



Financial Statements
June 30, 2020

Sisseton School District 54-2

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Net Position.....	4
Statements of Activities.....	5
Balance Sheets – Governmental Funds	6
Reconciliations of the Governmental Funds Balance Sheets to the Statements of Position	7
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	8
Reconciliations of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statements of Activities.....	11
Statements of Net Position – Proprietary Funds	12
Statements of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	13
Statements of Cash Flows – Proprietary Funds	14
Statements of Fiduciary Net Position	15
Statement of Changes in Fiduciary Net Position	16
Notes to Financial Statements.....	17
Required Supplementary Information	
Budgetary Comparison Schedules – Budgetary Basis – General Fund	39
Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund	42
Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund.....	44
Notes to Required Supplementary Information – Budgetary Comparison Schedules	45
Schedule of Employer’s Share of Net Pension Liability (Asset)	46
Schedule of Employer’s Contributions.....	47
Notes to Required Supplementary Information – Pension Schedules	48
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Independent Auditor’s Report on Compliance for the Major Federal Program, and Report on Internal Control Over Compliance Required by the Uniform Guidance	51
Supplementary Information	
Schedule of Expenditures of Federal Awards	53
Notes to Schedule of Expenditures of Federal Awards	54
Schedule of Findings and Questioned Costs.....	55



Independent Auditor's Report

To the School Board
Sisseton School District 54-2
Sisseton, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sisseton School District 54-2 (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which, collectively, comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District 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 schedules of employer's share of net pension liability (asset), employer's contributions, and budgetary comparison schedules on pages 39 through 48 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from, and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School District'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 the School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota

March 26, 2021

Sisseton School District 54-2
Statements of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,831,160	\$ 312,108	\$ 14,143,268
Taxes receivable	2,351,076	-	2,351,076
Accounts receivable	922	9,658	10,580
Advance payments	20,000	-	20,000
Due from state	1,106,520	21,501	1,128,021
Inventories	29,627	11,820	41,447
Net pension asset	30,393	1,145	31,538
Capital assets:			
Land and construction in process	3,686,329	-	3,686,329
Other capital assets, net of depreciation	14,874,484	99,816	14,974,300
Total assets	<u>35,930,511</u>	<u>456,048</u>	<u>36,386,559</u>
Deferred Outflows of Resources			
Pension related deferred outflows	1,579,314	59,508	1,638,822
	<u>\$ 37,509,825</u>	<u>\$ 515,556</u>	<u>\$ 38,025,381</u>
Liabilities			
Accounts payable	\$ 619,904	\$ 7,011	\$ 626,915
Other current liabilities	905,452	28,274	933,726
Deposits payable	-	3,150	3,150
Unearned revenue	-	17,364	17,364
Noncurrent liabilities:			
Due within one year	133,075	-	133,075
Due in more than one year	9,914	-	9,914
Total liabilities	<u>1,668,345</u>	<u>55,799</u>	<u>1,724,144</u>
Deferred Inflows of Resources			
Pension related deferred inflows	619,756	23,352	643,108
Taxes levied for future period	2,540,696	-	2,540,696
Total deferred inflows of resources	<u>3,160,452</u>	<u>23,352</u>	<u>3,183,804</u>
Net Position			
Net investment in capital assets	18,560,813	99,816	18,660,629
Restricted for:			
Capital Outlay	2,747,097	-	2,747,097
Special Education	423,176	-	423,176
SDRS Benefits	989,951	37,301	1,027,252
Unrestricted	9,959,991	299,288	10,259,279
Total net position	<u>32,681,028</u>	<u>436,405</u>	<u>33,117,433</u>
	<u>\$ 37,509,825</u>	<u>\$ 515,556</u>	<u>\$ 38,025,381</u>

See Notes to Financial Statements

Sisseton School District 54-2
Statements of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities:							
Instruction	\$ 6,582,809	\$ 64,925	\$ 1,999,003	\$ -	\$ (4,518,881)	\$ -	\$ (4,518,881)
Support services	4,966,685	-	-	-	(4,966,685)	-	(4,966,685)
Community services	8,291	-	-	-	(8,291)	-	(8,291)
Nonprogrammed charges	19,829	-	-	-	(19,829)	-	(19,829)
Co-curricular activities	504,629	83,470	-	-	(421,159)	-	(421,159)
Total governmental activities	<u>12,082,243</u>	<u>148,395</u>	<u>1,999,003</u>	<u>-</u>	<u>(9,934,845)</u>	<u>-</u>	<u>(9,934,845)</u>
Business-type activities:							
Food service	595,257	147,539	501,265	-	-	53,547	53,547
Preschool	98,685	39,663	-	-	-	(59,022)	(59,022)
Driver's education	3,913	-	-	-	-	(3,913)	(3,913)
After school programs	60,020	38,180	-	-	-	(21,840)	(21,840)
Total business-type activities	<u>757,875</u>	<u>225,382</u>	<u>501,265</u>	<u>-</u>	<u>-</u>	<u>(31,228)</u>	<u>(31,228)</u>
Total primary government	<u>\$ 12,840,118</u>	<u>\$ 373,777</u>	<u>\$ 2,500,268</u>	<u>\$ -</u>	<u>(9,934,845)</u>	<u>(31,228)</u>	<u>(9,966,073)</u>
General Revenues							
Taxes:							
Property taxes					4,906,062	-	4,906,062
Other taxes					513,880	-	513,880
Revenue from state sources:							
State aid					3,695,230	-	3,695,230
Revenue from federal sources							
Unrestricted investment earnings					3,426,938	1,136	3,428,074
Other general revenues					13,634	284	13,918
Transfers					241,831	-	241,831
Total general revenues and transfers					<u>(45,000)</u>	<u>45,000</u>	<u>-</u>
Total general revenues and transfers					<u>12,752,575</u>	<u>46,420</u>	<u>12,798,995</u>
Change in Net Position					2,817,730	15,192	2,832,922
Net Position - Beginning					29,863,298	421,213	30,284,511
Net Position - Ending					<u>\$ 32,681,028</u>	<u>\$ 436,405</u>	<u>\$ 33,117,433</u>

