3,560,000) | - | (124,000) | - | - | (21,183) | (3,705,183) |
| Capital outlay certificates issued | - | 15,522,650 | - | - | - | - | - | 15,522,650 |
| Sale of surplus property | 26,028 | 1,540 | - | 8,805 | 450 | - | - | 36,823 |
| Payment to refunded debt escrow agency | - | (15,420,000) | - | - | - | - | - | (15,420,000) |
| Total other financing sources (uses) | 3,607,211 | (3,455,810) | - | (115,195) | 450 | - | (21,183) | 15,473 |
| Net change in fund balances | 4,694,985 | 5,378,720 | 1,533,643 | 1,507,095 | (13,281,526) | (43,010,723) | (5,112,020) | (48,289,826) |
| Fund balance—beginning | 15,611,429 | 14,799,266 | 1,464,307 | 4,325,209 | 39,039,817 | 79,044,542 | 11,713,110 | 165,997,680 |
| Fund balance—ending | \$ 20,306,414 | \$ 20,177,986 | \$ 2,997,950 | \$ 5,832,304 | \$ 25,758,291 | \$ 36,033,819 | \$ 6,601,090 | \$ 117,707,854 |

See notes to financial statements.

Sioux Falls School District 49-5

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020**

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Net change in fund balances—total governmental funds | \$ (48,289,826) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlays (\$68,607,026) exceeded depreciation (\$12,557,086) in the current period. | 56,049,940 |
| Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | 656,606 |
| In the statement of activities, the gain on disposition of assets is reported net of the carrying value of the assets removed, whereas in the governmental funds, the entire proceeds of the sales are reported as revenue. | (12,942) |
| The issuance of long-term debt (\$14,745,000) provides current financial resources to governmental funds, while the repayment and defeasance of the principal of long-term debt (\$24,435,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position in the government-wide financial statements. Also, governmental funds report the effect of premiums, discounts, and similar items (\$308,049) when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 9,998,049 |
| The recognition of certain federal and state revenues in the governmental funds differ from the recognition of governmental activities in that the revenue accruals in the fund financial statement require amounts to be "available." | (6,600) |
| Governmental funds do not reflect the change in accrued leave (including early retirement), but the statement of activities reflects the change in accrued leave through expenses. | 845,463 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (21,609,979) |
| Changes in the net pension asset, pension-related deferred outflow s/inflow s net, and OPEB-related deferred outflow s/inflow s net are direct components of changes in net position, but are not reflected in the governmental funds. | 831,081 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. | 5,258,500 |
| Change in net position of governmental activities | <u>\$ 3,720,292</u> |

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Net Position
Proprietary Funds
June 30, 2020

| | Business-Type Activities Enterprise Funds | | | Governmental Activities— Internal Service Funds |
|------------------------------------------------------------------------------|----------------------------------------------|---------------------|----------------------|----------------------------------------------------------|
| | Food Service | Other Enterprise | Totals | |
| Assets and Deferred Outflows of Resources | | | | |
| Current assets: | | | | |
| Cash | \$ 3,544,811 | \$ 2,678,190 | \$ 6,223,001 | \$ 17,918,831 |
| Accounts receivable | 1,107 | 343,662 | 344,769 | 786,374 |
| Due from other funds | - | 12,250 | 12,250 | - |
| Due from other governments | 122,302 | 20,021 | 142,323 | - |
| Inventory and prepaid expenses | 557,681 | 557,418 | 1,115,099 | - |
| Total current assets | 4,225,901 | 3,611,541 | 7,837,442 | 18,705,205 |
| Noncurrent assets: | | | | |
| Net pension asset | 20,291 | 17,903 | 38,194 | - |
| Capital assets: | | | | |
| Buildings and improvements | 5,864,828 | 23,720 | 5,888,548 | - |
| Improvements other than buildings | - | 6,866 | 6,866 | - |
| Machinery and equipment—local funds | 4,979,089 | 588,930 | 5,568,019 | 274,560 |
| Machinery and equipment—federal assistance | 3,375 | - | 3,375 | - |
| Less accumulated depreciation | (7,651,095) | (413,876) | (8,064,971) | (205,605) |
| Total capital assets (net of accumulated depreciation) | 3,196,197 | 205,640 | 3,401,837 | 68,955 |
| Total noncurrent assets | 3,216,488 | 223,543 | 3,440,031 | 68,955 |
| Total assets | 7,442,389 | 3,835,084 | 11,277,473 | 18,774,160 |
| Deferred outflows of resources: | | | | |
| Other postemployment benefits-related deferred outflows | 73,840 | 63,057 | 136,897 | - |
| Pension-related deferred outflows | 997,070 | 944,027 | 1,941,097 | - |
| Total deferred outflows of resources | 1,070,910 | 1,007,084 | 2,077,994 | - |
| Total assets and deferred outflows of resources | \$ 8,513,299 | \$ 4,842,168 | \$ 13,355,467 | \$ 18,774,160 |
| Liabilities, Deferred Inflows of Resources and Net Position | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 96,407 | \$ 63,383 | \$ 159,790 | \$ 56,104 |
| Accrued wages and related benefits payable | 267,063 | 701,838 | 968,901 | 7,522 |
| Incurred but not reported claims | - | - | - | 3,000,000 |
| Due to other funds | - | 87,990 | 87,990 | - |
| Unearned revenue and deposits | 355,995 | 8,740 | 364,735 | - |
| Total current liabilities | 719,465 | 861,951 | 1,581,416 | 3,063,626 |
| Noncurrent liabilities: | | | | |
| Other postemployment benefits obligation | 296,816 | 271,654 | 568,470 | - |
| Total noncurrent liabilities | 296,816 | 271,654 | 568,470 | - |
| Total liabilities | 1,016,281 | 1,133,605 | 2,149,886 | 3,063,626 |
| Deferred inflows of resources: | | | | |
| Other postemployment benefits-related deferred inflows | 51,654 | 44,536 | 96,190 | - |
| Pension-related deferred inflows | 418,868 | 385,557 | 804,425 | - |
| Total deferred inflows of resources | 470,522 | 430,093 | 900,615 | - |
| Net position: | | | | |
| Net investment in capital assets | 3,196,197 | 205,640 | 3,401,837 | 68,955 |
| Restricted for SDRS pension | 598,493 | 576,373 | 1,174,866 | - |
| Unrestricted | 3,231,806 | 2,496,457 | 5,728,263 | 15,641,579 |
| Total net position | 7,026,496 | 3,278,470 | 10,304,966 | 15,710,534 |
| Total liabilities, deferred inflows of resources and net position | \$ 8,513,299 | \$ 4,842,168 | \$ 13,355,467 | \$ 18,774,160 |

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2020

| | Business-Type Activities Enterprise Funds | | | Governmental Activities— Internal Service Funds |
|-------------------------------------------|----------------------------------------------|---------------------|--------------------|----------------------------------------------------------|
| | Food Service | Other Enterprise | Totals | |
| Operating revenue: | | | | |
| Food sales | \$ 3,617,167 | \$ 265,099 | \$ 3,882,266 | \$ - |
| Bookstore sales | - | 2,244,127 | 2,244,127 | - |
| Tuition | - | 3,652,630 | 3,652,630 | - |
| Charges equivalent to insurance premiums | - | - | - | 41,530,354 |
| Other | 54,357 | 1,811,523 | 1,865,880 | 839,659 |
| Total operating revenue | 3,671,524 | 7,973,379 | 11,644,903 | 42,370,013 |
| Operating expenses: | | | | |
| Salaries | 4,259,921 | 4,701,725 | 8,961,646 | 125,171 |
| Employee benefits | 1,789,691 | 1,513,358 | 3,303,049 | 26,396 |
| Purchased services | 411,898 | 320,835 | 732,733 | 3,981,934 |
| Supplies | 271,805 | 516,369 | 788,174 | 97,700 |
| Cost of sales—purchases | 3,449,968 | 1,862,137 | 5,312,105 | - |
| Cost of sales—donated food | 899,295 | - | 899,295 | - |
| Insurance claims | - | - | - | 32,786,822 |
| Miscellaneous | 177,924 | 151,694 | 329,618 | 182,862 |
| Pension expense (benefit) | 342,662 | 287,460 | 630,122 | - |
| Depreciation | 333,208 | 54,462 | 387,670 | 34,347 |
| Total operating expenses | 11,936,372 | 9,408,040 | 21,344,412 | 37,235,232 |
| Operating income (loss) | (8,264,848) | (1,434,661) | (9,699,509) | 5,134,781 |
| Nonoperating revenues (expenses): | | | | |
| Local sources: | | | | |
| Investment earnings | 9,287 | - | 9,287 | 123,719 |
| Gain (loss) on disposal of capital assets | (1,038) | - | (1,038) | - |
| State sources: | | | | |
| Other state revenue | 40,440 | - | 40,440 | - |
| Federal sources: | | | | |
| Grants | 5,659,723 | - | 5,659,723 | - |
| Donated commodities | 1,019,703 | - | 1,019,703 | - |
| Total nonoperating revenues | 6,728,115 | - | 6,728,115 | 123,719 |
| Income (loss) before transfers | (1,536,733) | (1,434,661) | (2,971,394) | 5,258,500 |
| Transfers in | - | 124,000 | 124,000 | - |
| Total contributions and transfers | - | 124,000 | 124,000 | - |
| Change in net position | (1,536,733) | (1,310,661) | (2,847,394) | 5,258,500 |
| Net position—beginning | 8,563,229 | 4,589,131 | 13,152,360 | 10,452,034 |
| Net position—ending | \$ 7,026,496 | \$ 3,278,470 | \$ 10,304,966 | \$ 15,710,534 |

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

| | Business-Type Activities Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|----------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------|-----------------------|-----------------------------------------------------------|
| | Food Service | Other Enterprise | Totals | |
| Cash flows from operating activities: | | | | |
| Receipts from customers | \$ 3,675,406 | \$ 7,714,375 | \$ 11,389,781 | \$ - |
| Receipts from interfund sources | - | - | - | 45,790,500 |
| Payments to suppliers | (4,433,917) | (2,797,419) | (7,231,336) | (4,264,977) |
| Payments to employees | (5,807,011) | (6,004,943) | (11,811,954) | (152,445) |
| Claims paid | - | - | - | (33,086,822) |
| Other receipts | - | - | - | 80,057 |
| Net cash provided by (used in) operating activities | (6,565,522) | (1,087,987) | (7,653,509) | 8,366,313 |
| Cash flows from noncapital financing activities: | | | | |
| Federal and state operating subsidies | 5,722,447 | - | 5,722,447 | - |
| Transfers from other funds | - | 124,000 | 124,000 | - |
| Net cash provided by noncapital financing activities | 5,722,447 | 124,000 | 5,846,447 | - |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (105,296) | (9,039) | (114,335) | - |
| Net cash used in capital and related financing activities | (105,296) | (9,039) | (114,335) | - |
| Cash flows from investing activities, interest earnings | | | | |
| | 9,287 | - | 9,287 | 123,719 |
| Net cash provided by investing activities | 9,287 | - | 9,287 | 123,719 |
| Net increase (decrease) in cash | (939,084) | (973,026) | (1,912,110) | 8,490,032 |
| Cash—beginning | 4,483,895 | 3,651,216 | 8,135,111 | 9,428,799 |
| Cash—ending | \$ 3,544,811 | \$ 2,678,190 | \$ 6,223,001 | \$ 17,918,831 |
| Reconciliation of operating loss to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ (8,264,848) | \$ (1,434,661) | \$ (9,699,509) | \$ 5,134,781 |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | | |
| Donated commodities used | 899,295 | - | 899,295 | - |
| Depreciation expense | 333,208 | 54,462 | 387,670 | 34,347 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in receivables | 3,882 | (267,744) | (263,862) | 3,500,544 |
| (Increase) decrease in inventories | (108,167) | 82,144 | (26,023) | 3,500 |
| (Increase) decrease in net pension asset | (16,188) | (13,581) | (29,769) | - |
| (Increase) decrease in pension-related deferred outflows | 527,040 | 457,187 | 984,227 | - |
| (Increase) decrease in OPEB-related deferred outflows | (55,989) | (46,970) | (102,959) | - |
| Increase (decrease) in accounts and other payables | (40,578) | (6,439) | (47,017) | (305,981) |
| Increase (decrease) in accrued wages and benefits payable | 47,191 | (4,356) | 42,835 | (878) |
| Increase (decrease) in pension-related deferred inflows | 69,555 | 58,350 | 127,905 | - |
| Increase (decrease) in OPEB-related deferred inflows | 40,077 | 33,621 | 73,698 | - |
| Net cash provided by (used in) operating activities | \$ (6,565,522) | \$ (1,087,987) | \$ (7,653,509) | \$ 8,366,313 |
| Noncash investing, capital and financing activities: | | | | |
| Value of commodities received | \$ 1,019,703 | \$ - | \$ 1,019,703 | \$ - |
| Loss on disposal of capital assets not affecting operating income | (1,038) | - | (1,038) | - |

See notes to financial statements.

Sioux Falls School District 49-5

Statement of Net Position
Fiduciary Funds
June 30, 2020

| | Agency Funds |
|--------------------------|----------------------------|
| Assets: | |
| Cash | \$ 7,840,698 |
| Accounts receivable | 5,140 |
| Total assets | <u><u>\$ 7,845,838</u></u> |
| Liabilities: | |
| Benefits payable | \$ 1,409,960 |
| Amounts held for others | 6,435,878 |
| Total liabilities | <u><u>\$ 7,845,838</u></u> |

See notes to financial statements.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies

A. Financial Reporting Entity

The reporting entity of the Sioux Falls School District 49-5 (the District) is a public school district encompassing the majority of the City of Sioux Falls, South Dakota. The District is responsible for the public education of approximately 24,000 students from pre-school through high school in 22 elementary, five middle school, four high school, and one technical education school buildings. In addition, the District is responsible for post-secondary education of approximately 3,000 students at Southeast Technical Institute. On July 1, 2020, the Southeast Technical Institute changed its name to Southeast Technical College.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) 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 exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Sioux Falls School District 49-5 is governed by a School Board, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The District has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease, or mortgage property in its own name. Based on these criteria, the District is considered a primary government.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The 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 District (primary government). The District may also be financially accountable for another organization if that organization is fiscally dependent on the School Board.

The Southeast Technical Institute Housing Foundation (STI Housing Foundation) is a separate legal entity organized as a 501(c)(3) nonprofit organization. Its sole purpose is to construct and operate student housing at the Southeast Technical Institute. Because the School Board of the District has the authority to appoint and remove directors from the board of the STI Housing Foundation, management has determined that the STI Housing Foundation is an organization for which the primary government is financially accountable. Therefore, the STI Housing Foundation is included in the District's financial statements as a discretely presented component unit with its own column in the statement of net position and statement of activities. Because the STI Housing Foundation has a December 31 year-end, the amounts reported herein are for the year ended December 31, 2019. To obtain the separate financial statements for Southeast Technical Institute Housing Foundation, contact Rich Kluin, Vice President of Finance and Operations, Southeast Technical Institute, 2320 North Career Avenue, Sioux Falls, South Dakota 57107.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Government-wide financial statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental activities, business-type activities, and a discretely presented component unit of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A. on the preceding page.

The statement of net position presents the financial condition of the District's governmental and business-type activities as of year-end. Net position is displayed in three components: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Fund financial statements: The fund financial statements of the District provide information about the District's funds, including fiduciary funds. Separate statements are presented for each fund category—governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Nonmajor funds are aggregated and presented in a single column, as are internal service funds. Fiduciary funds are reported by type. A fund is considered major if it is the primary operating fund, General Fund, of the District or it meets the following criteria:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements: The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place.

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund financial statements: Proprietary and fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds—governmental, proprietary, and fiduciary.

Governmental funds: Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's governmental funds:

General fund: Fund established by South Dakota Codified Laws (SDCL) 13-16-3 that accounts for all the financial resources and transactions except those required to be accounted for and reported in another fund.

Special revenue funds: Account for the proceeds of specific revenue sources (other than bond redemption and major capital projects) that are legally restricted or committed to expenditures for specified purposes. A brief description of the District's special revenue funds follows:

Capital Outlay Fund: Fund established by SDCL 13-16-6 that accounts for the resources designated for the acquisition of land, existing buildings, improvements of grounds, remodeling of buildings, purchase of equipment, certain transportation and utility costs, and payment of principal and interest related to capital outlay certificates. This fund is financed by property taxes.

Special Education Fund: Fund established by SDCL 13-37-16 that accounts for all revenues and expenditures associated with the cost of special education for all exceptional children residing in the District. This fund is financed by grants and property taxes.

Post-Secondary Vocational Fund: Fund established by SDCL 13-39-39.1 that accounts for all revenues and expenditures associated with operation of post-secondary vocational programs. This fund is financed by tuition, fees and grants.

Pension Fund: Fund established by SDCL 13-10-6 that accounted for the payment of early retirement benefits and certain retirement contributions. This fund is financed by property taxes. This fund was discontinued by the South Dakota Legislature in 2016, and has been closed out as of June 30, 2020.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Debt Service Fund: The Bond Redemption Fund, established by SDCL 13-16-13, accounts for and reports the accumulation of resources that are restricted to expenditures for principal and interest.

Capital Projects Funds: Account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities. Capital project funds consist of the Elementary Project Fund, Capital Improvement Plan Project Fund, Hail Damage Project Fund, High School Project Fund and Middle School Project Fund.

The District reports the General Fund, Capital Outlay Fund, Special Education Fund, Post-Secondary Vocational Fund, High School Project Fund, and Middle School Project Fund as major governmental funds.

Proprietary funds: Proprietary fund reporting focuses on the determination of operating income, changes in net position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues include charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds include enterprise and internal service funds.

Enterprise funds: May be used to report any activity operated on a self-supporting basis for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds in certain instances, including if pricing policies of the activity establish fees and charges designed to cover its costs, including capital costs. A brief description of the District's enterprise funds follows:

Food Service Fund: Accounts for the operation of the school lunch program. This fund is financed by user charges and grants.

Community Services Fund: Accounts for the operation of blended pre-school programs, summer school, daycare services and after-school daycare services, and for GED and other courses. This fund is financed by user charges and grants.

House Construction Fund: Was set up to account for construction and sale of one home annually by a high school within the District. Currently, the house is being built in partnership with Habitat for Humanity and is no longer being sold. This fund is now largely inactive.

Post-Secondary Bookstore Fund: Accounts for the operation of a bookstore for the post-secondary vocational programs. This fund is financed by the sale of goods.

Post-Secondary Child Care Fund: Accounts for the operation of a child daycare facility at the post-secondary vocational institute. This fund is financed by user charges and grants.

Post-Secondary Food Service Fund: Accounts for the operation of a cafeteria at the post-secondary vocational institute. This fund is financed by user charges.

The Food Service Fund is the only major enterprise fund reported by the District.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Internal service funds: Account for the financing of goods or services provided by one department or agency to other departments or agencies on a cost-reimbursement basis. A brief description of the District's internal service funds follows:

Group Health Insurance Fund: Accounts for benefit payments under the District's group health self-insurance plan. Expenses are funded by employee withholding and by payments from various funds, which are based on set premium amounts.

Reprographics Fund: Accounts for printing and copying services.

Fiduciary funds: Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary funds of the District consist of several agency funds. Agency funds do not have net position.

Agency funds: Account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. A brief description of the District's agency funds follows:

Flexible Spending Accounts Fund: Accounts for resources received and held by the District as agent for employee dependent care and health care reimbursement accounts.

Student Activity Funds: Account for resources received and held by the District as agent for student or faculty groups.

Payroll Withholding Fund: Accounts for the payment of payroll-related obligations.

Revenues—exchange and nonexchange transactions: On the accrual basis, revenue resulting from exchange transactions (primarily tuition and fees), in which each party gives and receives essentially equal value, is recorded when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within 90 days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are intended to finance. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available, i.e., received within 90 days of year-end, before it can be recognized, with the exception of property taxes, which must be received within 60 days of year-end to be recognized.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Other local revenue on the statement of revenue, expenditures, and changes in fund balances includes rental income, donations, contributions, and other miscellaneous local revenue. Other state revenue on the statement of revenue, expenditures, and changes in fund balances includes approximately \$514,000 received from the South Dakota Board of Regents for reimbursement of salaries and benefits related to general education credits at the Southeast Technical Institute, and other miscellaneous state revenues.

From May to December 2020, the District signed contracts for approximately \$7,000,000 of new federal awards under the CARES Act.

Expenses/expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, the focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, other postemployment benefits, SDRS pension expenses, early retirement obligations, arbitrage, and vacation payable, which are recognized as expenditures when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental fund financial statements.

D. Other Significant Accounting Policies and Reporting Practices

Use of estimates in the preparation of financial statements: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows and inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates. Estimates significant to the financial statements include the allowance for doubtful accounts receivable, useful lives of capital assets, liability for unpaid medical claims and claims incurred but not reported, net pension asset/liability and related deferred outflows/inflows, and the other postemployment benefit liability and related deferred inflows.

Certificates of deposit: Nonparticipating certificates of deposit (CDs) are recorded at amortized cost.

Property taxes: Property taxes are recognized as a receivable at the time they become an enforceable legal claim. The District's property taxes, levied by October 1, are due and payable in two installments before May 1 and November 1 of the following year and are attached as an enforceable lien on property as of January 1 each year. An allowance is provided for estimated uncollectible taxes. Counties and cities located within the District may enter into property tax abatement agreements with local businesses as a means of retaining or attracting businesses and promoting economic growth and residential development within their jurisdiction. Property tax abatements for the year ended June 30, 2020, were approximately \$128,000.

Inventory: Food service and bookstore enterprise fund inventory is accounted for at the lower of cost (first-in, first-out) or market, except for food service donated commodities which are valued at estimated market value based on the USDA price list on the date they are received. Fuel oil and other inventory in the general fund are accounted for at the lower of cost (first-in, first-out) or market. The cost of fuel oil and other inventory in the general fund is shown as a nonspendable component of the fund balance, as these items do not constitute "available spendable resources." The consumption method is used by governmental funds to record expenditures.

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Interfund receivables/payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to in the fund financial statements as either "Due To/From Other Funds" (current portion) or "Advances To/From Other Funds" (noncurrent portion). These amounts are eliminated in the government-wide statement of net position, except for the net residual balances due between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "Internal Balances."

Unearned revenue and deposits: Unearned revenue and deposits arise when assets are recognized before revenue recognition criteria have been met. Revenue is recognized as the services or goods are provided.

Deferred outflows and inflows of resources: A deferred outflow or inflow of resources is a consumption or an acquisition, respectively, of net position that is applicable to a future reporting period. On the government-wide financial statements, the deferred charge on refunding represents the reacquisition price in excess of the net carrying amount of the old debt, and is being amortized over the remaining life of the old debt. Property taxes for which there is an enforceable legal claim as of June 30, but which were levied to finance the next fiscal year's operations, have been recorded as deferred inflows of resources. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

In the government-wide financial statements, the District reports deferred outflows of resources for pensions and other post-employment benefit (OPEB) contributions made after the District's measurement date but before the end of the District's reporting period, the differences between expected and actual economic experience, the change in actuarial assumptions, and the difference between projected and actual investment earning and changes to the District's OPEB plan and proportionate share in the pension plan. In the government-wide financial statements, the District reports deferred inflows of resources for the contributions in the OPEB plan and the proportionate share of contributions in the South Dakota Retirement System (SDRS) pension plan, the differences between expected and actual economic experience, and the change in actuarial assumptions.

Pensions: The net pension asset, deferred outflows (inflows) of resources related to pensions, pension expense (revenue), information about the fiduciary net position of the SDRS, and additions to/deletions from SDRS' fiduciary net position have been measured on the same basis as they are reported by SDRS. School District contributions and net pension asset are recognized on an accrual basis of accounting.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. The District has no infrastructure assets. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide and proprietary fund financial statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Land and building improvements are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The District maintains a capitalization threshold for governmental activities of \$5,000 for machinery and equipment and \$20,000 for buildings and improvements. For business-type activities, the machinery and equipment capitalization threshold is \$1,000. Purchased software is included with machinery and equipment. The capitalization threshold for internally generated software is \$50,000. All reported capital assets except land are depreciated using the straight-line method over the following useful lives:

| | <u>Years</u> |
|-------------------------|--------------|
| Land improvements | 10-20 |
| Buildings | 50 |
| Building improvements | 20-30 |
| Machinery and equipment | 5-15 |

Governmental fund financial statements: In the governmental fund financial statements, capital assets are accounted for as capital expenditures of the governmental fund upon acquisition.

Salaries and benefits payable: Payroll and related expenditures for teachers with annual contracts corresponding to the school year, which are payable in July and August, have been accrued as liabilities. Earned but unpaid payroll for hourly and administrative employees as of June 30, 2020, has also been accrued as a liability.

Vacation pay: Vacation pay is earned by administrative personnel and noncertified employees at various rates based upon their years of service. Employees may accumulate up to twice the amount of vacation earned in a year. For governmental funds, a liability and expenditure is recognized as payments come due upon the occurrence of events such as resignations and retirements. However, the entire accrued vacation liability and related expense is recorded in the government-wide and proprietary fund financial statements when earned.

Long-term liabilities: Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund statement of net position. Long-term liabilities consist primarily of accrued vacation, early retirement benefits payable, other postemployment benefits, general obligation bonds, and capital outlay certificates payable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental funds do not report long-term liabilities. The face amount of debt issued is reported as other financing sources and payment of principal is reported as an expenditure. Bond premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position: Following are the components of net position in the government-wide financial statements:

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

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

Unrestricted net position: All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Proprietary fund equity is classified the same as in the government-wide financial statements.

Fund balance: In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable: Consists of amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: Consists of amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws, or imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints formally imposed by the Business Manager, subject to approval by the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Consists of amounts constrained by the District's intent to use them for a specific purpose that are not considered restricted or committed. The School Board has assigned fund balances for the hail damage project fund. The Business Manager has the authority to revise the amounts assigned, subject to approval by the School Board.

Unassigned: Consists of all amounts not included in other spendable classifications. Due to the funding sources and policies of the District, the general fund is generally the only fund that would report a positive amount in unassigned fund balance.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Application of the fund balance: When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications—committed, assigned, and then unassigned fund balances.

The government-wide statement of net position reports \$48,118,774 of restricted net position, of which \$24,621,425 is restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

Extraordinary and special items: Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and that are either unusual in nature or infrequent in occurrence. The District did not report any extraordinary or special items during the year.

Uncertainties: The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses, Organizations, and people throughout the United States. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which COVID-19 impacts the District's results will depend of future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot precisely estimate the overall operational and financial impact to the District but such an impact could have a material adverse effect on the financial condition of the District.

Note 2. Deposits and Investments

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

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

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

Sioux Falls School District 49-5

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of a depository failure, the District's deposits may not be returned. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk for deposits or investments, but its practice is to follow the State requirements. As of June 30, 2020, \$118,530,748 of the District's bank balance of \$119,046,860 for checking and savings accounts was uninsured but collateralized in accordance with SDCL 4-6A-3, except for under collateralization of approximately \$633,000 at one bank. The District's certificates of deposit are not exposed to custodial credit risk as of June 30, 2020, except for the under collateralization mentioned in the previous sentence for those held at the same bank.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District does not hold investments subject to interest rate risk as of June 30, 2020.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices. Obligations of the United States government are not considered to be subject to credit risk. The District has no investments subject to this risk as of June 30, 2020.

Concentration of credit risk: The District is required to disclose investments in any one issuer that represent 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The District places no limit on the amount that may be invested in any one issuer. The District has no investments subject to this risk as of June 30, 2020.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. Income from savings accounts and certificates of deposit is recorded in the fund in which the investment is carried. Interest income from checking accounts is recorded in the General Fund.

Note 3. Accounts Receivable

Current taxes receivable are reported net of an allowance for doubtful accounts of \$42,299 in the General Fund, \$19,691 in the Capital Outlay Fund, \$12,370 in the Special Education Fund, and \$3,161 in the Debt Service Fund.

Delinquent taxes receivable are reported net of an allowance for doubtful accounts of \$166,303 in the General Fund, \$76,716 in the Capital Outlay Fund, \$37,696 in the Special Education Fund, and \$44,413 in the Debt Service Fund

Accounts receivable are reported net of an allowance for doubtful accounts of \$386,515 in the Post-Secondary Vocational Fund, \$52,662 in the Post-Secondary Bookstore Fund, and \$8,194 in the Post-Secondary Childcare Fund.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 3. Accounts Receivable (Continued)

An allowance is provided for student accounts receivable in the Post-Secondary funds when the accounts are 120 days past due. Student accounts are written off as uncollectible at the time management determines them unlikely to be collected, which is generally 365 days past due.

Note 4. Interfund Receivables, Payables and Transfers

At June 30, 2020, interfund receivables and payables were as follows:

| Fund: | Interfund | |
|---------------------------|---------------------|---------------------|
| | Receivable | Payable |
| General | \$ 1,696,399 | \$ - |
| Post-Secondary Vocational | 87,990 | 12,250 |
| Middle School Project | 1,554,132 | - |
| High School Project | - | 1,554,132 |
| Nonmajor governmental | - | 1,696,399 |
| Nonmajor enterprise | 12,250 | 87,990 |
| | <u>\$ 3,350,771</u> | <u>\$ 3,350,771</u> |

The interfund receivable and payable balances consist of: 1) \$1,696,399 borrowed from the General Fund by the Bond Redemption Fund to make debt interest payments prior to collection of property taxes; 2) \$87,990 borrowed from the Post-Secondary Vocational Fund by the Post-Secondary Childcare Fund to cover an operating loss; 3) \$1,554,132 borrowed from the Middle School Project Fund by the High School Project Fund to fund capital outlay expenditures prior to maturity of certificates of deposit; and 4) \$12,250 due to the Post-Secondary Bookstore Fund from the Post-Secondary Vocational Fund to pay for laptops purchased by the Post-Secondary Vocational Fund from the Post-Secondary Bookstore Fund. The District expects that all interfund receivables will be repaid within 12 months, except the General Fund receivable from the Bond Redemption Fund, which is expected to be repaid from property tax collections by November 2021.

Interfund transfers for the year ended June 30, 2020, were as follows:

| Transfers from: | Transfers to | | |
|--------------------------------|---------------------|-----------------------|---------------------|
| | General Fund | Nonmajor Governmental | Nonmajor Enterprise |
| Capital Outlay Fund | \$ 3,560,000 | \$ - | \$ - |
| Post-Secondary Vocational Fund | - | - | 124,000 |
| Nonmajor Governmental | 21,183 | - | - |
| | <u>\$ 3,581,183</u> | <u>\$ -</u> | <u>\$ 124,000</u> |

During the year ended June 30, 2020, the Post-Secondary Vocational Fund transferred \$85,000 and \$39,000 to the Post-Secondary Food Service Fund and Post-Secondary Child Care Fund, respectively, to cover net operating losses.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 4. Interfund Receivables, Payables and Transfers (Continued)

In addition, the Capital Outlay Fund transferred \$3,560,000 to the General Fund to cover allowable bus transportation and other costs.