See Notes to Financial Statements

Sisseton School District 54-2
Balance Sheets – Governmental Funds
June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 9,966,113	\$ 3,321,258	\$ 543,789	\$ 13,831,160
Taxes receivable - current	839,006	843,088	574,152	2,256,246
Taxes receivable - delinquent	53,145	24,974	16,711	94,830
Accounts receivable	922	-	-	922
Advance payments	20,000	-	-	20,000
Due from government	968,464	-	138,056	1,106,520
Inventory	29,627	-	-	29,627
	<u>\$ 11,877,277</u>	<u>\$ 4,189,320</u>	<u>\$ 1,272,708</u>	<u>\$ 17,339,305</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 90,127	\$ 496,324	\$ 33,453	\$ 619,904
Contracts payable	570,634	-	131,121	701,755
Payroll deductions and withholdings and employer matching payable	162,907	-	40,790	203,697
Total liabilities	<u>823,668</u>	<u>496,324</u>	<u>205,364</u>	<u>1,525,356</u>
Deferred Inflows of Resources				
Taxes levied for future period	950,629	945,899	644,168	2,540,696
Unavailable revenue-delinquent property taxes	53,145	24,974	16,711	94,830
Total deferred inflows of resources	<u>1,003,774</u>	<u>970,873</u>	<u>660,879</u>	<u>2,635,526</u>
Fund Balances				
Nonspendable				
Inventory	29,627	-	-	29,627
Restricted:				
Capital Outlay	-	2,722,123	-	2,722,123
Special Education	-	-	406,465	406,465
Unassigned	10,020,208	-	-	10,020,208
Total fund balances	<u>10,049,835</u>	<u>2,722,123</u>	<u>406,465</u>	<u>13,178,423</u>
	<u>\$ 11,877,277</u>	<u>\$ 4,189,320</u>	<u>\$ 1,272,708</u>	<u>\$ 17,339,305</u>

Sisseton School District 54-2
Reconciliations of the Governmental Funds Balance Sheets to the Statements of Position
Year Ended June 30, 2020

Total Fund Balances - Governmental Funds	\$ 13,178,423
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,560,813
Long-term liabilities, including retirement bonus payable and SD SDBF assessment, are not due and payable in the current period and, therefore, are not reported in the funds.	(142,989)
Assets such as taxes receivable (delinquent) and utility taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.	94,830
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not available financial resources and, therefore, are not reported in the funds.	<u>989,951</u>
Net Position - Governmental Funds	<u><u>\$ 32,681,028</u></u>

Sisseton School District 54-2
 Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
 Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 1,821,568	\$ 1,829,858	\$ 1,185,221	\$ 4,836,647
Prior year's ad valorem taxes	17,904	12,522	8,088	38,514
Gross receipts taxes	513,880	-	-	513,880
Penalties and interest on taxes	9,188	5,249	3,322	17,759
Tuition and fees				
Adult continuing education tuition	64,925	-	-	64,925
Earnings on investments and deposits	10,643	2,570	421	13,634
Cocurricular activities:				
Admissions	29,445	-	-	29,445
Rentals	16,646	-	-	16,646
Other pupil activity	37,379	-	-	37,379
Other revenue from local sources:				
Refund of prior years' expenditures	17,357	1,800	-	19,157
Charges for services	55,285	-	24,526	79,811
Other	10,142	-	-	10,142
Revenue from intermediate sources:				
County sources:				
County apportionment	207,842	-	-	207,842
Revenue in lieu of taxes	4,690	-	-	4,690
Revenue from state sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	3,695,230	-	-	3,695,230
Restricted grants-in-aid	7,359	-	137,265	144,624
Revenue from federal sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	3,426,938	-	-	3,426,938
Restricted grants-in-aid received directly from federal government	87,399	-	-	87,399
Restricted grants-in-aid received from federal government through the state	1,224,505	-	438,698	1,663,203
Other federal revenue	23,966	-	-	23,966
Total revenues	<u>11,282,291</u>	<u>1,851,999</u>	<u>1,797,541</u>	<u>14,931,831</u>

Sisseton School District 54-2

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

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures				
Instruction				
Regular programs:				
Elementary	1,715,204	38,653	-	1,753,857
Middle/junior high	889,519	55,412	-	944,931
High school	1,196,506	152	-	1,196,658
Special programs:				
Programs for special education	-	-	1,070,574	1,070,574
Culturally different	85,728	-	-	85,728
Educationally deprived	677,169	-	-	677,169
Support services				
Pupils:				
Attendance and social work	17,443	-	-	17,443
Guidance	220,501	-	-	220,501
Health	90,444	-	-	90,444
Psychological	-	-	86,219	86,219
Speech pathology	-	-	210,835	210,835
Student therapy services	-	-	147,971	147,971
Support services - instructional staff:				
Improvement of instruction	91,512	-	-	91,512
Educational media	219,562	3,345	-	222,907
Support services - general administration:				
Board of Education	80,877	-	-	80,877
Executive administration	206,922	1,398	-	208,320
Support services - school administration:				
Office of the Principal	557,422	4,519	-	561,941
Title I program administration	54,793	-	-	54,793
Other school administrative	4,380	-	-	4,380
Support services - business:				
Fiscal services	288,888	2,796	-	291,684
Operation and maintenance of plant	1,110,394	107,265	-	1,217,659
Pupil transportation	752,192	-	-	752,192
Food services	22,628	-	-	22,628
Other	35,355	-	-	35,355
Support services - special education:				
Administrative costs	-	1,024	78,098	79,122
Transportation costs	-	-	12,637	12,637
Other special education costs	-	-	92,977	92,977
Community Services				
Recreation	8,291	-	-	8,291
Nonprogrammed charges				
Early retirement payments	67,838	-	-	67,838
Co-curricular activities				
Male activities	87,473	2,873	-	90,346
Female activities	81,815	7,350	-	89,165
Combined activities	144,696	2,500	-	147,196
Capital Outlay	-	3,676,168	-	3,676,168
Total expenditures	<u>8,707,552</u>	<u>3,903,455</u>	<u>1,699,311</u>	<u>14,310,318</u>