Also, the Pension Fund was closed out as of June 30, 2020 and the fund balance of \$21,183 was transferred to the General Fund.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

| | Balance June 30, 2019 | Additions | Retirements | Balance June 30, 2020 |
|------------------------------------------------------------|--------------------------|----------------------|---------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 17,157,770 | \$ 410,430 | \$ - | \$ 17,568,200 |
| Construction in progress | 6,378,644 | 62,600,572 | 2,832,084 | 66,147,132 |
| Total capital assets not being depreciated | 23,536,414 | 63,011,002 | 2,832,084 | 83,715,332 |
| Capital assets being depreciated: | | | | |
| Buildings | 389,331,008 | 5,592,538 | - | 394,923,546 |
| Improvements other than buildings | 21,885,917 | 1,754,510 | - | 23,640,427 |
| Machinery and equipment | 37,402,203 | 1,081,060 | 1,356,752 | 37,126,511 |
| | 448,619,128 | 8,428,108 | 1,356,752 | 455,690,484 |
| Less accumulated depreciation for: | | | | |
| Buildings | 143,734,612 | 9,108,286 | - | 152,842,898 |
| Improvements other than buildings | 13,502,273 | 1,195,926 | - | 14,698,199 |
| Machinery and equipment | 28,366,850 | 2,287,221 | 1,343,810 | 29,310,261 |
| | 185,603,735 | 12,591,433 | 1,343,810 | 196,851,358 |
| Total capital assets being depreciated, net | 263,015,393 | (4,163,325) | 12,942 | 258,839,126 |
| Governmental activities capital assets, net | \$ 286,551,807 | \$ 58,847,677 | \$ 2,845,026 | \$ 342,554,458 |
| Instruction | | | | \$ 10,212,911 |
| Support services | | | | 1,452,140 |
| Co-curricular | | | | 926,382 |
| Total depreciation expense, governmental activities | | | | \$ 12,591,433 |

Sioux Falls School District 49-5

Notes to Financial Statements

Note 5. Capital Assets (Continued)

| | Balance June 30, 2019 | Additions | Retirements | Balance June 30, 2020 |
|-------------------------------------------------------------|--------------------------|---------------------|-----------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Building improvements | \$ 5,888,548 | \$ - | \$ - | \$ 5,888,548 |
| Improvements other than buildings | 6,866 | - | - | 6,866 |
| Machinery and equipment | 5,490,061 | 114,336 | 33,003 | 5,571,394 |
| | <u>11,385,475</u> | <u>114,336</u> | <u>33,003</u> | <u>11,466,808</u> |
| Less accumulated depreciation for: | | | | |
| Building improvements | 3,473,610 | 189,950 | - | 3,663,560 |
| Improvements other than buildings | 4,623 | 343 | - | 4,966 |
| Machinery and equipment | 4,231,032 | 197,377 | 31,964 | 4,396,445 |
| | <u>7,709,265</u> | <u>387,670</u> | <u>31,964</u> | <u>8,064,971</u> |
| Business-type activity capital assets, net | \$ 3,676,210 | \$ (273,334) | \$ 1,039 | \$ 3,401,837 |
| Food services | | | | \$ 355,387 |
| Community services | | | | 10,736 |
| Bookstore services | | | | 20,547 |
| Instruction | | | | 1,000 |
| Total depreciation expense, business-type activities | | | | \$ 387,670 |

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020, are as follows:

| | Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 | Due Within One Year |
|-------------------------------------------------------|--------------------------|----------------------|----------------------|--------------------------|------------------------|
| Governmental activities: | | | | | |
| Capital outlay certificates | \$ 111,145,000 | \$ 14,745,000 | \$ 24,435,000 | \$ 101,455,000 | \$ 8,660,000 |
| Plus unamortized premium | 7,292,569 | 778,213 | 1,568,380 | 6,502,402 | - |
| Less unamortized discount | (82,193) | - | (5,102) | (77,091) | - |
| Total capital outlay certificates | <u>118,355,376</u> | <u>15,523,213</u> | <u>25,998,278</u> | <u>107,880,311</u> | <u>8,660,000</u> |
| General obligation bonds | 135,645,000 | - | - | 135,645,000 | - |
| Plus unamortized premium | 1,705,532 | - | 215,991 | 1,489,541 | - |
| Less unamortized discount | (302,282) | - | (11,906) | (290,376) | - |
| Total general obligation bonds | <u>137,048,250</u> | <u>-</u> | <u>204,085</u> | <u>136,844,165</u> | <u>-</u> |
| Other postemployment benefits | 20,408,609 | 1,784,370 | - | 22,192,979 | - |
| Early retirement plan obligation | 2,649,925 | - | 1,179,534 | 1,470,391 | 919,014 |
| Accrued vacation | 2,093,426 | 1,679,154 | 1,345,083 | 2,427,497 | 2,427,497 |
| Governmental activities long-term liabilities | \$ 280,555,586 | \$ 18,986,737 | \$ 28,726,980 | \$ 270,815,343 | \$ 12,006,511 |
| Business-type activities: | | | | | |
| Accrued vacation | \$ 147,822 | \$ 130,607 | \$ 111,615 | \$ 166,814 | \$ 166,814 |
| Other postemployment benefits | 474,754 | 93,716 | - | 568,470 | - |
| Business-type activities long-term liabilities | \$ 622,576 | \$ 224,323 | \$ 111,615 | \$ 735,284 | \$ 166,814 |

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Capital outlay certificates: The capital outlay certificates are a limited general obligation debt, which are payable from tax levies of the capital outlay fund. The debt service for the certificates is accounted for in the capital outlay fund. The certificates bear interest at fixed rates, which vary based upon maturity date. A summary of the certificates outstanding at June 30, 2020, is as follows:

| Issue | Issue Date | Final Maturity | | Balance |
|-------|------------|----------------|---------------|----------------|
| | | Date | Interest Rate | |
| 2011 | 7/1/11 | 1/1/31 | 2.05%-5.00% | 4,640,000 |
| 2013 | 9/12/13 | 7/1/33 | 2.00%-4.50% | 4,835,000 |
| 2015 | 10/15/15 | 7/1/35 | 2.00%-5.00% | 11,570,000 |
| 2017A | 11/16/17 | 8/1/29 | 3.50%-5.00% | 10,550,000 |
| 2017B | 11/16/17 | 2/1/31 | 1.375%-5.00% | 20,160,000 |
| 2017C | 11/28/17 | 8/1/33 | 3.00%-5.00% | 34,955,000 |
| 2019 | 11/13/19 | 2/1/26 | 2.00%-4.00% | 14,745,000 |
| | | | | \$ 101,455,000 |

Annual debt service requirements to maturity for capital outlay certificates at June 30, 2020, are as follows:

| | Governmental Activities | | |
|-----------------------|-------------------------|---------------|----------------|
| | Principal | Interest | Total |
| Years ending June 30: | | | |
| 2021 | \$ 8,660,000 | \$ 4,145,985 | \$ 12,805,985 |
| 2022 | 9,115,000 | 3,648,914 | 12,763,914 |
| 2023 | 8,535,000 | 3,254,443 | 11,789,443 |
| 2024 | 8,355,000 | 2,877,067 | 11,232,067 |
| 2025 | 8,785,000 | 2,498,378 | 11,283,378 |
| 2026-2030 | 38,135,000 | 7,295,099 | 45,430,099 |
| 2031-2035 | 19,400,000 | 1,419,402 | 20,819,402 |
| 2036-2040 | 470,000 | 7,637 | 477,637 |
| Total | \$ 101,455,000 | \$ 25,146,925 | \$ 126,601,925 |

General obligation bonds: The general obligation bonds are payable from tax levies collected. The debt service for the bonds is accounted for in the separate debt service fund. The bonds bear interest at fixed rates, which vary based upon maturity date. A summary of general obligation bonds outstanding at June 30, 2020, is as follows:

| Issue | Issue Date | Final Maturity | | Balance |
|-------|------------|----------------|---------------|----------------|
| | | Date | Interest Rate | |
| 2018A | 12/13/18 | 8/1/43 | 3.50%-5.00% | \$ 135,645,000 |

Sioux Falls School District 49-5

Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity for general obligation bonds at June 30, 2020, are as follows:

| | Governmental Activities | | |
|-----------------------|-------------------------|----------------------|-----------------------|
| | Principal | Interest | Total |
| Years ending June 30: | | | |
| 2021 | \$ - | \$ 5,272,987 | \$ 5,272,987 |
| 2022 | - | 5,272,988 | 5,272,988 |
| 2023 | - | 5,272,987 | 5,272,987 |
| 2024 | - | 5,272,988 | 5,272,988 |
| 2025 | - | 5,272,987 | 5,272,987 |
| 2026-2030 | 980,000 | 26,340,438 | 27,320,438 |
| 2031-2035 | 39,715,000 | 22,540,151 | 62,255,151 |
| 2036-2040 | 48,510,000 | 14,034,449 | 62,544,449 |
| 2041-2044 | 46,440,000 | 3,807,800 | 50,247,800 |
| Total | <u>\$ 135,645,000</u> | <u>\$ 93,087,775</u> | <u>\$ 228,732,775</u> |

State Aid Pledge: The District has pledged state aid for the 2018 general obligation bonds and the 2017A, 2017B, 2017C, and 2019 capital outlay certificates. In the event that the District does not timely deposit the required semiannual principal and/or interest payments under these agreements, the South Dakota Department of Education may be required to redirect state aid payments to the bonding agent to satisfy any past due obligations.

Other postemployment benefits: See Note 8 for a description of the liability for other postemployment benefits. Other postemployment benefits typically are liquidated from the applicable fund in which the related costs were incurred.

Early retirement plan obligation: See Note 11 for a description of the liability under the early retirement plan. Early retirement benefits typically are liquidated from the applicable fund in which the related costs were incurred.

Accrued vacation: Accrued vacation is typically liquidated from the fund in which the related wages are recognized.

Legal debt margin: The District's legal debt limit is approximately \$1,269,540,000 (10 percent of assessed valuation). At June 30, 2020, the District's available debt capacity is approximately \$1,028,500,000.

Refunded certificates: In November, 2019, the District issued \$14,745,000 of Limited Tax General Obligation Refunding Certificates, Series 2019. The certificates mature from fiscal year 2021 through 2026 and bear interest from 2.0 percent to 4.0 percent. The proceeds were used to pay issuance and underwriting costs of approximately \$103,000, to refund the Series 2010 certificates maturing in fiscal years 2021 through 2023, aggregating \$2,875,000, and to refund the Series 2012 certificates maturing in fiscal years 2021 through 2027, aggregating \$12,545,000. This resulted in a \$521,082 reduction in total debt service cost and an economic gain (net present value) of \$491,663 over the life of the certificates. The 2019 certificates are recorded on the District's financial statements as of June 30, 2020, and the refunded portion of the Series 2010 and Series 2012 certificates are considered defeased. These refunded certificates have been removed from the financial statements as of June 30, 2020. The gain on refunding is being amortized over the shorter of the life of the refunded certificates or the new certificates.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 7. Long-Term Liabilities—Component Unit

Changes in long-term liabilities for the component unit for the year ended December 31, 2019, are as follows:

| | Beginning Balance | Additions | Payments | Ending Balance | Due Within One Year |
|-------------------|----------------------|-----------|------------|----------------|------------------------|
| Bank note payable | \$ 3,364,700 | \$ - | \$ 216,180 | \$ 3,148,520 | \$ 160,219 |

The bank note includes interest at 3.98 percent until April 2021 and variable interest thereafter at 3 percent over the U.S. Treasury Securities Rate Adjusted to a Constant Maturity of one year, including an interest rate floor of 3.25 percent and ceiling of 6.25 percent. The loan is due on demand and collateralized by a mortgage. In the event of default, the interest rate is subject to an increase of 10 percent. If no demand is made, the loan is due in monthly installments of approximately \$23,000, and matures in a final balloon payment in April 2026 at an initial amount of \$2,330,140.

If no demand is made, annual debt service requirements to maturity for the bank note at December 31, 2019, are as follows:

| | Component Unit | | |
|---------------------------|----------------|--------------|--------------|
| | Principal | Interest | Total |
| Years ending December 31: | | | |
| 2020 | \$ 160,219 | \$ 124,319 | \$ 284,538 |
| 2021 | 166,816 | 117,721 | 284,537 |
| 2022 | 173,685 | 110,852 | 284,537 |
| 2023 | 180,838 | 103,700 | 284,538 |
| 2024 | 188,284 | 96,254 | 284,538 |
| 2025-2026 | 2,278,678 | 479,240 | 2,757,918 |
| Total | \$ 3,148,520 | \$ 1,032,086 | \$ 4,180,606 |

Sioux Falls School District 49-5

Notes to Financial Statements

Note 8. Other Postemployment Benefits

The District reflects an actuarially determined liability for the present value of projected retirement group health benefits for retired and active employees in the financial statements.

Plan description: The District provides a single-employer defined benefit postemployment health self-insurance plan that covers eligible retired employees of the District. The District maintains a group health self-insurance fund and contracts with an insurance company to provide life insurance benefits for active employees and their eligible dependents, and retirees meeting eligibility requirements. Eligibility for retiree benefits is established and amended through collective bargaining with each employee group. SDCL 13-10-3 allows any school district to provide group health and life insurance for its employees and their immediate families and former employees that have retired. The liability exists because of an implicit subsidy of costs of the benefits to retirees by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75, and the District is not required to contribute to the plan. The plan does not issue a stand-alone financial report.

Benefits provided: The District provides health care and life insurance benefits for retirees and their dependents. The benefit terms provide for retirees to participate in the plan by paying 102 percent of the active employee premium through age 65. The plan also allows retirees to participate in the plan for up to \$10,000 of life insurance benefits by paying 102 percent of the active employee premium through age 65.

Employees covered by benefit terms: At June 30, 2020, the following employees were covered by the benefit terms:

| | |
|---------------------------------------------------------------|--------------|
| Inactive employees currently receiving benefits | 164 |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | 3,010 |
| | <u>3,174</u> |

Total other postemployment benefits (OPEB) liability: The District's total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial methods and assumptions: The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------------|----------------------------------------------------------------|
| Inflation rate | 3.00% |
| Salary increases | 3.50% |
| Discount rate—beginning of year | 3.50%, Bond Buyer 20-Bond GO index |
| Discount rate—end of year | 2.21%, Bond Buyer 20-Bond GO index |
| Health care cost trend rate | 6.00%, decreasing 0.50% each year to an ultimate rate of 4.50% |

Mortality rates were based on the Pub-2010 generational table scaled using MP-2019 and applied on a gender-specific basis. Retirement probability is based on the District's historical experience and data from the South Dakota Retirement System. Expected annual medical claim costs were developed from a combination of historical claim experience and manual claim costs developed using a representative database.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total OPEB liability since the prior measurement period, other than the discount rate. In addition, there were no changes in benefit provisions made since the prior valuation.

Changes in the net OPEB liability:

| | Total OPEB Liability |
|----------------------------------------|-------------------------|
| Balance at June 30, 2019 | \$ 20,883,363 |
| Changes for the year: | |
| Service cost | 1,279,768 |
| Interest cost | 761,471 |
| Changes in assumptions or other inputs | 650,487 |
| Benefit payments | (813,640) |
| Net changes | 1,878,086 |
| Balance at June 30, 2020 | \$ 22,761,449 |

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the District, as well as what the District's approximate total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current discount rate:

| | 1% Decrease (1.21%) | Discount Rate (2.21%) | 1% Increase (3.21%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 24,916,000 | \$ 22,761,000 | \$ 20,816,000 |

Sensitivity of the total OPEB liability to changes in the health care cost trend rates: The following presents the total OPEB liability of the District, as well as what the District's approximate total OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower (5.0 percent decreasing to 3.5 percent) or 1 percentage point higher (7.0 percent decreasing to 5.5 percent) than the current health care cost trend rates:

| | 1% Decrease (5.0% Decreasing to 3.5%) | Healthcare Cost Trend Rates (6.0% Decreasing to 4.5%) | 1% Increase (7.0% Decreasing to 5.5%) |
|----------------------|---------------------------------------------|-------------------------------------------------------------------|---------------------------------------------|
| Total OPEB liability | \$ 19,971,000 | \$ 22,761,000 | \$ 26,117,000 |

Sioux Falls School District 49-5

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB: At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 1,520,131 |
| Changes of assumptions and other inputs | 2,726,139 | 415,704 |
| Total | <u>\$ 2,726,139</u> | <u>\$ 1,935,835</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|-----------------------|-------------------|
| Years ending June 30: | |
| 2021 | \$ 64,127 |
| 2022 | 64,127 |
| 2023 | 64,127 |
| 2024 | 64,127 |
| 2025 | 64,127 |
| Thereafter | 469,669 |
| | <u>\$ 790,304</u> |

Note 9. Commitments and Contingencies

Sick leave: Substantially all employees accumulate sick leave for future use. These accumulations do not vest and are not recognized as expenditures by the District until the leave is used. At June 30, 2020, accumulated unused sick leave was approximately \$47,270,000.

Early retirement: The District's employment contract for teachers and administrative personnel provides for an early retirement benefit as described within Note 11. An estimation of the potential liability for those teachers and administrative personnel that will become eligible in future years to receive this benefit has not been made, and is not required under US GAAP.

Construction contracts and open purchase orders: At June 30, 2020, there were total commitments of \$2,442,671, \$1,900,095, \$2,525,834, \$32,254,012 and \$17,646,217 remaining on the construction contracts for the Capital Outlay Fund, Post-Secondary Vocational Fund, Capital Improvement Plan Project Fund, High School Project Fund, and Middle School Project Fund, respectively, for various construction and remodeling commitments. At June 30, 2020, there were commitments for open purchase orders of \$537,701, \$2,156,561, \$161,418, \$832,111, \$451,550 and \$694,161 in the General Fund, Capital Outlay Fund, Special Education Fund, Post-Secondary Vocational Fund, Capital Projects Funds and Enterprise Funds, respectively. In addition, there were commitments for equipment and building operating leases of \$843,622, \$125,000, \$72,256, and \$275,454 in the General Fund, Special Education Fund, Post-Secondary Vocational Fund, and Reprographics Fund, respectively.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 9. Commitments and Contingencies (Continued)

Operating leases: The District leases the facilities for a portion of the Southeast Technical Institute from the South Dakota Board of Education. The facilities were constructed with proceeds from bonds issued by the South Dakota Health and Education Facilities Authority (Authority). The South Dakota Board of Education leases the facility from the Authority and then subleases it to the District on a rent-free basis. The lease agreement calls for rental payments coinciding with the bond retirement schedule. Currently, those rentals are being paid from the facility fee fund account maintained by the trustee. It is anticipated that these fees will be sufficient to make the lease payments throughout the term of the leases, and therefore no rent expense has been recorded by the District. The facility fee is collected from each student attending the four vocational technical schools in the state. These fees are remitted to the trustee for the purpose of retiring the indebtedness against the facilities constructed at the various vocational-technical schools. The lease term is for 25 years, although there is a cancellation clause for non-appropriation of funds. At the conclusion of the lease, the District and the South Dakota Board of Education have the option of renewing the lease on an annual basis for \$100, subject to the restriction on use of the project for post-secondary vocational-technical education. The District is responsible for all repair and maintenance costs associated with the building. The cost of these facilities is not included in capital assets in the government-wide financial statements since the District does not have, nor will it obtain, ownership of the facilities under the terms of the sublease. The bonds used to construct these facilities are not obligations of the District and are being repaid by fees assessed by the South Dakota Board of Education; therefore, the bonds are not included in these financial statements.

The District leases printers, multi-function devices, and operating space under various leases as of June 30, 2020. Rental expense for the year ended June 30, 2020, was \$487,551. The printers and multi-function devices are collateralized by the equipment leased. In the event of default, the printers and multi-function devices are subject to an increase in lease payment of 5 percent.

Lease commitments for the printers, multi-function devices and operating space as of June 30, 2020, are as follows:

Years ending June 30:

| | | |
|------|----|------------------|
| 2021 | \$ | 517,280 |
| 2022 | | 456,140 |
| 2023 | | 188,712 |
| 2024 | | 142,338 |
| 2025 | | 11,862 |
| | \$ | <u>1,316,332</u> |

Legal and other matters: In the ordinary course of business, the District is party to a number of legal proceedings as a plaintiff or defendant; however, management does not believe that the ultimate disposition of any of these proceedings will have a material effect on the District's financial position or results of operations.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan

Plan information: All District employees who meet enrollment qualifications participate in the SDRS, a cost-sharing, multiple-employer defined-benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx>, or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098, or by calling 1-605-773-3731.

Benefits provided: Employees that were hired before July 1, 2017, are Foundation members. Class A 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. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Employees that were hired on/after July 1, 2017, are Generational members. Class A Generational members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. 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 percent.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5 percent and no greater than 3.5 percent.
- 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 .05 percent and no greater than a restricted maximum such that, that is the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions: Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered District members are required by state statute to contribute 6 percent of their salary to the plan. State statute also requires the District to contribute an amount equal to the member's contribution. State statute also requires the District to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The contribution from the District was \$9,333,219, \$9,194,774, and \$9,014,050 for the years ended June 30, 2020, 2019, and 2018, respectively.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2019, SDRS is 100.09 percent funded, and accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS for the District as of June 30, 2019, are as follows:

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------------------------------------|----------------------------|-----------------------------|-------------------|
| Proportionate share of net position restricted for pension benefits | \$ 854,112,585 | \$ 44,953,294 | \$ 899,065,879 |
| Less proportionate share of total pension liability | 853,386,906 | 44,915,100 | 898,302,006 |
| Proportionate share of net pension asset | <u>\$ 725,679</u> | <u>\$ 38,194</u> | <u>\$ 763,873</u> |

At June 30, 2020, the District reported an asset of \$763,873 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the District's collective proportion was 7.20821230 percent, which was a decrease of .0165513 percent from its proportion measured at June 30, 2018.

For the year ended June 30, 2020, the District recognized a pension expense (benefit) of \$21,647,296. At June 30, 2020, the District reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | |
|-----------------------------------------------------------|--------------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Differences between expected and actual experience | \$ 2,846,557 | \$ 149,819 | \$ 2,996,376 |
| Changes in assumptions | 25,063,076 | 1,319,108 | 26,382,184 |
| Changes in proportion | 104,678 | 5,509 | 110,187 |
| District contributions subsequent to the measurement date | 8,866,558 | 466,661 | 9,333,219 |
| Total deferred outflows of resources | <u>\$ 36,880,869</u> | <u>\$ 1,941,097</u> | <u>\$ 38,821,966</u> |

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

At June 30, 2020, the District reported deferred inflows of resources related to pensions from the following sources:

| | Deferred Inflows of Resources | | |
|---------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Net difference between projected and actual investment earnings on pension plan investments | \$ 4,180,507 | \$ 220,027 | \$ 4,400,534 |
| Changes in assumptions | 10,274,645 | 540,771 | 10,815,416 |
| Differences between expected and actual experience | 328,456 | 17,287 | 345,743 |
| Changes in proportion | 500,457 | 26,340 | 526,797 |
| Total deferred inflows of resources | <u>\$ 15,284,065</u> | <u>\$ 804,425</u> | <u>\$ 16,088,490</u> |

\$9,333,219 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense over the remaining service lives of all system members, calculated at 4.38, 4.46, 4.31, and 4.44 for the years ended June 30, 2016, 2017, 2018, and 2019, respectively, with the exception of the differences between estimated and actual investment earnings, which are amortized over a closed five-year period inclusive of this fiscal year. The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| | Governmental Activities | Business-Type Activities | Total |
|-----------------------|----------------------------|-----------------------------|----------------------|
| Years ending June 30: | | | |
| 2021 | \$ 15,671,237 | \$ 824,801 | \$ 16,496,038 |
| 2022 | (2,639,381) | (138,916) | (2,778,297) |
| 2023 | (1,701,508) | (89,553) | (1,791,061) |
| 2024 | 1,399,898 | 73,679 | 1,473,577 |
| | <u>\$ 12,730,246</u> | <u>\$ 670,011</u> | <u>\$ 13,400,257</u> |

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

| | |
|---------------------------|-----------------------------------------------------------------|
| Inflation | 2.25 percent |
| Salary increases | 6.50 percent at entry to 3.00 percent after 25 years of service |
| Investment rate of return | 6.50 percent, net of pension plan investment expense |
| Future COLAs | 1.88 percent |

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

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

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2011, through June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| Asset class: | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------|----------------------|----------------------------------------------|
| Global equity | 58.0% | 4.7% |
| Fixed income | 30.0% | 1.7% |
| Real estate | 10.0% | 4.3% |
| Cash | 2.0% | 0.9% |
| | <u>100.0%</u> | |

Discount rate: The discount rate used to measure the total pension asset was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 10. Pension Plan (Continued)

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------------------------------------------------|----------------|--------------------------|------------------|
| District’s proportionate share of net pension liability (asset) | \$ 126,787,987 | \$ (763,873) | \$ (104,695,591) |

Pension plan fiduciary net position: Detailed information about the plan’s fiduciary net position is available in the separately issued SDRS financial report, which can be found at <http://sdrs.sd.gov>.

Note 11. Early Retirement Plan

The District has an employment contract which provides for an early retirement cash benefit of up to 90 percent of current contract salaries to teachers and administrative personnel who retire after having met certain age and length-of-service requirements. To collect these benefits, notification must be given no later than February 1 of the year in which such retirement will occur. Currently, 135 retirees are receiving benefits under this provision. The benefit is paid in five annual installments due June 30 of each year and is paid into a Special Pay Plan as a 403(b) tax-sheltered contribution and/or transferred to the District’s Payroll Withholding Fund to be used to fund future medical insurance premiums. The early retirement benefits are funded from the applicable fund on a pay-as-you-go basis and are recorded as a liability in the government-wide financial statements at the time an employee elects early retirement.

Benefits paid during the year ended June 30, 2020, were \$2,170,952. The liability for future payments is \$1,470,391 and is payable in the following years: 2021, \$919,014; and 2022, \$551,377.

The District amended the early retirement plan for teachers effective with the year ended June 30, 2019, and for administrators effective with the year ending June 30, 2020. The amended plans provide for an early retirement cash benefit of \$5,000, plus an additional amount for a retiring teacher or administrator’s unused sick leave. The total amount of the additional sick leave benefit cannot exceed \$10,000. In addition, there is a nine-year phase-out provision of the previous early retirement plan for administrators. Eligible administrators will be paid under whichever plan provides the higher amount. Benefits under both plans are paid in one annual installment due June 30 of each year paid into a SDRS Special Pay Plan as a 401(a) tax-sheltered contribution, and/or transferred to the District’s Payroll Withholding Fund to be used to fund future medical insurance premiums. 101 employees are expected to be eligible for early retirement benefits by February 2, 2021, not all of whom are expected to elect early retirement.

Note 12. Risk Management

General: The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. The District carries commercial insurance for insurable risks of loss except for employee health insurance and unemployment claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Sioux Falls School District 49-5

Notes to Financial Statements

Note 12. Risk Management (Continued)

Unemployment insurance: The District has the option of funding for unemployment payments by either making payments to the state fund or by self-insuring. The District has elected to self-insure and pays unemployment claims from the applicable fund. The District paid \$63,836 of unemployment insurance claims during the year ended June 30, 2020.

Group health insurance: The District has established a group health self-insurance fund to pay for medical claims of District employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$300,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding \$300,000 with an unlimited maximum are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan.

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2020 were as follows:

| | <u>2020</u> |
|-------------------------------------------------------------------------------|---------------------|
| Benefit claims payable, at beginning of year | \$ 3,300,000 |
| Employee health and related benefits incurred, including changes in estimates | 34,642,123 |
| Employee health and related benefits paid | <u>(34,942,123)</u> |
| Benefit claims payable, at end of year | <u>\$ 3,000,000</u> |

Note 13. Deficit Fund Balance / Net Position of Individual Nonmajor Funds

As of June 30, 2020, the Bond Redemption Fund has a deficit fund balance of \$1,769,280 and the Post-Secondary Child Care Fund had a deficit net position of \$53,223. The District believes the deficit fund balance in the Bond Redemption Fund will be resolved through the levy of property taxes, and plans to address the deficit net position in the Post-Secondary Child Care Fund through a cash transfer from the post-secondary vocational fund.

Note 14. Pending GASB Statements

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued in May 2020, will be effective immediately for the District. The objective of Statement No. 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by delaying the effective dates of pronouncements not yet adopted by 12-18 months. The following pronouncements have been updated to reflect the new effective dates.

The GASB has issued several statements not yet implemented by the District. The statements which may impact the District are as follows:

GASB Statement No. 84, *Fiduciary Activities*, is effective for the District for the year ending June 30, 2021. Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement 84 provides that governments should report activities meeting certain criteria in a fiduciary fund in the basic financial statements and present a statement of fiduciary net position and a statement of changes in fiduciary net position. Statement 84 also describes four fiduciary funds that should be reported, if applicable: pension/ employee benefit trust funds; investment trust funds; private purpose trust funds; and custodial funds with fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 14. Pending GASB Statements (Continued)

GASB Statement No. 87, *Leases*, will be effective for the District beginning with its fiscal year ending June 30, 2022. Among other things, Statement 87 requires that government lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability and (c) note disclosures about the lease.

Under Statement 87, government lessors must:

- Recognize: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable, and (c) note disclosures about the lease.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the District for the year ending June 30, 2022. Statement 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 90, *Major Equity Interests*, will be effective for the District for the year ending June 30, 2021. Statement 90 modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. It also provides guidance for reporting a component unit if a government acquires 100 percent equity interest in that component unit.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for year ending June 30, 2023. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92, *Omnibus 2020*, issued in January 2020, will be effective for the District for year ending June 30, 2022. The objective of Statement No. 92 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to leases, postemployment benefits (pensions and other postemployment benefits), fiduciary activities, asset retirement obligations and fair value measurement and application.

GASB No. 93, *Replacement of Interbank Offered Rates* establishes how the District will report the change of any of its variable payment debt that are tied to the London Interbank Offered Rate (LIBOR) when the LIBOR standard is no longer used after December 31, 2021. This statement will be effective for the District with its year ending June 30, 2022 except for provision relating to the removal of the LIBOR rate, which will be effective for the fiscal year ending June 30, 2023.

Sioux Falls School District 49-5

Notes to Financial Statements

Note 14. Pending GASB Statements (Continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* will improve financial reporting by addressing issues related to public-private and public-public partnerships and provides guidance for accounting and reporting for availability payment arrangements. This statement will be effective for the District for its year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. This statement will be effective for the District for its year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. This statement will also enhance the relevance, consistency and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Another objective of this statement is to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. This statement will be effective for the District for its year ending June 30, 2023.

The District's management has not yet determined the effect of Statements 84, 87, 90, 91, 92, 93, 94, 96 and 97 will have on the District's financial statements.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|----------------------------------------------------|--------------------|--------------------|--------------------|----------------------------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources: | | | | |
| Taxes | \$ 70,552,806 | \$ 70,552,806 | \$ 71,482,865 | \$ 930,059 |
| Tuition and fees | 362,228 | 362,864 | 417,293 | 54,429 |
| Earnings on investments and deposits | 1,000,000 | 1,000,000 | 750,275 | (249,725) |
| Co-curricular activities | 227,700 | 227,700 | 235,754 | 8,054 |
| Other | 1,555,500 | 4,658,089 | 5,448,437 | 790,348 |
| Total local sources | 73,698,234 | 76,801,459 | 78,334,624 | 1,533,165 |
| Intermediate sources, county apportionment | 1,010,592 | 1,010,592 | 770,205 | (240,387) |
| State sources: | | | | |
| Unrestricted grants in aid: | | | | |
| State aid | 80,551,153 | 80,551,153 | 80,204,969 | (346,184) |
| State apportionment | 2,204,200 | 2,204,200 | 2,200,754 | (3,446) |
| Bank franchise taxes | 3,031,775 | 3,031,775 | 4,861,944 | 1,830,169 |
| Restricted grants in aid | 4,184 | 4,184 | 179,392 | 175,208 |
| Tuition | - | - | 103,122 | 103,122 |
| Other | - | 3,874 | 96,495 | 92,621 |
| Total state sources | 85,791,312 | 85,795,186 | 87,646,676 | 1,851,490 |
| Federal sources: | | | | |
| Restricted grants in aid: | | | | |
| Received directly from federal government | 3,008,330 | 3,031,064 | 2,917,717 | (113,347) |
| Received from federal government through the state | 8,719,952 | 10,931,042 | 9,996,613 | (934,429) |
| Other federal revenue | 15,000 | 30,730 | 27,327 | (3,403) |
| Total federal sources | 11,743,282 | 13,992,836 | 12,941,657 | (1,051,179) |
| Other | 152,497 | 152,497 | 64,665 | (87,832) |
| Total revenues | 172,395,917 | 177,752,570 | 179,757,827 | 2,005,257 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary programs | 43,377,080 | 43,907,596 | 43,140,216 | 767,380 |
| Middle school programs | 23,752,892 | 24,004,933 | 22,871,591 | 1,133,342 |
| High school programs | 27,082,731 | 27,592,568 | 26,458,815 | 1,133,753 |
| Total regular programs | 94,212,703 | 95,505,097 | 92,470,622 | 3,034,475 |

(Continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|-----------------------------------------|--------------------|--------------------|--------------------|----------------------------------------------------------|
| | Original | Final | | |
| Special programs: | | | | |
| Programs for the gifted and talented | 801,792 | 951,707 | 924,452 | 27,255 |
| Programs for the culturally different | 5,367,426 | 5,400,084 | 5,681,381 | (281,297) |
| Programs for the educationally deprived | 4,448,634 | 4,030,760 | 4,192,395 | (161,635) |
| Other | 4,637,658 | 5,400,206 | 5,084,226 | 315,980 |
| Total special programs | 15,255,510 | 15,782,757 | 15,882,454 | (99,697) |
| Total instruction | 109,468,213 | 111,287,854 | 108,353,076 | 2,934,778 |
| Support services: | | | | |
| Pupils: | | | | |
| Attendance and social work services | 808,999 | 808,999 | 737,916 | 71,083 |
| Guidance services | 5,403,715 | 5,472,536 | 5,617,570 | (145,034) |
| Health services | 1,184,432 | 1,200,582 | 1,264,079 | (63,497) |
| Total pupils | 7,397,146 | 7,482,117 | 7,619,565 | (137,448) |
| Instructional staff: | | | | |
| Improvement of instructional services | 6,289,725 | 7,755,723 | 6,867,554 | 888,169 |
| Educational media services | 3,617,533 | 3,641,653 | 3,820,389 | (178,736) |
| Total instructional staff | 9,907,258 | 11,397,376 | 10,687,943 | 709,433 |
| General and administrative: | | | | |
| Board of Education services | 1,003,601 | 1,003,601 | 1,056,171 | (52,570) |
| Executive administration services | 2,018,495 | 2,030,959 | 2,151,291 | (120,332) |
| Total general and administrative | 3,022,096 | 3,034,560 | 3,207,462 | (172,902) |
| School administration: | | | | |
| Office of the principal services | 11,498,602 | 11,553,591 | 11,813,468 | (259,877) |
| Other | 1,402,519 | 1,408,392 | 1,373,552 | 34,840 |
| Total school administration | 12,901,121 | 12,961,983 | 13,187,020 | (225,037) |
| Business: | | | | |
| Fiscal services | 1,561,953 | 1,562,290 | 1,616,893 | (54,603) |
| Operation and maintenance of plant | 18,477,790 | 18,483,132 | 17,340,763 | 1,142,369 |
| Pupil transportation services | 5,406,197 | 5,427,055 | 5,534,460 | (107,405) |
| Food services | 267,795 | 706,594 | 777,562 | (70,968) |
| Internal services | 1,000 | 1,000 | (9,240) | 10,240 |
| Total business | 25,714,735 | 26,180,071 | 25,260,438 | 919,633 |

(Continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|-------------------------------------------|----------------------|----------------------|----------------------|----------------------------------------------------------|
| | Original | Final | | |
| Central: | | | | |
| Planning and research | 736,263 | 741,263 | 739,746 | 1,517 |
| Data processing services | 3,459,551 | 3,645,108 | 3,198,249 | 446,859 |
| Total central | 4,195,814 | 4,386,371 | 3,937,995 | 448,376 |
| Total support services | 63,138,170 | 65,442,478 | 63,900,423 | 1,542,055 |
| Community services: | | | | |
| Nonpublic schools | 65,070 | 109,495 | 192,280 | (82,785) |
| Other | 8,000 | 8,000 | 2,706 | 5,294 |
| Total community services | 73,070 | 117,495 | 194,986 | (77,491) |
| Nonprogrammed charges: | | | | |
| Unemployment payments | 15,000 | 15,000 | 58,130 | (43,130) |
| Early retirement payments | 928,969 | 928,969 | 1,561,592 | (632,623) |
| Total nonprogrammed charges | 943,969 | 943,969 | 1,619,722 | (675,753) |
| Co-curricular activities: | | | | |
| Male activities | 1,165,789 | 1,396,797 | 1,312,031 | 84,766 |
| Female activities | 1,006,509 | 1,140,850 | 1,047,662 | 93,188 |
| Combined activities | 868,674 | 2,147,259 | 2,107,240 | 40,019 |
| Total co-curricular activities | 3,040,972 | 4,684,906 | 4,466,933 | 217,973 |
| Other | 175,913 | 184,018 | 134,913 | 49,105 |
| Total expenditures | 176,840,307 | 182,660,720 | 178,670,053 | 3,990,667 |
| Revenues over (under) expenditures | (4,444,390) | (4,908,150) | 1,087,774 | 5,995,924 |
| Other financing sources (uses): | | | | |
| Transfers in | 3,560,000 | 3,560,000 | 3,581,183 | 21,183 |
| Sale of surplus property | - | - | 26,028 | 26,028 |
| Total other financing sources | 3,560,000 | 3,560,000 | 3,607,211 | 47,211 |
| Net change in fund balances | (884,390) | (1,348,150) | 4,694,985 | 6,043,135 |
| Fund balance—beginning | 15,611,429 | 15,611,429 | 15,611,429 | - |
| Fund balance—ending | \$ 14,727,039 | \$ 14,263,279 | \$ 20,306,414 | \$ 6,043,135 |

See notes to required supplementary information.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Capital Outlay Fund
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|----------------------------------------------------|-------------------|-------------------|-------------------|----------------------------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources: | | | | |
| Taxes | \$ 31,770,672 | \$ 31,770,672 | \$ 32,899,234 | \$ 1,128,562 |
| Tuition and fees | 40,572 | 40,572 | 41,839 | 1,267 |
| Earnings on investments and deposits | 130,000 | 130,000 | 136,241 | 6,241 |
| Other | 64,000 | 644,428 | 928,722 | 284,294 |
| Total local sources | 32,005,244 | 32,585,672 | 34,006,036 | 1,420,364 |
| Federal sources: | | | | |
| Restricted grants in aid: | | | | |
| Received directly from federal government | - | - | 52,757 | 52,757 |
| Received from federal government through the state | - | 26,379 | 115,339 | 88,960 |
| Other federal revenue | 374,638 | 502,660 | 457,518 | (45,142) |
| Total federal sources | 374,638 | 529,039 | 625,614 | 96,575 |
| Total revenues | 32,379,882 | 33,114,711 | 34,631,650 | 1,516,939 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary programs | 1,312,423 | 1,437,530 | 542,497 | 895,033 |
| Middle school programs | 805,310 | 914,410 | 861,822 | 52,588 |
| High school programs | 908,909 | 1,110,440 | 1,090,512 | 19,928 |
| Total regular programs | 3,026,642 | 3,462,380 | 2,494,831 | 967,549 |
| Special programs: | | | | |
| Programs for severe disabilities | - | - | 379 | (379) |
| Early childhood programs | - | - | 379 | (379) |
| Programs for the educationally deprived | - | 26,379 | 67,496 | (41,117) |
| Other | 34,165 | 40,424 | 81,186 | (40,762) |
| Total special programs | 34,165 | 66,803 | 149,440 | (82,637) |
| Total instruction | 3,060,807 | 3,529,183 | 2,644,271 | 884,912 |
| Support services: | | | | |
| Pupils: | | | | |
| Guidance services | - | - | 401 | (401) |
| Health services | 10,560 | 10,560 | 9,522 | 1,038 |
| Total pupils | 10,560 | 10,560 | 9,923 | 637 |

(Continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Capital Outlay Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|----------------------------------------------------------------------|-------------------|-------------------|-------------------|----------------------------------------------------------|
| | Original | Final | | |
| Instructional staff: | | | | |
| Improvement of instructional services | 385,470 | 385,470 | 130 | 385,340 |
| Educational media services | 8,978 | 36,478 | 77,000 | (40,522) |
| Total instructional staff | 394,448 | 421,948 | 77,130 | 344,818 |
| General and administrative, executive administration services | | | | |
| | 20,500 | 20,500 | 23,125 | (2,625) |
| Total general and administrative | 20,500 | 20,500 | 23,125 | (2,625) |
| School administration: | | | | |
| Office of the principal services | 46,873 | 66,020 | 56,002 | 10,018 |
| Total school administration | 46,873 | 66,020 | 56,002 | 10,018 |
| Business: | | | | |
| Fiscal services | 37,704 | 37,704 | 172,389 | (134,685) |
| Facilities acquisition | 7,236,052 | 8,753,223 | 7,405,305 | 1,347,918 |
| Operation and maintenance of plant | 358,500 | 401,340 | 337,632 | 63,708 |
| Pupil transportation services | 27,000 | 155,022 | 145,017 | 10,005 |
| Total business | 7,659,256 | 9,347,289 | 8,060,343 | 1,286,946 |
| Central, data processing services | 1,233,500 | 1,235,294 | 128,285 | 1,107,009 |
| Total central | 1,233,500 | 1,235,294 | 128,285 | 1,107,009 |
| Total support services | 9,365,137 | 11,101,611 | 8,354,808 | 2,746,803 |
| Nonprogrammed charges, payments to other educational institutions | | | | |
| | 805,088 | 805,088 | 872,271 | (67,183) |
| Total nonprogrammed charges | 805,088 | 805,088 | 872,271 | (67,183) |
| Debt service | 13,682,103 | 13,682,103 | 13,682,103 | - |
| Co-curricular activities: | | | | |
| Male activities | 62,000 | 83,681 | 111,638 | (27,957) |
| Female activities | 33,000 | 44,186 | 74,098 | (29,912) |
| Combined activities | - | 57,931 | 57,931 | - |
| Total co-curricular activities | 95,000 | 185,798 | 243,667 | (57,869) |
| Total expenditures | 27,008,135 | 29,303,783 | 25,797,120 | 3,506,663 |
| Revenues over expenditures | 5,371,747 | 3,810,928 | 8,834,530 | 5,023,602 |

(Continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Capital Outlay Fund
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|----------------------------------------|----------------------|----------------------|----------------------|----------------------------------------------------------|
| | Original | Final | | |
| Other financing sources (uses): | | | | |
| Transfers out | (3,560,000) | (3,560,000) | (3,560,000) | - |
| Capital outlay certificates issued | - | 15,420,000 | 15,522,650 | 102,650 |
| Sale of surplus property | - | 1,040 | 1,540 | 500 |
| Payment to refunded debt escrow agency | - | (15,420,000) | (15,420,000) | - |
| Total other financing uses | (3,560,000) | (3,558,960) | (3,455,810) | 103,150 |
| Net change in fund balances | 1,811,747 | 251,968 | 5,378,720 | 5,126,752 |
| Fund balance—beginning | 14,799,266 | 14,799,266 | 14,799,266 | - |
| Fund balance—ending | \$ 16,611,013 | \$ 15,051,234 | \$ 20,177,986 | \$ 5,126,752 |

See notes to required supplementary information.

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Special Education Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|------------------------------------------------------------------------|-------------------|-------------------|-------------------|----------------------------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources: | | | | |
| Taxes | \$ 18,842,280 | \$ 18,842,280 | \$ 19,123,619 | \$ 281,339 |
| Tuition and fees | 117,000 | 117,000 | 115,782 | (1,218) |
| Earnings on investments and deposits | 130,000 | 130,000 | 32,978 | (97,022) |
| Other | 500,000 | 504,714 | 410,324 | (94,390) |
| Total local sources | 19,589,280 | 19,593,994 | 19,682,703 | 88,709 |
| State sources: | | | | |
| Restricted grants in aid | 19,909,079 | 19,909,079 | 19,737,267 | (171,812) |
| Tuition | 10,000 | 10,000 | 7,594 | (2,406) |
| Total state sources | 19,919,079 | 19,919,079 | 19,744,861 | (174,218) |
| Federal sources, received from federal government through the state | | | | |
| | 5,880,448 | 5,880,448 | 6,129,378 | 248,930 |
| Total revenues | 45,388,807 | 45,393,521 | 45,556,942 | 163,421 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Special programs: | | | | |
| Programs for mild disabilities | 18,699,137 | 18,727,442 | 16,799,446 | 1,927,996 |
| Programs for severe disabilities | 8,614,971 | 8,629,633 | 8,421,082 | 208,551 |
| Day programs | 2,600,870 | 2,600,870 | 2,609,125 | (8,255) |
| Homebound programs | - | - | 87,344 | (87,344) |
| Early childhood programs | 1,710,756 | 1,710,756 | 1,642,804 | 67,952 |
| Prolonged assistance programs | 563,011 | 557,262 | 620,351 | (63,089) |
| Other | 295,708 | 295,708 | 367,373 | (71,665) |
| Total special programs | 32,484,453 | 32,521,671 | 30,547,525 | 1,974,146 |
| Total instruction | 32,484,453 | 32,521,671 | 30,547,525 | 1,974,146 |
| Support services: | | | | |
| Pupils: | | | | |
| Health services | 10,000 | 10,000 | 7,466 | 2,534 |
| Psychological services | - | - | 134,087 | (134,087) |
| Speech pathology services | 2,463,491 | 2,465,906 | 2,527,179 | (61,273) |
| Student therapy services | 2,264,641 | 2,265,141 | 2,147,119 | 118,022 |
| Orientation and mobility services | 122,259 | 122,259 | 135,348 | (13,089) |
| Total pupils | 4,860,391 | 4,863,306 | 4,951,199 | (87,893) |

(Continued)

Sioux Falls School District 49-5

Budgetary Comparison Schedule
 Special Education Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|---------------------------------------------------------------|-------------------|-------------------|-------------------|----------------------------------------------------------|
| | Original | Final | | |
| Instructional staff, improvement of instructional services | 8,130 | 8,130 | - | 8,130 |
| Special education: | | | | |
| Administrative costs | 2,204,280 | 2,204,280 | 2,798,733 | (594,453) |
| Transportation costs | 2,510,053 | 2,510,053 | 2,414,826 | 95,227 |
| Other | 3,965,134 | 3,965,134 | 3,159,873 | 805,261 |
| Total special education | 8,679,467 | 8,679,467 | 8,373,432 | 306,035 |
| Total support services | 13,547,988 | 13,550,903 | 13,324,631 | 226,272 |
| Nonprogrammed charges, early retirement payments | 156,229 | 156,229 | 151,143 | 5,086 |
| Total expenditures | 46,188,670 | 46,228,803 | 44,023,299 | 2,205,504 |
| Revenues over (under) expenditures | (799,863) | (835,282) | 1,533,643 | 2,368,925 |
| Net change in fund balances | (799,863) | (835,282) | 1,533,643 | 2,368,925 |
| Fund balance—beginning | 1,464,307 | 1,464,307 | 1,464,307 | - |
| Fund balance—ending | \$ 664,444 | \$ 629,025 | \$ 2,997,950 | \$ 2,368,925 |

See notes to required supplementary information.

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Post-Secondary Vocational Fund
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|---------------------------------------------------------------|-------------------|-------------------|-------------------|----------------------------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources: | | | | |
| Tuition and fees | \$ 13,402,908 | \$ 13,402,908 | \$ 13,121,024 | \$ (281,884) |
| Earnings on investments and deposits | 70,000 | 70,000 | 140,314 | 70,314 |
| Other | 1,269,768 | 1,282,639 | 1,093,021 | (189,618) |
| Total local sources | 14,742,676 | 14,755,547 | 14,354,359 | (401,188) |
| State sources: | | | | |
| Restricted grants in aid | 7,454,606 | 7,454,606 | 7,543,901 | 89,295 |
| Other | 1,454,309 | 1,454,309 | 1,182,591 | (271,718) |
| Total state sources | 8,908,915 | 8,908,915 | 8,726,492 | (182,423) |
| Federal sources: | | | | |
| Restricted grants in aid: | | | | |
| Received from federal government through the state | 956,344 | 956,344 | 874,984 | (81,360) |
| Other federal revenue | 13,700 | 13,700 | 23,210 | 9,510 |
| Total federal sources | 970,044 | 970,044 | 898,194 | (71,850) |
| Total revenues | 24,621,635 | 24,634,506 | 23,979,045 | (655,461) |
| Expenditures: | | | | |
| Instruction: | | | | |
| Adult/continuing education programs: | | | | |
| Adult basic education programs | 323,586 | 323,586 | 275,339 | 48,247 |
| Adult continuing education programs | 68,619 | 68,619 | 53,230 | 15,389 |
| Total adult/continuing education programs | 392,205 | 392,205 | 328,569 | 63,636 |
| Post-secondary occupational programs | 11,557,798 | 11,570,669 | 10,941,893 | 628,776 |
| Total instruction | 11,950,003 | 11,962,874 | 11,270,462 | 692,412 |
| Support services: | | | | |
| Pupils, guidance services | 951,659 | 951,659 | 898,691 | 52,968 |
| Instructional staff, improvement of instructional services | 854,255 | 854,255 | 803,526 | 50,729 |

(Continued)

Sioux Falls School District 49-5

**Budgetary Comparison Schedule
Post-Secondary Vocational Fund
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|------------------------------------------------------------|---------------------|---------------------|---------------------|----------------------------------------------------------|
| | Original | Final | | |
| General and administrative, board of education services | 245,000 | 245,000 | 229,870 | 15,130 |
| School administration, other | 3,212,248 | 3,212,248 | 3,196,562 | 15,686 |
| Business: | | | | |
| Fiscal services | 873,759 | 873,759 | 759,827 | 113,932 |
| Facilities acquisition | 3,105,812 | 3,105,812 | 1,336,340 | 1,769,472 |
| Operation and maintenance of plant | 1,926,842 | 1,926,842 | 1,655,698 | 271,144 |
| Other | 109,747 | 109,747 | 102,379 | 7,368 |
| Total business | 6,016,160 | 6,016,160 | 3,854,244 | 2,161,916 |
| Central, data processing services | 1,552,103 | 1,552,103 | 1,633,546 | (81,443) |
| Total support services | 12,831,425 | 12,831,425 | 10,616,439 | 2,214,986 |
| Nonprogrammed charges: | | | | |
| Early retirement payments | 591,432 | 591,432 | 457,520 | 133,912 |
| Unemployment payments | - | - | 5,706 | (5,706) |
| Total nonprogrammed charges | 591,432 | 591,432 | 463,226 | 128,206 |
| Co-curricular activities, combined activities | 10,408 | 10,408 | 6,628 | 3,780 |
| Total co-curricular activities | 10,408 | 10,408 | 6,628 | 3,780 |
| Total expenditures | 25,383,268 | 25,396,139 | 22,356,755 | 3,039,384 |
| Revenues over (under) expenditures | (761,633) | (761,633) | 1,622,290 | 2,383,923 |
| Other financing sources (uses): | | | | |
| Transfers out | (124,000) | (124,000) | (124,000) | - |
| Sale of surplus property | - | - | 8,805 | 8,805 |
| Total other financing sources (uses) | (124,000) | (124,000) | (115,195) | 8,805 |
| Net change in fund balances | (885,633) | (885,633) | 1,507,095 | 2,392,728 |
| Fund balance—beginning | 4,325,209 | 4,325,209 | 4,325,209 | - |
| Fund balance—ending | \$ 3,439,576 | \$ 3,439,576 | \$ 5,832,304 | \$ 2,392,728 |

See notes to required supplementary information.