Sisseton School District 54-2

Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Excess of Revenues over (under) Expenditures	2,574,739	(2,051,456)	98,230	621,513
Other Financing Sources				
Transfers in	250,000	2,500,000	-	2,750,000
Transfers out	(2,545,000)	(250,000)	-	(2,795,000)
Total other financing sources	(2,295,000)	2,250,000	-	(45,000)
Net Change in Fund Balances	279,739	198,544	98,230	576,513
Fund Balance - Beginning	9,770,096	2,523,579	308,235	12,601,910
Fund Balance - Ending	<u>\$ 10,049,835</u>	<u>\$ 2,722,123</u>	<u>\$ 406,465</u>	<u>\$ 13,178,423</u>

Sisseton School District 54-2

Reconciliations of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statements of Activities
Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 576,513
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$3,676,168) exceeded depreciation (\$718,107).	2,958,061
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from both property and utility tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	13,142
Governmental funds do not reflect the change in retirement bonus debt, but the effects of this debt are reflected in the statement of activities.	48,009
Payment of Principal on long-term liabilities is an expenditure in the governmental funds but the payment reduces long-term liabilities in the Statement of Net Position.	121,340
Revenues and reduction of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	<u>(899,335)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,817,730</u></u>

Sisseton School District 54-2
 Statements of Net Position – Proprietary Funds
 June 30, 2020

	Other Enterprise Fund	Food Service Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 35,360	\$ 276,748	\$ 312,108
Accounts receivable	8,751	907	9,658
Due from state government	2,036	19,465	21,501
Inventory of supplies	-	2,892	2,892
Inventory of stores purchased for resale	-	4,280	4,280
Inventory of donated food	-	4,648	4,648
Total current assets	<u>46,147</u>	<u>308,940</u>	<u>355,087</u>
Noncurrent Assets			
Net pension asset	497	648	1,145
Capital Assets:			
Machinery and equipment - local funds	-	375,408	375,408
Accumulated depreciation - machinery and equipment - local funds	-	(275,592)	(275,592)
Total noncurrent assets	<u>497</u>	<u>100,464</u>	<u>100,961</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>25,850</u>	<u>33,658</u>	<u>59,508</u>
	<u>\$ 72,494</u>	<u>\$ 443,062</u>	<u>\$ 515,556</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ -	\$ 7,011	\$ 7,011
Contracts payable	9,125	9,707	18,832
Benefits payable	5,577	3,865	9,442
Deposits payable	3,150	-	3,150
Unearned revenue	815	16,549	17,364
Total current liabilities	<u>18,667</u>	<u>37,132</u>	<u>55,799</u>
Total liabilities	<u>18,667</u>	<u>37,132</u>	<u>55,799</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>10,144</u>	<u>13,208</u>	<u>23,352</u>
Total deferred inflows of resources	<u>10,144</u>	<u>13,208</u>	<u>23,352</u>
Net Position			
Net investment in capital assets	-	99,816	99,816
Restricted for SDRS benefits	16,203	21,098	37,301
Unrestricted net position	<u>27,480</u>	<u>271,808</u>	<u>299,288</u>
Total net position	<u>43,683</u>	<u>392,722</u>	<u>436,405</u>
	<u>\$ 72,494</u>	<u>\$ 443,062</u>	<u>\$ 515,556</u>

Sisseton School District 54-2

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

	Other Enterprise Fund	Food Service Fund	Total
Operating Revenues			
Tuition and fees			
Student tuition	\$ 77,843	\$ -	\$ 77,843
Food sales			
To pupils	-	114,203	114,203
To adults	-	10,629	10,629
Other charges for goods and services	-	22,707	22,707
Total operating revenues	77,843	147,539	225,382
Operating Expenses			
Salaries	114,244	195,926	310,170
Employee benefits	43,339	91,944	135,283
Purchased services	714	878	1,592
Supplies	4,273	18,319	22,592
Cost of sales - purchased food	-	232,045	232,045
Cost of sales - donated food	-	47,050	47,050
Other	48	1,501	1,549
Depreciation - local funds	-	7,594	7,594
Total operating expenses	162,618	595,257	757,875
Operating Loss	(84,775)	(447,718)	(532,493)
Nonoperating Revenues			
Investment earnings	-	284	284
Federal grants	1,136	-	1,136
State sources:			
Cash reimbursements	-	2,016	2,016
Federal sources:			
Cash reimbursements	-	449,319	449,319
Donated food	-	49,930	49,930
Total nonoperating revenues	1,136	501,549	502,685
Transfers in	45,000	-	45,000
Change in Net Position	(38,639)	53,831	15,192
Net Position - Beginning	82,322	338,891	421,213
Net Position - Ending	\$ 43,683	\$ 392,722	\$ 436,405

Sisseton School District 54-2
Statements of Cash Flows – Proprietary Funds
Year Ended June 30, 2020