Sioux Falls School District 49-5

**Schedule of Changes in the District’s Net OPEB Liability and Related Ratios
Year Ended June 30, 2020**

| | 2018 | 2019 | 2020 |
|-----------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB liability: | | | |
| Service cost | \$ 1,194,678 | \$ 1,240,912 | \$ 1,279,768 |
| Interest | 749,887 | 769,373 | 761,471 |
| Changes of assumptions | (545,308) | 719,881 | 650,487 |
| Benefit payments | (717,703) | (972,656) | (813,640) |
| Net change in total OPEB liability | 681,554 | 1,757,510 | 1,878,086 |
| Total OPEB liability—beginning | 18,444,199 | 19,125,853 | 20,883,363 |
| Total OPEB liability—ending | \$ 19,125,753 | \$ 20,883,363 | \$ 22,761,449 |
| Covered payroll | \$ 146,136,621 | \$ 149,086,436 | \$ 151,442,000 |
| District’s total OPEB liability as a percentage of covered payroll | 13.09% | 14.01% | 15.03% |

Notes to Schedule:

Changes of benefit terms and assumptions: As of June 30, 2020, the discount rate used in the actuarial calculation decreased from 3.50 percent as of June 30, 2019, to 2.21 percent as of June 30, 2020. All other benefit terms and assumptions remained the same.

Plan assets: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note: GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Sioux Falls School District 49-5

Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)

South Dakota Retirement System

Last 10 Fiscal Years

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------------------------------------------------------------------------------------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| Measurement date | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 |
| District's proportion of the net pension liability (asset) | 7.082% | 7.095% | 6.987% | 7.126% | 7.225% | 7.208% |
| District's proportionate share of net pension liability (asset) | \$ (51,024,154) | \$ (30,092,793) | \$ 23,600,235 | \$ (646,650) | \$ (168,498) | \$ (763,873) |
| District's covered payroll (approximately) | \$ 123,553,000 | \$ 129,193,000 | \$ 132,577,000 | \$ 144,439,000 | \$ 149,876,000 | \$ 152,783,000 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -41.30% | -23.29% | 17.80% | -0.45% | -0.11% | -0.50% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 107.3% | 104.1% | 96.89% | 100.1% | 100.02% | 100.09% |

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

Changes of assumptions: Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

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

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

Sioux Falls School District 49-5

Schedule of District Contributions

South Dakota Retirement System

Last 10 Fiscal Years

(Dollar amounts in thousands)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 7,048 | \$ 6,731 | \$ 6,814 | \$ 7,431 | \$ 7,773 | \$ 7,970 | \$ 8,689 | \$ 9,014 | \$ 9,195 | \$ 9,333 |
| Contributions in relation to the contractually required contribution | 7,048 | 6,731 | 6,814 | 7,431 | 7,773 | 7,970 | 8,689 | 9,014 | 9,195 | 9,333 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 117,203 | \$ 111,865 | \$ 113,340 | \$ 123,553 | \$ 129,193 | \$ 132,577 | \$ 144,439 | \$ 149,876 | \$ 152,783 | \$ 155,059 |
| Contributions as a percentage of covered payroll | 6.01% | 6.02% | 6.01% | 6.01% | 6.02% | 6.01% | 6.02% | 6.01% | 6.02% | 6.02% |

Sioux Falls School District 49-5

Notes to Required Supplementary Information

Note 1. Budget Matters

The District's Board annually adopts a budget and approves the related appropriations for the general fund, special revenue funds and proprietary funds in accordance with provisions of South Dakota codified law. Budgets were also adopted for all capital projects funds. The appropriated budget amounts are, in all material respects, prepared on the same basis of accounting used to prepare the fund financial statements.

Legal spending control for District monies is at the fund level, but management control is exercised at the budgetary line item levels within each fund. Encumbrance accounting is used by the District during the year. Unexpended budgeted amounts lapse at the end of the budget year.

Note 2. Basis of Presentation

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

Sioux Falls School District 49-5

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

| | Special | Debt | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|---------------------------------------------------------------------------|-----------------|---------------------|------------------------|-------------------------------------------|---------------------------|--------------------------------------------|
| | Revenue Fund | Service Fund | Elementary Project | Capital Improvement Plan Project | Hail Damage Project | |
| | Pension | Bond Redemption | | | | |
| Assets | | | | | | |
| Cash | \$ - | \$ 126 | \$ 497,242 | \$ 4,753,528 | \$ 425,291 | \$ 5,676,187 |
| Certificates of deposit | - | - | - | 3,700,000 | - | 3,700,000 |
| Current taxes receivable, net | - | 2,557,814 | - | - | - | 2,557,814 |
| Delinquent taxes receivable, net | - | 15,342 | - | - | - | 15,342 |
| Interest receivable | - | - | - | 140,433 | - | 140,433 |
| Total assets | \$ - | \$ 2,573,282 | \$ 497,242 | \$ 8,593,961 | \$ 425,291 | \$ 12,089,776 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 1,146,124 | \$ - | \$ 1,146,124 |
| Due to other funds | - | 1,696,399 | - | - | - | 1,696,399 |
| Total liabilities | - | 1,696,399 | - | 1,146,124 | - | 2,842,523 |
| Deferred inflows of resources: | | | | | | |
| Taxes levied for a future period | - | 2,632,718 | - | - | - | 2,632,718 |
| Unavailable revenue—property taxes | - | 13,445 | - | - | - | 13,445 |
| Total deferred inflows of resources | - | 2,646,163 | - | - | - | 2,646,163 |
| Fund balances: | | | | | | |
| Restricted: | | | | | | |
| Construction projects | - | - | 497,242 | 7,447,837 | - | 7,945,079 |
| Assigned: | | | | | | |
| Hail damage project | - | - | - | - | 425,291 | 425,291 |
| Unassigned | - | (1,769,280) | - | - | - | (1,769,280) |
| Total fund balances | - | (1,769,280) | 497,242 | 7,447,837 | 425,291 | 6,601,090 |
| Total liabilities, deferred inflows of resources and fund balances | \$ - | \$ 2,573,282 | \$ 497,242 | \$ 8,593,961 | \$ 425,291 | \$ 12,089,776 |

Sioux Falls School District 49-5

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2020

| | Special Revenue Fund | Debt Service Fund | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|---------------------------------------------|----------------------------|-------------------------|------------------------|--------------------|-----------------------|--------------------------------------------|
| | | | Pension | Bond Redemption | Elementary Project | |
| Revenues | | | | | | |
| Local sources: | | | | | | |
| Taxes | \$ 6,078 | \$ 3,414,243 | \$ - | \$ - | \$ - | \$ 3,420,321 |
| Earnings on investments and deposits | 255 | 4,206 | 4 | 176,787 | - | 181,252 |
| Other | - | - | - | 10,000 | - | 10,000 |
| Total local sources | 6,333 | 3,418,449 | 4 | 186,787 | - | 3,611,573 |
| Total revenues | 6,333 | 3,418,449 | 4 | 186,787 | - | 3,611,573 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Business: | | | | | | |
| Fiscal services | - | 375 | - | - | - | 375 |
| Total support services | - | 375 | - | - | - | 375 |
| Interest | - | 5,976,052 | - | - | - | 5,976,052 |
| Total debt service | - | 5,976,052 | - | - | - | 5,976,052 |
| Capital outlay | - | - | - | 2,725,983 | - | 2,725,983 |
| Total expenditures | - | 5,976,427 | - | 2,725,983 | - | 8,702,410 |
| Revenues over (under) expenditures | 6,333 | (2,557,978) | 4 | (2,539,196) | - | (5,090,837) |
| Other financing sources (uses) | | | | | | |
| Transfers out | (21,183) | - | - | - | - | (21,183) |
| Total other financing sources (uses) | (21,183) | - | - | - | - | (21,183) |
| Net change in fund balances | (14,850) | (2,557,978) | 4 | (2,539,196) | - | (5,112,020) |
| Fund balance—beginning | 14,850 | 788,698 | 497,238 | 9,987,033 | 425,291 | 11,713,110 |
| Fund balance—ending | \$ - | \$ (1,769,280) | \$ 497,242 | \$ 7,447,837 | \$ 425,291 | \$ 6,601,090 |

Sioux Falls School District 49-5

Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2020

| | Community Services | House Construction | Post-Secondary Bookstore | Post-Secondary Child Care | Post-Secondary Food Services | Totals |
|--------------------------------------------------------------------------|---------------------|--------------------|--------------------------|---------------------------|------------------------------|---------------------|
| Assets and Deferred Outflows of Resources | | | | | | |
| Current assets: | | | | | | |
| Cash | \$ 1,401,218 | \$ 160,043 | \$ 1,072,337 | \$ 5,654 | \$ 38,938 | \$ 2,678,190 |
| Accounts receivable | 23,310 | - | 308,240 | 8,919 | 3,193 | 343,662 |
| Due from other funds | - | - | 12,250 | - | - | 12,250 |
| Due from other governments | 18,851 | - | - | - | 1,170 | 20,021 |
| Inventory and prepaid expenses | 7,666 | - | 534,591 | - | 15,161 | 557,418 |
| Total current assets | 1,451,045 | 160,043 | 1,927,418 | 14,573 | 58,462 | 3,611,541 |
| Noncurrent assets: | | | | | | |
| Net pension asset | 16,125 | - | 517 | 843 | 418 | 17,903 |
| Capital assets: | | | | | | |
| Buildings and improvements | - | - | 23,720 | - | - | 23,720 |
| Improvements other than building | - | - | - | 6,866 | - | 6,866 |
| Machinery and equipment-local funds | 105,565 | 5,000 | 256,807 | 15,798 | 205,760 | 588,930 |
| Less accumulated depreciation | (45,385) | (4,000) | (256,613) | (20,764) | (87,114) | (413,876) |
| Total capital assets (net of accumulated depreciation) | 60,180 | 1,000 | 23,914 | 1,900 | 118,646 | 205,640 |
| Total noncurrent assets | 76,305 | 1,000 | 24,431 | 2,743 | 119,064 | 223,543 |
| Total assets | 1,527,350 | 161,043 | 1,951,849 | 17,316 | 177,526 | 3,835,084 |
| Deferred outflows of resources | | | | | | |
| Other postemployment benefits-related deferred outflows | 57,149 | - | 1,784 | 2,908 | 1,216 | 63,057 |
| Pension-related deferred outflows | 790,666 | - | 27,059 | 56,923 | 69,379 | 944,027 |
| Total deferred outflows of resources | 847,815 | - | 28,843 | 59,831 | 70,595 | 1,007,084 |
| Total assets and deferred outflows of resources | \$ 2,375,165 | \$ 161,043 | \$ 1,980,692 | \$ 77,147 | \$ 248,121 | \$ 4,842,168 |
| Liabilities, Deferred Inflows of Resources and Net Position | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 48,296 | \$ - | \$ 14,278 | \$ 459 | \$ 350 | \$ 63,383 |
| Accrued wages and related benefits payable | 678,535 | - | 12,890 | 6,953 | 3,460 | 701,838 |
| Due to other funds | - | - | - | 87,990 | - | 87,990 |
| Unearned revenue and deposits | 8,740 | - | - | - | - | 8,740 |
| Total current liabilities | 735,571 | - | 27,168 | 95,402 | 3,810 | 861,951 |
| Noncurrent liabilities, net OPEB obligation | | | | | | |
| Total noncurrent liabilities | 244,756 | - | 7,539 | 13,678 | 5,681 | 271,654 |
| Total liabilities | 980,327 | - | 34,707 | 109,080 | 9,491 | 1,133,605 |
| Deferred inflows of resources: | | | | | | |
| OPEB-related deferred inflows | 40,284 | - | 1,269 | 2,066 | 917 | 44,536 |
| Pension-related deferred inflows | 348,760 | - | 10,719 | 19,224 | 6,854 | 385,557 |
| Total deferred inflows of resources | 389,044 | - | 11,988 | 21,290 | 7,771 | 430,093 |
| Net position: | | | | | | |
| Invested in capital assets | 60,180 | 1,000 | 23,914 | 1,900 | 118,646 | 205,640 |
| Restricted for SDRS pension | 458,031 | - | 16,857 | 38,542 | 62,943 | 576,373 |
| Unrestricted | 487,583 | 160,043 | 1,893,226 | (93,665) | 49,270 | 2,496,457 |
| Total net position | 1,005,794 | 161,043 | 1,933,997 | (53,223) | 230,859 | 3,278,470 |
| Total liabilities, deferred inflows of resources and net position | \$ 2,375,165 | \$ 161,043 | \$ 1,980,692 | \$ 77,147 | \$ 248,121 | \$ 4,842,168 |

Sioux Falls School District 49-5

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
 Nonmajor Enterprise Funds
 Year Ended June 30, 2020

| | Community Services | House Construction | Post- Secondary Bookstore | Post- Secondary Child Care | Post- Secondary Food Services | Totals |
|---------------------------------------|-----------------------|-----------------------|---------------------------------|----------------------------------|-------------------------------------|--------------------|
| Operating revenue: | | | | | | |
| Food sales | \$ - | \$ - | \$ - | \$ - | \$ 265,099 | \$ 265,099 |
| Tuition | 3,652,630 | - | - | - | - | 3,652,630 |
| Bookstore sales | - | - | 2,244,127 | - | - | 2,244,127 |
| Other | 1,609,652 | - | 4,513 | 197,358 | - | 1,811,523 |
| Total operating revenue | 5,262,282 | - | 2,248,640 | 197,358 | 265,099 | 7,973,379 |
| Operating expenses: | | | | | | |
| Salaries | 4,247,672 | - | 136,019 | 191,350 | 126,684 | 4,701,725 |
| Employee benefits | 1,351,521 | - | 48,472 | 74,690 | 38,675 | 1,513,358 |
| Purchased services | 290,466 | 1,528 | 22,881 | 50 | 5,910 | 320,835 |
| Supplies | 348,468 | - | - | 7,689 | 160,212 | 516,369 |
| Cost of sales—purchases | - | - | 1,862,137 | - | - | 1,862,137 |
| Miscellaneous | 69,314 | - | 73,096 | 2,656 | 6,628 | 151,694 |
| Pension expense (benefit) | 260,114 | - | 8,254 | 12,917 | 6,175 | 287,460 |
| Depreciation—local funds | 10,393 | 1,000 | 20,547 | 343 | 22,179 | 54,462 |
| Total operating expenses | 6,577,948 | 2,528 | 2,171,406 | 289,695 | 366,463 | 9,408,040 |
| Operating income (loss) | (1,315,666) | (2,528) | 77,234 | (92,337) | (101,364) | (1,434,661) |
| Income (loss) before transfers | (1,315,666) | (2,528) | 77,234 | (92,337) | (101,364) | (1,434,661) |
| Transfers in | - | - | - | 39,000 | 85,000 | 124,000 |
| Total transfers | - | - | - | 39,000 | 85,000 | 124,000 |
| Change in net position | (1,315,666) | (2,528) | 77,234 | (53,337) | (16,364) | (1,310,661) |
| Net position—beginning | 2,321,460 | 163,571 | 1,856,763 | 114 | 247,223 | 4,589,131 |
| Net position—ending | \$ 1,005,794 | \$ 161,043 | \$ 1,933,997 | \$ (53,223) | \$ 230,859 | \$ 3,278,470 |