	Other Enterprise Fund	Food Service Fund	Total
Cash Flows from (used for) Operating Activities			
Receipts from customers	\$ 87,514	\$ 138,840	\$ 226,354
Payments to suppliers	(7,085)	(301,202)	(308,287)
Payments to employees	(147,904)	(264,739)	(412,643)
Net Cash used for Operating Activities	<u>(67,475)</u>	<u>(427,101)</u>	<u>(494,576)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	45,000	-	45,000
Operating grants	1,136	451,335	452,471
Net Cash from Noncapital Financing Activities	<u>46,136</u>	<u>451,335</u>	<u>497,471</u>
Cash Flows from (used for) Investing Activities			
Purchase of property, plant, and equipment	-	(43,105)	(43,105)
Interest earnings	-	284	284
Net Cash used for Investing Activities	<u>-</u>	<u>(42,821)</u>	<u>(42,821)</u>
Change in Cash and Cash Equivalents	(21,339)	(18,587)	(39,926)
Cash and Cash Equivalents, Beginning of Year	<u>56,699</u>	<u>295,335</u>	<u>352,034</u>
Cash and Cash Equivalents, End of Year	<u>\$ 35,360</u>	<u>\$ 276,748</u>	<u>\$ 312,108</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities:			
Operating loss	\$ (84,775)	\$ (447,718)	\$ (532,493)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation expense	-	7,594	7,594
Value of donated commodities used	-	47,050	47,050
Change in assets and liabilities:			
Receivables	9,786	82	9,868
Due from state government	(404)	(11,112)	(11,516)
Inventories	-	(3,210)	(3,210)
Pension asset and deferred outflows	20,704	21,951	42,655
Pension liability and deferred inflows	258	1,387	1,645
Accounts and other payables	(2,050)	(45,249)	(47,299)
Accrued wages payable	(9,995)	886	(9,109)
Accrued payroll liabilities	(1,288)	(1,093)	(2,381)
Unearned revenue	289	2,331	2,620
Net Cash used for Operating Activities	<u>\$ (67,475)</u>	<u>\$ (427,101)</u>	<u>\$ (494,576)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ -	\$ 49,930	\$ 49,930

Sisseton School District 54-2
 Statements of Fiduciary Net Position
 June 30, 2020

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 39,281	\$ 202,662
Investments	114,517	-
	<u>\$ 153,798</u>	<u>\$ 202,662</u>
Liabilities		
Amounts held for others	<u>\$ -</u>	<u>\$ 202,662</u>
Total liabilities	<u>-</u>	<u>202,662</u>
Net Position		
Net position held in trust for scholarships	<u>153,798</u>	<u>-</u>
Total net position	<u>153,798</u>	<u>-</u>
	<u>\$ 153,798</u>	<u>\$ 202,662</u>

Sisseton School District 54-2
Statement of Changes in Fiduciary Net Position
June 30, 2020

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and donations	\$ 26,139
Other additions	<u>4,834</u>
Total additions	<u>30,973</u>
Deductions	
Trust deductions for scholarships	<u>10,950</u>
Total deductions	<u>10,950</u>
Change in Net Position	20,023
Net Position - Beginning	<u>133,775</u>
Net Position - Ending	<u><u>\$ 153,798</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Sisseton School District 54-2 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of the Sisseton School District 54-2 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

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

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

Fund Financial Statements

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

1. Total assets, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

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

Governmental Funds

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

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay and Special Education Funds are the special revenue funds maintained by the School District.

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

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

Proprietary Funds

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

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

Other Enterprise Fund – An enterprise fund maintained by the School District to record financial transactions related to the driver's education program, a preschool program, and an after-school program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Agency Fund Types – Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for student funds generated within the School District by the students or other School District organizations.

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains approximately 10-15 private-purpose trust funds, which are used for the purpose of providing scholarships to students.

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements – In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

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

Basis of Accounting

Government-Wide Financial Statements – In the government-wide statement of net position and statement of activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements – All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected within the current period or soon enough after the end of the fiscal year that they can be used to pay liabilities of the current period. The accrual period for the School District’s property tax receipts is sixty days. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies. Federal revenue, except impact aid, is recorded in the year which the related expenditure is made. Impact aid revenues are recognized when funds are received. Other revenues are considered available when they are earned. The revenues, which are accrued at June 30, 2020, are due from the counties and state government.

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

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

Interfund Eliminations and Reclassifications

Government-Wide Financial Statements – In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at acquisition value which approximates market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories in the General Fund and special revenue funds exist from time to time and consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

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

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

Real property assets include related improvements totaling approximately \$18,630,000 for which the School District does not have legal ownership; however, the School District has substantially all the risks and rewards of ownership and anticipates having possession of these assets for perpetuity. Therefore, these assets have been included as a part of the School District's capital assets in the accompanying financial statements and related notes to the financial statements.

Government-Wide 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 acquisition value on the date donated. Assets held for sale are recorded at the lower of cost or market value.

Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The School District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include the effects of demand, subsequent sales value, and other economic factors. Based on this assessment, there was no impairment at June 30, 2020.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2020, balance of capital assets for governmental activities includes approximately 16% for which the costs were determined by estimates of the original costs. The total June 30, 2020, balance of capital assets for business-type activities include approximately 45% for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets for governmental activities were based upon the appraisals, and the estimations of capital assets for business-type activities were established by reviewing applicable historical costs and basing the estimations thereon.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide statement of activities, with net capital assets reflected in the statement of net assets. Capitalization thresholds, (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All	N/A	N/A
Improvements	\$ 25,000	Straight-line	5-50 years
Buildings	25,000	Straight-line	33-50 years
Machinery and equipment	3,000	Straight-line	5-20 years
Food service equipment	3,000	Straight-line	10-20 years

**Land is an inexhaustible capital asset and is not depreciated*

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

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of retirement bonus payable and South Dakota School District Health Benefits Fund (SD SDBF) assessment.

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

Program Revenues

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

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

Property Taxes

Property taxes are levied on or before each October 1, attached as an enforceable lien on property as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining 50% is considered to be applied to finance the budget for subsequent years.

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

Proprietary Funds Revenue and Expense Classifications

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

In the proprietary fund's statement of activities, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

Cash, Cash Equivalents, and Investments

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows. For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

Equity Classifications

Government-Wide Statements – Equity is classified as net position and is displayed in three components:

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

Fund Financial Statements

Governmental fund equity is classified as fund balance and may distinguish between nonspendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as net position held in trust for other purposes.

Application of Net Position

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property Taxes
Special Education Fund	Grants and Property Taxes

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS), and additions to/deductions from SDRS’s fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and, so, will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension asset not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and, so, will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes and other revenue streams on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension asset not included in pension expense reported in the government-wide statement of net position.

Rounding

Computer generated rounding variances exist in the basic financial statements and supplementary information. The variances result from values being entered with cents rather than as whole numbers.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk, Interest Rate Risk, and Fair Value Measurements

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

Deposits

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

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

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit income from investments in each respective fund.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in any one financial institution.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2020, the financial institution that holds the School District's deposits was properly collateralized.