Sioux Falls School District 49-5

Combining Statement of Net Position
Internal Service Funds
June 30, 2020

| | Group Health Insurance | Reprographics | Totals |
|---------------------------------------------------------------|---------------------------|-------------------|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash | \$ 17,293,012 | \$ 625,819 | \$ 17,918,831 |
| Accounts receivable | 786,374 | - | 786,374 |
| Total current assets | <u>18,079,386</u> | <u>625,819</u> | <u>18,705,205</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Machinery and equipment-local funds | - | 274,560 | 274,560 |
| Less accumulated depreciation | - | (205,605) | (205,605) |
| Total capital assets (net of accumulated depreciation) | <u>-</u> | <u>68,955</u> | <u>68,955</u> |
| Total assets | <u>\$ 18,079,386</u> | <u>\$ 694,774</u> | <u>\$ 18,774,160</u> |
| Liabilities and Net Position | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 56,042 | \$ 62 | \$ 56,104 |
| Accrued wages and related benefits payable | - | 7,522 | 7,522 |
| Incurred but not reported claims | 3,000,000 | - | 3,000,000 |
| Total current liabilities | <u>3,056,042</u> | <u>7,584</u> | <u>3,063,626</u> |
| Total liabilities | <u>3,056,042</u> | <u>7,584</u> | <u>3,063,626</u> |
| Net position: | | | |
| Net investment in capital assets | - | 68,955 | 68,955 |
| Unrestricted | 15,023,344 | 618,235 | 15,641,579 |
| Total net position | <u>15,023,344</u> | <u>687,190</u> | <u>15,710,534</u> |
| Total liabilities and net position | <u>\$ 18,079,386</u> | <u>\$ 694,774</u> | <u>\$ 18,774,160</u> |

Sioux Falls School District 49-5

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
 Internal Service Funds
 Year Ended June 30, 2020

| | Group Health Insurance | Reprographics | Totals |
|-----------------------------------------------|---------------------------|-------------------|----------------------|
| Operating revenue: | | | |
| Charges equivalent to insurance premiums | \$ 41,530,354 | \$ - | \$ 41,530,354 |
| Other | 43,918 | 795,741 | 839,659 |
| Total operating revenue | 41,574,272 | 795,741 | 42,370,013 |
| Operating expenses: | | | |
| Salaries | - | 125,171 | 125,171 |
| Employee benefits | - | 26,396 | 26,396 |
| Purchased services | 3,577,495 | 404,439 | 3,981,934 |
| Supplies | 35,436 | 62,264 | 97,700 |
| Insurance claims | 32,786,822 | - | 32,786,822 |
| Miscellaneous | 182,862 | - | 182,862 |
| Depreciation—local funds | - | 34,347 | 34,347 |
| Total operating expenses | 36,582,615 | 652,617 | 37,235,232 |
| Operating income | 4,991,657 | 143,124 | 5,134,781 |
| Nonoperating revenues (expenses): | | | |
| Local sources, investment earnings | 123,719 | - | 123,719 |
| Total nonoperating revenues (expenses) | 123,719 | - | 123,719 |
| Change in net position | 5,115,376 | 143,124 | 5,258,500 |
| Net position—beginning | 9,907,968 | 544,066 | 10,452,034 |
| Net position—ending | \$ 15,023,344 | \$ 687,190 | \$ 15,710,534 |

Sioux Falls School District 49-5

Combining Statement of Net Position
 Fiduciary Agency Funds
 June 30, 2020

| | Flexible Spending Accounts | Student Activity | Payroll Withholding | Total Agency Funds |
|--------------------------|----------------------------------|---------------------|------------------------|--------------------------|
| Assets | | | | |
| Cash | \$ 355,901 | \$ 6,435,878 | \$ 1,048,919 | \$ 7,840,698 |
| Accounts receivable | - | - | 5,140 | 5,140 |
| Total assets | \$ 355,901 | \$ 6,435,878 | \$ 1,054,059 | \$ 7,845,838 |
| Liabilities | | | | |
| Benefits payable | \$ 355,901 | \$ - | \$ 1,054,059 | \$ 1,409,960 |
| Amounts held for others | - | 6,435,878 | - | 6,435,878 |
| Total liabilities | \$ 355,901 | \$ 6,435,878 | \$ 1,054,059 | \$ 7,845,838 |

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 General Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget— Positive (Negative) |
|----------------------------------|--------------------|--------------------|--------------------|----------------------------------------------------------|
| | Original | Final | | |
| Salaries: | | | | |
| Regular: | | | | |
| Administrative, central | \$ 3,068,423 | \$ 3,068,423 | \$ 3,332,519 | \$ (264,096) |
| Administrative, building | 5,921,383 | 5,921,383 | 6,237,318 | (315,935) |
| Clerical | 4,398,480 | 4,407,913 | 4,448,478 | (40,565) |
| Custodial and maintenance | 7,317,006 | 7,317,006 | 7,069,651 | 247,355 |
| Custodial manager | 911,645 | 911,645 | 922,400 | (10,755) |
| Technical/specialist | 2,329,851 | 2,353,078 | 2,615,301 | (262,223) |
| Instructional | 80,799,217 | 81,084,136 | 80,547,534 | 536,602 |
| Executive clerical | 184,228 | 184,228 | 185,732 | (1,504) |
| Employment contract | 3,052,797 | 3,293,987 | 3,577,573 | (283,586) |
| Education assistant | 1,794,196 | 1,824,801 | 1,661,500 | 163,301 |
| Total regular salaries | 109,777,226 | 110,366,600 | 110,598,006 | (231,406) |
| Temporary: | | | | |
| Administrative | 12,425 | 12,425 | 20,531 | (8,106) |
| Clerical | - | - | 27,859 | (27,859) |
| Custodial and maintenance | 96,143 | 96,143 | 60,978 | 35,165 |
| Substitute teachers | 2,277,579 | 2,459,827 | 1,755,541 | 704,286 |
| Other | 351,386 | 624,426 | 543,493 | 80,933 |
| Total temporary salaries | 2,737,533 | 3,192,821 | 2,408,402 | 784,419 |
| Early retirement payments | 928,969 | 928,969 | 1,555,647 | (626,678) |
| Total salaries | 113,443,728 | 114,488,390 | 114,562,055 | (73,665) |
| Employee benefits: | | | | |
| Retirement: | | | | |
| South Dakota Retirement System | 6,481,494 | 6,622,914 | 6,649,794 | (26,880) |
| Social Security | 7,956,865 | 8,036,770 | 8,014,909 | 21,861 |
| Total retirement benefits | 14,438,359 | 14,659,684 | 14,664,703 | (5,019) |

(Continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 General Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget— Positive (Negative) |
|-------------------------------------|-----------------------|-----------------------|-----------------------|----------------------------------------------------------|
| | Original | Final | | |
| Insurance: | | | | |
| Long-term disability | 31,453 | 31,751 | 30,258 | 1,493 |
| Workers' compensation | 983,471 | 983,473 | 602,775 | 380,698 |
| Hospital/medical | 20,102,861 | 20,248,624 | 22,471,631 | (2,223,007) |
| Dental | 1,378,581 | 1,385,357 | 1,370,316 | 15,041 |
| Administrator life | 3,163 | 3,163 | 3,204 | (41) |
| Basic life | 10,546 | 10,622 | 13,657 | (3,035) |
| Total insurance benefits | 22,510,075 | 22,662,990 | 24,491,841 | (1,828,851) |
| Total employee benefits | 36,948,434 | 37,322,674 | 39,156,544 | (1,833,870) |
| Purchased services: | | | | |
| Professional | 4,923,734 | 5,595,465 | 4,377,305 | 1,218,160 |
| Property | 554,968 | 570,706 | 237,612 | 333,094 |
| Transportation and travel | 6,747,482 | 7,585,444 | 6,940,028 | 645,416 |
| Communication | 325,250 | 328,768 | 376,169 | (47,401) |
| Advertising | 66,230 | 78,294 | 56,859 | 21,435 |
| Printing and publishing | 851,181 | 920,602 | 852,401 | 68,201 |
| Tuition | 930 | 1,330 | 14,915 | (13,585) |
| Utilities | 3,867,629 | 3,867,629 | 2,893,013 | 974,616 |
| Repair and maintenance | 1,375,236 | 1,385,179 | 917,180 | 467,999 |
| Total purchased services | 18,712,640 | 20,333,417 | 16,665,482 | 3,667,935 |
| Supplies and materials: | | | | |
| Supplies | 4,695,943 | 6,519,843 | 4,716,134 | 1,803,709 |
| Textbooks | 1,478,104 | 1,484,547 | 470,136 | 1,014,411 |
| Library books | 239,846 | 259,955 | 227,784 | 32,171 |
| Periodicals | 56,678 | 70,965 | 54,086 | 16,879 |
| Online databases | 153,560 | 153,560 | 405,659 | (252,099) |
| Food | 81,923 | 754,907 | 790,798 | (35,891) |
| Noncapitalized equipment | 131,506 | 154,147 | 67,772 | 86,375 |
| Total supplies and materials | 6,837,560 | 9,397,924 | 6,732,369 | 2,665,555 |
| Other: | | | | |
| Dues and fees | 192,530 | 410,802 | 496,972 | (86,170) |
| Insurance and judgments | 367,610 | 367,610 | 702,467 | (334,857) |
| Miscellaneous | 337,805 | 339,903 | 354,164 | (14,261) |
| Total other | 897,945 | 1,118,315 | 1,553,603 | (435,288) |
| Total expenditures | \$ 176,840,307 | \$ 182,660,720 | \$ 178,670,053 | \$ 3,990,667 |

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Capital Outlay Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget— Positive (Negative) |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------------------------------------------|
| | Original | Final | | |
| Purchased services: | | | | |
| Professional | \$ 363,368 | \$ 371,868 | \$ 304,557 | \$ 67,311 |
| Total purchased services | 363,368 | 371,868 | 304,557 | 67,311 |
| Capital acquisitions: | | | | |
| Land | - | - | 410,993 | (410,993) |
| Buildings and improvements | 5,629,459 | 6,113,598 | 4,898,719 | 1,214,879 |
| Land improvements | 1,250,412 | 2,282,897 | 1,918,515 | 364,382 |
| New equipment | 925,140 | 1,502,610 | 1,532,218 | (29,608) |
| Vehicles | 130,350 | 258,372 | 243,012 | 15,360 |
| Replacement equipment | 4,207,215 | 4,272,247 | 1,894,807 | 2,377,440 |
| Total capital acquisitions | 12,142,576 | 14,429,724 | 10,898,264 | 3,531,460 |
| Other: | | | | |
| Redemption of principal | 9,015,000 | 9,015,000 | 9,015,000 | - |
| Interest | 4,667,103 | 4,667,103 | 4,667,103 | - |
| Dues and fees | 15,000 | 15,000 | 39,925 | (24,925) |
| Miscellaneous | 805,088 | 805,088 | 872,271 | (67,183) |
| Total other | 14,502,191 | 14,502,191 | 14,594,299 | (92,108) |
| Total expenditures | \$ 27,008,135 | \$ 29,303,783 | \$ 25,797,120 | \$ 3,506,663 |

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Special Education Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget— |
|----------------------------------|-------------------|-------------------|-------------------|--------------------------------|
| | Original | Final | | Positive (Negative) |
| Salaries: | | | | |
| Regular: | | | | |
| Administrative, central | \$ 935,843 | \$ 935,843 | \$ 899,711 | \$ 36,132 |
| Administrative, building | 64,227 | 64,227 | 71,112 | (6,885) |
| Clerical | 333,783 | 333,783 | 332,980 | 803 |
| Technical/specialist | 2,254,657 | 2,255,064 | 2,091,335 | 163,729 |
| Instructional | 16,050,106 | 16,050,106 | 15,140,539 | 909,567 |
| Executive clerical | 42,796 | 42,796 | 43,157 | (361) |
| Employment contract | 2,655,230 | 2,655,230 | 2,799,338 | (144,108) |
| Education assistant | 6,254,985 | 6,254,985 | 5,644,071 | 610,914 |
| Total regular salaries | 28,591,627 | 28,592,034 | 27,022,243 | 1,569,791 |
| Temporary: | | | | |
| Administrative | 32,135 | 32,135 | 15,022 | 17,113 |
| Clerical | - | - | 16,814 | (16,814) |
| Substitute teachers | 362,456 | 362,456 | 377,404 | (14,948) |
| Other | 48,272 | 48,272 | 10,356 | 37,916 |
| Total temporary salaries | 442,863 | 442,863 | 419,596 | 23,267 |
| Early retirement payments | 156,229 | 156,229 | 151,143 | 5,086 |
| Total salaries | 29,190,719 | 29,191,126 | 27,592,982 | 1,598,144 |
| Employee benefits: | | | | |
| Retirement: | | | | |
| South Dakota Retirement System | 1,656,356 | 1,656,356 | 1,618,865 | 37,491 |
| Social Security | 2,000,800 | 2,000,800 | 1,903,237 | 97,563 |
| Total retirement benefits | 3,657,156 | 3,657,156 | 3,522,102 | 135,054 |
| Insurance: | | | | |
| Long-term disability | 8,187 | 8,187 | 6,419 | 1,768 |
| Workers' compensation | 256,170 | 256,170 | 172,575 | 83,595 |
| Hospital/medical | 5,297,916 | 5,297,916 | 5,834,388 | (536,472) |
| Dental | 362,951 | 362,951 | 387,924 | (24,973) |
| Administrator life | 343 | 343 | 357 | (14) |
| Basic life | 2,742 | 2,742 | 3,862 | (1,120) |
| Total insurance benefits | 5,928,309 | 5,928,309 | 6,405,525 | (477,216) |
| Total employee benefits | 9,585,465 | 9,585,465 | 9,927,627 | (342,162) |

(Continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Special Education Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget— Positive (Negative) |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------------------------------------------|
| | Original | Final | | |
| Purchased services: | | | | |
| Professional | 1,673,405 | 1,673,605 | 1,440,274 | 233,331 |
| Property | 67,500 | 67,500 | 60,631 | 6,869 |
| Transportation and travel | 2,549,573 | 2,551,063 | 2,432,594 | 118,469 |
| Communication | 4,050 | 4,050 | 11,820 | (7,770) |
| Printing and publishing | 1,000 | 5,200 | 28,002 | (22,802) |
| Tuition | 1,907,376 | 1,907,376 | 2,051,107 | (143,731) |
| Utilities | - | - | 1,252 | (1,252) |
| Repair and maintenance | 225,500 | 225,500 | 79,602 | 145,898 |
| Total purchased services | 6,428,404 | 6,434,294 | 6,105,282 | 329,012 |
| Supplies and materials: | | | | |
| Supplies | 777,339 | 808,170 | 190,159 | 618,011 |
| Textbooks | 70,624 | 70,024 | 120,596 | (50,572) |
| Library books | 11,260 | 11,260 | 1,653 | 9,607 |
| Periodicals | 2,200 | 2,200 | 17,380 | (15,180) |
| Online databases | - | 710 | 1,609 | (899) |
| Food | 11,569 | 12,369 | 14,973 | (2,604) |
| Noncapitalized equipment | 13,390 | 15,390 | 5,327 | 10,063 |
| Total supplies and materials | 886,382 | 920,123 | 351,697 | 568,426 |
| Capital acquisitions, new equipment | 26,340 | 26,340 | 47 | 26,293 |
| Other: | | | | |
| Dues and fees | 16,494 | 16,494 | 28,990 | (12,496) |
| Insurance and judgments | 47,741 | 47,741 | 13,980 | 33,761 |
| Miscellaneous | 7,125 | 7,220 | 2,694 | 4,526 |
| Total other | 71,360 | 71,455 | 45,664 | 25,791 |
| Total expenditures | \$ 46,188,670 | \$ 46,228,803 | \$ 44,023,299 | \$ 2,205,504 |