The actual bank balances at June 30, 2020, were as follows:

Insured (FDIC/NCUA)	\$ 353,861
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	<u>14,134,850</u>
	<u><u>\$ 14,488,711</u></u>

Reconciliation of deposits to the government-wide statement of net assets is as follows:

Cash and cash equivalents	\$ 14,143,268
Add: Agency fund and private purpose trusts fund cash (not included in government-wide statement of net assets)	<u>241,943</u>
School District's carrying amount of deposits at June 30, 2020	<u><u>\$ 14,385,211</u></u>

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 (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial Credit Risk Investments: The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk.

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

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

Concentration of Credit Risk: The School District places no limit on the amount that the School District may invest in any one issuer.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the School District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District invests in non-negotiated certificates of deposit and fixed annuity funds in the private purpose trust funds. The nonnegotiated certificates of deposit are valued at amortized cost, and the fixed annuity fund is valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions, and is classified within Level 2.

The School District has the following recurring fair value measurements as of June 30, 2020.

	Total	Level 1	Level 2	Level 3
RiverSource Fixed Annuity	\$ 10,656	\$ -	\$ 10,656	\$ -
Non-negotiated certificates of deposit (at amortized cost)	103,861	-	-	-
	<u>\$ 114,517</u>	<u>\$ -</u>	<u>\$ 10,656</u>	<u>\$ -</u>

Note 3 - Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectible have been established. The School District has \$719,277 due from the state and \$249,187 due from local governments in the General Fund and \$138,056 due from the state in the Special Education Fund as of June 30, 2020.

Note 4 - Changes in Capital Assets

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

Primary Government Governmental Activities	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets not being depreciated:				
Land	\$ 84,143	\$ -	\$ -	\$ 84,143
Construction in process	30,900	3,571,286	-	3,602,186
Total not being depreciated	<u>115,043</u>	<u>3,571,286</u>	<u>-</u>	<u>3,686,329</u>
Capital assets being depreciated:				
Buildings	16,260,685	-	-	16,260,685
Improvements	6,944,231	-	-	6,944,231
Machinery and equipment	4,310,678	104,882	-	4,415,560
Total being depreciated	<u>27,515,594</u>	<u>104,882</u>	<u>-</u>	<u>27,620,476</u>
Less accumulated depreciation for:				
Buildings	6,993,734	284,018	-	7,277,752
Improvements	1,560,677	257,685	-	1,818,362
Machinery and equipment	3,473,474	176,404	-	3,649,878
Total accumulated depreciation	<u>12,027,885</u>	<u>718,107</u>	<u>-</u>	<u>12,745,992</u>
Total capital assets being depreciated, net	<u>15,487,709</u>	<u>(613,225)</u>	<u>-</u>	<u>14,874,484</u>
Governmental activity capital assets, net	<u>\$ 15,602,752</u>	<u>\$ 2,958,061</u>	<u>\$ -</u>	<u>\$ 18,560,813</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 363,985
Support services	198,983
Co-curricular	<u>155,139</u>
Total depreciation expense - governmental activities	<u>\$ 718,107</u>

<u>Business-Type Activities</u>	<u>Balance 7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2020</u>
Capital assets being depreciated				
Machinery and equipment	\$ 332,304	\$ 43,105	\$ -	\$ 375,409
Total being depreciated	<u>332,304</u>	<u>43,105</u>	<u>-</u>	<u>375,409</u>
Less accumulated depreciation for:				
Machinery and equipment	267,999	7,594	-	275,593
Total accumulated depreciation	<u>267,999</u>	<u>7,594</u>	<u>-</u>	<u>275,593</u>
Total capital assets being depreciated, net	<u>64,305</u>	<u>35,511</u>	<u>-</u>	<u>99,816</u>
Business-type activities capital assets, net	<u>\$ 64,305</u>	<u>\$ 35,511</u>	<u>\$ -</u>	<u>\$ 99,816</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food services	\$ 7,594
Total depreciation expense - business-type activities	<u>\$ 7,594</u>

Construction in progress consists of costs relating to a middle and elementary school expansion project and high school remodel project. The total estimated cost of the project is \$3,961,214 and will be paid for with cash balances on hand. The total paid or accrued as of June 30, 2020, was \$3,571,286 with the remaining portion of the project to be completed in fiscal year 2021.

Note 5 - Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2020, is as follows:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>Due in One Year</u>
Governmental activities:					
SD SDBF Assessment	\$ 244,500	\$ -	\$ 121,340	\$ 123,160	\$ 123,160
Retirement bonus	67,838	19,829	67,838	19,829	9,915
	<u>\$ 312,338</u>	<u>\$ 19,829</u>	<u>\$ 189,178</u>	<u>\$ 142,989</u>	<u>\$ 133,075</u>

The SD SDBF assessment consists of \$481,820 assessed to the School District as a result of the deficit position of the fund in October of 2016. The School Board selected the option to pay the assessment in 4 annual installment payments from October 2017 through October 2020.

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2020, are as follows:

<u>Year Ending</u>	<u>Retirement Bonus</u>	<u>SD Health Insurance Assessment</u>	<u>Total</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 9,915	\$ 123,160	\$ 133,075	\$ -
2022	9,914	-	9,914	-
	<u>\$ 19,829</u>	<u>\$ 123,160</u>	<u>\$ 142,989</u>	<u>\$ -</u>

Note 6 - Retirement Bonus Policy

The School District has a retirement bonus policy in which the employee will receive a benefit calculated based on a standard formula in place based on certain requirements being met. The employee must meet the following criteria: the employee must qualify for state retirement and have served the School District for at least fifteen years. The maximum number of instructional staff recipients approved in any one year shall not exceed five. If more than five employees ask for the bonus, the board has the discretion to grant or deny more than five. Those with the greatest number of years of service shall receive first consideration to determine the priority of the recipients.

Note 7 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the statement of net position as of June 30:

<u>Fund</u>	<u>Restricted By</u>	<u>2020</u>
Special Education	Law	\$ 423,176
Capital Outlay	Law	2,747,097
SDRS Pension Plan	Pension Plan	<u>1,027,252</u>
Total restricted net position		<u>\$ 4,197,525</u>

Note 8 - Interfund Transfers

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

<u>Transfers From</u>	<u>Transfers To</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Enterprise Fund</u>	
Major Funds:				
General Fund	\$ -	\$ 2,500,000	\$ 45,000	\$ 2,545,000
Capital Outlay Fund	250,000	-	-	250,000

The transfers from the Capital Outlay Fund to the General Fund and the General Fund to the Other Enterprise Fund above were made to supplement operations. The transfer from the General Fund to the Capital Outlay Fund was to transfer proceeds from the Impact Aid grant program to be spent on capital outlay additions as allowed under that grant program.

Note 9 - Risk Management

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

The School District is a member of the South Dakota School District Health Benefits Fund (SD SDBF). This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local governmental entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides for a \$1,500 to \$3,500 deductible per person up to \$3,000 to \$7,000 per family, with annual out of pocket maximums up to \$6,500 to \$12,500 per family and no lifetime maximum per person.

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

At June 30, 2016, the SD SDBF had a deficit net position. During fiscal year 2017, the fund issued a fund-wide assessment to all of the districts participating in the fund to make up this deficit net position. The amount assessed to the School District was \$481,820. The School District decided to pay the assessment in four annual installments with the first payment of \$117,780 being made during fiscal year 2018 (See Note 5). At June 30, 2020, the School District Health Benefits fund has a positive net position.

Liability Insurance

The School District joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control, and risk reduction information, and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to, and cooperate with, the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium to provide liability coverage detailed below under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for property, general liability, automobile, EDP, inland marine, accounts receivable, property in transit, valuable papers, ordinance or law, school leaders professional liability and cost of defense, crime, and boiler and machinery. The agreement with the ASBSD-PLF provides that the above coverages will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for the property, crime, and automobile coverage, a \$1,000 deductible for the boiler and machinery coverage, and various other deductibles for different types of insurance coverage.

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

Workers' Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program, to give its employees safe and sanitary working conditions, and to promptly report to, and cooperate with, the fund to resolve any workers' compensation claims. The School District pays an annual premium to provide workers' compensation coverage for its employees under a retrospectively-rated policy and the premiums are accrued based on the ultimate cost of the experience-to-date of the fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk.

The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits

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

Note 10 - Commitment and Contingencies

From time to time, the School District is involved in various litigation. As of June 30, 2020, there was no outstanding litigation for which there is a probable or reasonably possible likelihood of an unfavorable outcome for the School District.

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The School District is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the School District is not known.

Note 11 - Pension Plan**Plan Information**

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

Benefits Provided

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 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 the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the member's accumulated contributions are annually increased by the Cost-of-Living Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019, and 2018, were \$398,473, \$379,662, and \$371,021, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 37,088,150
Less proportionate share of net pension restricted for pension benefits	<u>37,119,688</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (31,538)</u></u>

At June 30, 2020, the School District reported a liability (asset) of \$(31,538) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District's proportion was 0.2976051%, which is an increase (decrease) of 0.000156% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense (reduction of pension expense) of \$943,632. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 123,711	\$ 14,275
Changes in assumption	1,089,240	446,536
Net difference between projected and actual earnings on pension plan investments	-	181,685
Changes in proportion and difference between School District contributions and proportionate share of contributions	27,398	612
School District contributions subsequent to the measurement date	<u>398,473</u>	<u>-</u>
Total	<u><u>\$ 1,638,822</u></u>	<u><u>\$ 643,108</u></u>

There is \$398,473 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:		
2021	\$	711,676
2022		(102,396)
2023		(72,456)
2024		60,417
Total	\$	597,241

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount rate	6.50% net of plan investment expense
Future COLAs	1.88%

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, 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 of July 1, 2011 to June 30, 2016.

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 5,234,689	\$ (31,538)	\$ (4,322,562)

Pension Plan Fiduciary Net Position

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



Required Supplementary Information
June 30, 2020

Sisseton School District 54-2

Sisseton School District 54-2
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,759,054	\$ 1,759,054	\$ 1,821,568	\$ 62,514
1120 Prior year's ad valorem taxes	22,000	22,000	17,904	(4,096)
1140 Gross receipts taxes	420,000	420,000	513,880	93,880
1190 Penalties and interest on taxes	8,500	8,500	9,188	688
1300 Tuition and fees:				
1360 Regular day school transportation fee	71,500	71,500	64,925	(6,575)
1500 Earnings on investments and deposits	8,500	8,500	10,643	2,143
1700 Co-curricular activities:				
1710 Admissions	26,000	26,000	29,445	3,445
1740 Rentals	18,000	18,000	16,646	(1,354)
1790 Other pupil activity	27,900	27,900	37,379	9,479
1900 Other revenue from local sources:				
1950 Refund of prior years' expenditures	18,000	18,000	17,357	(643)
1960 Judgments	50	50	-	(50)
1970 Charges for services	37,000	37,000	55,285	18,285
1990 Other	3,000	3,000	10,142	7,142
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	180,000	180,000	207,842	27,842
2200 Revenue in lieu of taxes	500	500	4,690	4,190
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	3,541,153	3,541,153	3,695,230	154,077
3120 Restricted grants-in-aid	18,000	18,000	7,359	(10,641)
3900 Other state revenue	500	500	-	(500)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4110 Unrestricted grants-in-aid received directly from federal government	1,845,050	1,845,050	3,426,938	1,581,888
4140 Restricted grants-in-aid received directly from federal government	124,797	124,797	87,399	(37,398)
4150-4199 Restricted grants-in-aid received from federal government through the state	1,075,912	1,075,912	1,224,505	148,593
4900 Other federal revenue	27,000	27,000	23,966	(3,034)
Total revenues	<u>9,232,416</u>	<u>9,232,416</u>	<u>11,282,291</u>	<u>2,049,875</u>