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Post-Secondary Vocational Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget— Positive (Negative) |
|----------------------------------|-------------------|-------------------|-------------------|----------------------------------------------------------|
| | Original | Final | | |
| Salaries: | | | | |
| Regular: | | | | |
| Administrative, central | \$ 1,015,862 | \$ 1,015,862 | \$ 1,001,259 | \$ 14,603 |
| Clerical | 344,316 | 344,316 | 300,271 | 44,045 |
| Custodial and maintenance | 668,536 | 668,536 | 610,059 | 58,477 |
| Custodial manager | 118,647 | 118,647 | 112,231 | 6,416 |
| Technical/specialist | 654,154 | 654,154 | 602,996 | 51,158 |
| Instructional | 6,097,868 | 6,097,868 | 6,110,648 | (12,780) |
| Employment contract | 2,316,196 | 2,316,196 | 2,281,663 | 34,533 |
| Total regular salaries | 11,215,579 | 11,215,579 | 11,019,127 | 196,452 |
| Temporary: | | | | |
| Substitute teachers | 12,000 | 12,000 | 9,296 | 2,704 |
| Other | 250,256 | 250,256 | 213,522 | 36,734 |
| Total temporary salaries | 262,256 | 262,256 | 222,818 | 39,438 |
| Early retirement payments | 591,432 | 591,432 | 453,799 | 137,633 |
| Total salaries | 12,069,267 | 12,069,267 | 11,695,744 | 373,523 |
| Employee benefits: | | | | |
| Retirement: | | | | |
| South Dakota Retirement System | 672,934 | 672,934 | 613,046 | 59,888 |
| Social Security | 818,684 | 818,684 | 810,511 | 8,173 |
| Total retirement benefits | 1,491,618 | 1,491,618 | 1,423,557 | 68,061 |
| Insurance: | | | | |
| Long-term disability | 5,042 | 5,042 | 3,356 | 1,686 |
| Workers' compensation | 133,764 | 133,764 | 55,393 | 78,371 |
| Hospital/medical | 1,847,490 | 1,847,490 | 1,731,941 | 115,549 |
| Dental | 108,929 | 108,929 | 105,760 | 3,169 |
| Administrator life | 361 | 361 | 365 | (4) |
| Basic life | 1,850 | 1,850 | 1,064 | 786 |
| Total insurance benefits | 2,097,436 | 2,097,436 | 1,897,879 | 199,557 |
| Total employee benefits | 3,589,054 | 3,589,054 | 3,321,436 | 267,618 |

(Continued)

Sioux Falls School District 49-5

Schedule of Expenditures by Object
 Post-Secondary Vocational Fund
 Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget— Positive (Negative) |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------------------------------------------|
| | Original | Final | | |
| Purchased services: | | | | |
| Professional | 1,305,511 | 1,306,011 | 1,111,832 | 194,179 |
| Property | 249,538 | 249,538 | 203,287 | 46,251 |
| Transportation and travel | 155,200 | 163,109 | 97,944 | 65,165 |
| Communication | 103,049 | 103,049 | 110,759 | (7,710) |
| Advertising | 337,500 | 337,500 | 413,756 | (76,256) |
| Printing and publishing | 93,421 | 93,421 | 80,361 | 13,060 |
| Utilities | 567,268 | 567,268 | 448,793 | 118,475 |
| Repair and maintenance | 567,784 | 567,784 | 651,147 | (83,363) |
| Total purchased services | 3,379,271 | 3,387,680 | 3,117,879 | 269,801 |
| Supplies and materials: | | | | |
| Supplies | 1,211,480 | 1,212,899 | 1,086,437 | 126,462 |
| Library books | 6,550 | 6,550 | 3,575 | 2,975 |
| Periodicals | 1,900 | 1,900 | 418 | 1,482 |
| Food | 88,375 | 90,209 | 73,298 | 16,911 |
| Noncapitalized equipment | 336,177 | 336,177 | 187,014 | 149,163 |
| Total supplies and materials | 1,644,482 | 1,647,735 | 1,350,742 | 296,993 |
| Capital acquisitions: | | | | |
| Buildings and improvements | 1,837,624 | 1,837,624 | 695,249 | 1,142,375 |
| Land improvements | 992,790 | 992,790 | 436,538 | 556,252 |
| New equipment | 436,976 | 436,976 | 486,409 | (49,433) |
| Total capital acquisitions | 3,267,390 | 3,267,390 | 1,618,196 | 1,649,194 |
| Other: | | | | |
| Dues and fees | 1,143,804 | 1,145,013 | 1,046,382 | 98,631 |
| Insurance and judgments | 100,000 | 100,000 | 94,741 | 5,259 |
| Miscellaneous | 40,000 | 40,000 | 46,626 | (6,626) |
| Bad-debt expense | 150,000 | 150,000 | 65,009 | 84,991 |
| Total other | 1,433,804 | 1,435,013 | 1,252,758 | 182,255 |
| Total expenditures | \$ 25,383,268 | \$ 25,396,139 | \$ 22,356,755 | \$ 3,039,384 |

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Assistance Number | Total Federal Expenditures | Passed Through to Subrecipients |
|---------------------------------------------------------------------------------|----------------------------------------------|---------------------------------|-------------------------------|---------------------------------------|
| U.S. Department of Agriculture: | | | | |
| Pass-Through the S.D. Department of Education: | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program (Note B) | N/A | 10.553 | \$ 1,086,067 | \$ - |
| National School Lunch Program, including commodities of \$1,019,703 (Note B) | N/A | 10.555 | 5,277,399 | - |
| Summer Food Service Program for Children (Note B) | N/A | 10.559 | 33,248 | - |
| Total child nutrition cluster | | | 6,396,714 | - |
| Child and Adult Care Food Program (Note B) | N/A | 10.558 | 282,711 | - |
| Fresh Fruit and Vegetable Program | N/A | 10.582 | 438,520 | - |
| Total U.S. Department of Agriculture | | | 7,117,945 | - |
| U.S. Department of Defense: | | | | |
| Pass-Through the S.D. Department of Military and Veterans' Affairs: | | | | |
| National Guard ChalleNGe Program—Starbased Program | N/A | 12.404 | 14,612 | - |
| U.S. Department of the Interior: | | | | |
| Direct Federal Funding: | | | | |
| Indian Education_Assistance to Schools—Johnson O'Malley (Note B) | N/A | 15.130 | 12,715 | - |
| National Endowment for the Arts: | | | | |
| Pass-Through the S.D. Department of Education: | | | | |
| Promotion of the Arts_Partnership Agreements | N/A | 45.025 | 789 | - |
| Total National Endowment for the Arts | | | 789 | - |
| Department of Veterans Affairs: | | | | |
| Direct Federal Funding: | | | | |
| Post-9/11 Veterans Educational Assistance | N/A | 64.028 | 2,865 | - |
| Environmental Protection Agency Office of Air and Radiation: | | | | |
| Pass-Through the S.D. Department of Education: | | | | |
| National Clean Diesel Emissions Reduction Program | N/A | 66.039 | 128,022 | 128,022 |

(Continued)

Sioux Falls School District 49-5

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Assistance Number | Total Federal Expenditures | Passed Through to Subrecipients |
|------------------------------------------------------------------|----------------------------------------------|---------------------------------|-------------------------------|---------------------------------------|
| U.S. Department of Education: | | | | |
| Direct Federal Funding: | | | | |
| Student Financial Assistance Program Cluster: | | | | |
| Federal Supplemental Educational Opportunity Grants | N/A | 84.007 | 60,000 | - |
| Federal Work-Study Program | N/A | 84.033 | 54,405 | - |
| Federal Pell Grant Program | N/A | 84.063 | 3,588,530 | - |
| Federal Direct Student Loans (Note C) | N/A | 84.268 | 9,427,147 | - |
| Total student financial assistance cluster | | | <u>13,130,082</u> | - |
| Indian Education—Grants to Local Educational Agencies | N/A | 84.060 | 310,894 | - |
| Pass-Through the S.D. Department of Labor: | | | | |
| Adult Education—Basic Grants to States | N/A | 84.002 | 170,385 | - |
| Pass-Through the S.D. Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | S010A160041 | 84.010 | 6,044,337 | - |
| Migrant Education—State Grant Program | S011A160042 | 84.011 | 407,215 | - |
| Special Education Cluster (IDEA): | | | | |
| Special Education—Grants to States (Note B) | H027A160091 | 84.027 | 5,932,625 | - |
| Special Education—Preschool Grants | H173A160091 | 84.173 | 196,754 | - |
| Total special education cluster | | | <u>6,129,379</u> | - |
| Career and Technical Education—Basic Grants to States | V048A160041 | 84.048 | 977,286 | - |
| Education of Homeless Children and Youth | S196A160043 | 84.196 | 68,117 | - |
| Title III—English Language Acquisition State Grants | S365A160041 | 84.365 | 326,955 | - |
| Title II, Part A—Supporting Effective Instruction State Grants | S367A160039 | 84.367 | 1,427,323 | - |
| Title I, School Improvement Grants | S010A190041 | 84.377 | 204,089 | - |
| Title IV Student Support & Academic Enrichment | S424A180043 | 84.424 | 603,980 | - |
| Total U.S. Department of Education | | | <u>29,800,042</u> | - |
| U.S. Department of Health and Human Services: | | | | |
| Direct Federal Funding: | | | | |
| Head Start | N/A | 93.600 | 2,682,016 | - |
| Pass-Through the S.D. Department of Human Services: | | | | |
| Grants to States for Operation of State Offices of Rural Health | N/A | 93.913 | 6,000 | - |
| Pass-Through the S.D. Department of Education: | | | | |
| Substance Abuse and Mental Health Services | H79SM080962 | 93.243 | 87,510 | - |
| Pass-Through Lutheran Social Services: | | | | |
| Refugee and Entrant Assistance Discretionary Grants | N/A | 93.576 | 59,653 | - |
| Pass-Through Avera Health: | | | | |
| Telehealth programs | N/A | 93.211 | 109,095 | - |
| Pass-Through the S.D. Department of Social Services | | | | |
| Generation Rx Opioid Prevention Grant - Opioid STR | N/A | 93.788 | 4,126 | - |
| Total U.S. Department of Health and Human Services | | | <u>2,948,400</u> | - |
| Total federal financial assistance | | | <u>\$ 40,025,390</u> | <u>\$ 128,022</u> |

See notes to schedule of expenditures of federal awards.

Sioux Falls School District 49-5

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note B. Reporting

Certain federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported are based upon reimbursements rather than specific expenditures.

Note C. Federal Direct Student Loan Programs

During the fiscal year ended June 30, 2020, the District issued new loans to students under the Federal Direct Student Loan Program (FDLP). The loan program includes Stafford Loans, unsubsidized Stafford Loans and PLUS Program Loans for graduate and professional students. The value of loans issued for the FDLP is based on disbursed amounts. The loan amounts issued during the year are disclosed on the schedule. The District is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the District's basic financial statements.

Note D. Summary of Significant Accounting Policies

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

Note E. Indirect Cost Rate

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note F. Transfers

The District is allowed to transfer up to 100 percent of their federal funding allotment from the Title IV Student Support and Academic Enrichment, Part A programs to Title II, Part A—Supporting Effective Institution State Grants. Transferred funds are subject to all of the requirements, set asides, and limitations of the programs in which they are transferred. During the year ended June 30, 2020, the District transferred \$75,000 from the Title IV Student Support and Academic Enrichment program (CFDA 84.424) to the Title II, Part A—Supporting Effective Instruction State Grants program (CFDA 84.367).

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Sioux Falls School District 49-5

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Sioux Falls School District 49-5 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated January 15, 2021. Our report includes a reference to other auditors who audited the financial statements of Southeast Technical Institute Housing Foundation, a discretely presented component unit, as described in our report on the Sioux Falls School District 49-5 financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs as Finding 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

RSM US LLP

Sioux Falls, South Dakota
January 15, 2021

**Report on Compliance for Each Major Federal Program and on Internal
Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the School Board
Sioux Falls School District 49-5

Report on Compliance for Each Major Federal Program

We have audited the Sioux Falls School District 49-5's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Sioux Falls School District 49-5 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Sioux Falls, South Dakota
January 15, 2021

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified X Yes No
- Significant deficiency(ies) identified Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified Yes X No
- Significant deficiency(ies) identified Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|-------------------------------------------------------|
| | Student Financial Assistance Program Cluster: |
| 84.007 | Federal Supplemental Educational Opportunities Grants |
| 84.033 | Federal Work-Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |

Dollar threshold used to distinguish between type A and type B programs: \$1,200,830

Auditee qualified as low-risk auditee? X Yes No

(Continued)

Sioux Falls School District 49-5

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

II. Financial Statement Findings

A. Material Weakness in Internal Control Over Financial Reporting

Finding 2020-001: Controls over Cash, Interfund Balances, and fund balance

Condition: Audit adjustments were required to the District's financial statements to properly report interfund cash, receivables and payables, and fund balance.

Criteria: GASB Implementation Guide 2019-2, as codified in Section 1300.716-15, requires that payroll liabilities of governmental and enterprise funds should not be relieved from the originating funds until these amounts are paid to the appropriate vendors. In addition, *Government Auditing Standards* require auditors to report as findings any material weaknesses in internal control over financial reporting that the auditor identified based upon the audit work performed.

Effect: Cash and payroll related liability amounts that were reported in the Payroll Withholding Fund (an Agency Fund) understated such amounts in the Fund Financial Statements and the Government-Wide Financial statements by a total of \$6.6 million as of June 30, 2020. In addition, certain accounts within the Payroll Withholding Fund have not been reconciled on a timely basis. Thirdly, the fund balance restricted for debt service was initially understated by \$1.8 million.

Cause: The internal controls related to the review of interfund receivables and payables, including monitoring amounts transferred to the Payroll Withholding Fund, the timely reconciliation and review of Payroll Withholding Fund accounts, and the review of fund balance restrictions, were not designed and/or implemented properly to detect material misstatements in the financial statements.

Recommendation: Internal controls over interfund cash, receivables, payables, and fund balance and should be enhanced to ensure that such amounts are properly reconciled in a timely manner and reported in the appropriate funds.

Views of responsible officials: We do not agree with the finding and recommendation.

III. Findings and Questioned Costs for Federal Awards

No matters were reported.



Instructional Planning Center

201 East Thirty-eighth Street
Sioux Falls, South Dakota 57105-5898
(605) 367-7900

Cynthia H. Mickelson, President
Carly R. Reiter, Vice President
Nan Baker, Member
Kate Parker, Member
Todd Thielke, Member

Dr. Jane Stavem, Superintendent

Summary Schedule of Prior-Year Audit Findings

Identifying Number: 2019-001: Presentation of Cash and Accounts Receivable in the General Fund and Special Education Fund.

Audit Finding: An audit entry was recorded to increase cash and reduce accounts receivable in the General Fund by \$1,650,137 and to reduce cash and increase accounts receivable in the Special Education Fund by \$1,650,137.

Corrective Action Taken: The Comptroller will not forward any audit workpapers, schedules, spreadsheets, or other documents to the auditors until they have been fully reviewed by him. The Comptroller has fully reviewed such documents.



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CORRECTIVE ACTION PLAN YEAR ENDED 6/30/20

Identifying Number: 2020-001: Controls over Cash, Interfund Balances, and Fund Balance

Finding: Audit adjustments were required to the District's financial statements to properly report interfund cash, receivables and payables, and fund balance.

Corrective Action Taken or Planned:

The first stated effect was that cash and payroll-related liability amounts that were reported in the Payroll Withholding Fund (an Agency Fund) understated such amounts in the fund financial statements and the government-wide financial statements by a total of \$6.6 million as of June 30, 2020. It has been past practice for many years that the reclassification of payroll-related liabilities out of the Payroll Withholding Fund (PWF) and back into the individual funds was an adjustment passed by the auditors and included on the passed adjustment schedule. It was our understanding that this would continue. However, with the implementation of the new finance software system, the June 30 payroll-related liabilities were all transferred to the PWF during the payroll interface process, as opposed to a check being written to the PWF subsequent to year-end, resulting in significantly higher balances in the PWF at June 30, 2020 than in previous years. Because of this, the auditors could no longer pass on the adjustment, requiring the District to post the reclassification. We do not believe this rises to the level of a Material Weakness in Internal Control. The corrective action will be that we will create a reclassification journal entry for posting to the audited financial statements each year going forward.

The second stated effect was that certain accounts within the PWF have not been reconciled on a timely basis. We agree that the accounts related to medical insurance premiums, dental insurance premiums, and life insurance premiums have not been reconciled on a timely basis. This is due to the complexity of the reconciliations, the implementation of the new finance system, and personnel absences for maternity leave and long-term medical leaves. However, estimated payments and/or invoice payments have been made on all three premiums. Therefore, the balances in the PWF are materially correct. We do not believe this results in a Material Weakness in Internal Control. The corrective action will be that payroll personnel will continue to work on getting caught up on reconciling these accounts to the detail payroll deduction registers.

The third stated effect was that the fund balance restricted for debt service was initially understated by \$1.8 million. This relates to the current negative fund balance in the Bond Redemption Fund. It was our understanding that fund balances of special revenue funds, such as the Bond Redemption Fund, were to be reported as restricted for the purposes of the particular fund. However, the auditors brought to our attention that a negative fund balance should be reported in the financial statements as "unassigned" rather than "restricted". We do not believe this constitutes a Material Weakness in Internal Control. The corrective action will be that future negative fund balances will be reported as "unassigned" rather than "restricted".

Contact person: Kenneth W. Mosser, Comptroller