Sisseton School District 54-2
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	2,003,559	2,003,559	1,715,204	288,355
1120 Middle/junior high	947,179	947,179	889,519	57,660
1130 High school	1,573,638	1,573,638	1,196,506	377,132
1200 Special programs:				
1250 Culturally different	124,797	124,797	85,728	39,069
1270 Educationally deprived	726,850	726,850	677,169	49,681
1300 Adult continuing education programs	5,424	5,424	-	5,424
2000 Support services				
2100 Pupils:				
2110 Attendance and social work	-	-	17,443	(17,443)
2120 Guidance	226,649	226,649	220,501	6,148
2130 Health	74,003	74,003	90,444	(16,441)
2200 Support services - instructional staff:				
2210 Improvement of instruction	57,558	57,558	91,512	(33,954)
2220 Educational media	281,198	281,198	219,562	61,636
2300 Support services - general administration:				
2310 Board of Education	133,072	133,072	80,877	52,195
2320 Executive administration	215,549	215,549	206,922	8,627
2400 Support services - school administration:				
2410 Office of the Principal	682,402	682,402	557,422	124,980
2440 Title I program administration	-	-	54,793	(54,793)
2490 Other school administrative	8,000	8,000	4,380	3,620
2500 Support services - business:				
2520 Fiscal services	309,476	309,476	288,888	20,588
2540 Operation and maintenance of plant	1,389,547	1,389,547	1,110,394	279,153
2550 Pupil transportation	846,979	846,979	752,192	94,787
2560 Food services	1,500	1,500	22,628	(21,128)
2590 Other	23,000	23,000	35,355	(12,355)
3000 Community services				
3200 Recreation	18,021	18,021	8,291	9,730
4000 Non-programmed charges				
4500 Early retirement payments	67,902	67,902	67,838	64
6000 Co-curricular activities				
6100 Male activities	149,675	149,675	87,473	62,202
6200 Female activities	139,726	139,726	81,815	57,911
6900 Combined activities	195,353	195,353	144,696	50,657
7000 Contingencies	50,000	50,000	-	50,000
Total expenditures	<u>10,251,057</u>	<u>10,251,057</u>	<u>8,707,552</u>	<u>1,543,505</u>
Excess of Revenues over (under) Expenditures	<u>(1,018,641)</u>	<u>(1,018,641)</u>	<u>2,574,739</u>	<u>3,593,380</u>

Sisseton School District 54-2
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
5110 Transfers in	2,019,391	2,019,391	250,000	(1,769,391)
8110 Transfers out	(5,060,997)	(5,060,997)	(2,545,000)	2,515,997
5130 Sale of surplus property	2,000	2,000	-	(2,000)
Total other financing sources (uses)	<u>(3,039,606)</u>	<u>(3,039,606)</u>	<u>(2,295,000)</u>	<u>744,606</u>
Net Change in Fund Balances	(4,058,247)	(4,058,247)	279,739	4,337,986
Fund Balance - Beginning	<u>9,770,096</u>	<u>9,770,096</u>	<u>9,770,096</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 5,711,849</u>	<u>\$ 5,711,849</u>	<u>\$ 10,049,835</u>	<u>\$ 4,337,986</u>

Sisseton School District 54-2
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,877,580	\$ 1,877,580	\$ 1,829,858	\$ (47,722)
1120 Prior year's ad valorem taxes	8,500	8,500	12,522	4,022
1190 Penalties and interest on taxes	4,000	4,000	5,249	1,249
1500 Earnings on investments and deposits	3,000	3,000	2,570	(430)
1900 Other revenue				
1950 Refund of prior years' expenditures	-	-	1,800	1,800
Total revenues	<u>1,893,080</u>	<u>1,893,080</u>	<u>1,851,999</u>	<u>(41,081)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	110,250	110,250	52,317	57,933
1120 Middle school	89,635	89,635	69,076	20,559
1130 High school	38,465	38,465	13,816	24,649
1200 Special programs:				
1220 Programs for special education	35,300	35,300	-	35,300
2000 Support services				
2100 Students:				
2120 Guidance	2,250	2,250	-	2,250
2130 Health	750	750	-	750
2200 Support services - instructional staff:				
2220 Educational media	21,750	21,750	15,529	6,221
2300 Support services - general administration:				
2320 Executive administration	2,000	2,000	1,398	602
2400 Support services - school administration:				
2410 Office of the Principal	7,600	7,600	4,519	3,081
2500 Support services - business:				
2520 Fiscal services	4,200	4,200	2,796	1,404
2530 Facilities acquisition and construction	6,275,000	6,275,000	3,562,521	2,712,479
2540 Operation and maintenance of plant	861,027	861,027	116,030	744,997
2550 Transportation	215,000	215,000	46,835	168,165
2560 Food services	5,000	5,000	-	5,000
2700 Support services - special education:				
2710 Administrative costs	9,000	9,000	1,024	7,976
6000 Co-curricular activities				
6100 Male activities	9,750	9,750	2,873	6,877
6200 Female activities	14,300	14,300	12,221	2,079
6900 Combined activities	2,800	2,800	2,500	300
Total expenditures	<u>7,704,077</u>	<u>7,704,077</u>	<u>3,903,455</u>	<u>3,800,622</u>
Excess of Revenues over (under) Expenditures	<u>(5,810,997)</u>	<u>(5,810,997)</u>	<u>(2,051,456)</u>	<u>3,759,541</u>

Sisseton School District 54-2
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
5110 Transfers in	5,060,997	5,060,997	2,500,000	(2,560,997)
8110 Transfers out	(250,000)	(250,000)	(250,000)	-
Total other financing sources	<u>4,810,997</u>	<u>4,810,997</u>	<u>2,250,000</u>	<u>(2,560,997)</u>
Net Change in Fund Balances	(1,000,000)	(1,000,000)	198,544	1,198,544
Fund Balance - Beginning	<u>2,523,579</u>	<u>2,523,579</u>	<u>2,523,579</u>	-
Fund Balance - Ending	<u><u>\$ 1,523,579</u></u>	<u><u>\$ 1,523,579</u></u>	<u><u>\$ 2,722,123</u></u>	<u><u>\$ 1,198,544</u></u>

Sisseton School District 54-2
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,122,507	\$ 1,122,507	\$ 1,185,221	\$ 62,714
1120 Prior year's ad valorem taxes	6,000	6,000	8,088	2,088
1190 Penalties and interest on taxes	3,000	3,000	3,322	322
1500 Earnings on investments and deposits	500	500	421	(79)
1900 Other revenue from local sources				
1950 Refund of prior years' expenditures	100	100	-	(100)
1970 Charges for services	17,000	17,000	24,526	7,526
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	212,428	212,428	137,265	(75,163)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	426,188	426,188	438,698	12,510
Total revenues	<u>1,787,723</u>	<u>1,787,723</u>	<u>1,797,541</u>	<u>9,818</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	1,308,604	1,308,604	1,070,574	238,030
2000 Support services				
2100 Pupils:				
2140 Psychological	84,310	84,310	86,219	(1,909)
2150 Speech pathology	205,461	205,461	210,835	(5,374)
2170 Student therapy services	165,295	165,295	147,971	17,324
2700 Support services - special education:				
2710 Administration costs	85,683	85,683	78,098	7,585
2730 Transportation costs	7,000	7,000	12,637	(5,637)
2750 Other special education costs	-	-	92,977	(92,977)
Total expenditures	<u>1,856,353</u>	<u>1,856,353</u>	<u>1,699,311</u>	<u>157,042</u>
Excess of Revenues over (under) Expenditures	<u>(68,630)</u>	<u>(68,630)</u>	<u>98,230</u>	<u>166,860</u>
Other Financing Sources				
5110 Transfers in	68,630	68,630	-	(68,630)
Total other financing sources	<u>68,630</u>	<u>68,630</u>	<u>-</u>	<u>(68,630)</u>
Net Change in Fund Balances	-	-	98,230	98,230
Fund Balance - Beginning	<u>308,235</u>	<u>308,235</u>	<u>308,235</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 308,235</u>	<u>\$ 308,235</u>	<u>\$ 406,465</u>	<u>\$ 98,230</u>

Note 1 - Basis of Presentation

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. The budgetary comparison schedules have been prepared on the budgetary basis of accounting. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

Note 2 - Budgets and Budgetary Accounting

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

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

Sisseton School District 54-2
Schedule of Employer's Share of Net Pension Liability (Asset)
Year Ended June 30, 2020

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Percentage of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SDRS	6/30/2020	0.2976%	\$ (31,538)	\$ 6,327,699	-0.5%	100.09%
SDRS	6/30/2019	0.2974%	(6,937)	6,181,663	-0.1%	100.02%
SDRS	6/30/2018	0.2983%	(27,073)	6,061,340	-0.4%	100.1%
SDRS	6/30/2017	0.3071%	1,037,486	5,840,240	17.8%	96.89%
SDRS	6/30/2016	0.3404%	(1,443,647)	6,214,846	-23.2%	104.1%
SDRS	6/30/2015	0.3714%	(2,675,483)	6,494,097	-41.2%	107.3%

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

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability (asset) which is June 30 of the preceding fiscal year.

Sisseton School District 54-2
Schedule of Employer's Contributions
Year Ended June 30, 2020

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Payroll (d)	Contributions as a Percentage of Covered- Payroll (b/d)
SDRS	6/30/2020	\$ 398,473	\$ 398,473	\$ -	\$ 6,641,219	6.0%
SDRS	6/30/2019	379,662	379,662	-	6,327,699	6.0%
SDRS	6/30/2018	371,021	371,021	-	6,181,663	6.0%
SDRS	6/30/2017	363,681	363,681	-	6,061,340	6.0%
SDRS	6/30/2016	350,415	350,415	-	5,840,240	6.0%
SDRS	6/30/2015	372,892	372,892	-	6,214,846	6.0%

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

Notes to Required Supplementary Information

Changes of Benefit Terms

No significant changes.

Changes of Assumptions

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



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

To the School Board
Sisseton School District 54-2
Sisseton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sisseton School District 54-2 (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated March 26, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs listed as 2020-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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 item 2020-003, which is required to be reported under *Government Auditing Standards*.

The School District's Response to Findings

The School District's response to the findings identified in our audit are described in the schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
March 26, 2021



Independent Auditor’s Report on Compliance for the Major Federal Program, and Report on Internal Control Over Compliance Required by the Uniform Guidance

The School Board
Sisseton School District 54-2
Sisseton, South Dakota

Report on Compliance for the Major Federal Program

We have audited Sisseton School District 54-2’s (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School District’s major federal program for the year ended June 30, 2020. The School District’s major federal program is 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 the compliance for the School District’s major federal program 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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School 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 School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
March 26, 2021



Supplementary Information
June 30, 2020

Sisseton School District 54-2

Sisseton School District 54-2
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 2)	10.555	NSLP-54002-20	\$ 47,050
Cash Assistance:			
School Breakfast Program (Note 1) (Note 2)	10.553	NSLP-54002-20	110,259
National School Lunch Program (Note 1) (Note 2)	10.555	NSLP-54002-20	307,005
Summer Food Service Program for Children (Note 2)	10.559	NSLP-54002-20	33,024
Total for Child Nutrition Cluster			<u>497,338</u>
Fresh Fruit and Vegetable Program	10.582	FFVP-54002-20	22,726
Total Department of Agriculture			<u>520,064</u>
<u>Department of the Interior</u>			
Pass-Through Roberts County:			
National Wildlife Refuge Fund	15.659	Unknown	5,209
Pass-Through Marshall County:			
National Wildlife Refuge Fund	15.659	Unknown	15,365
Total Department of the Interior			<u>20,574</u>
<u>National Foundation on the Arts and Humanities</u>			
Pass-Through the SD Department of Tourism and State Development:			
Promotion of the Arts - Partnership Agreements	45.025	Unknown	3,392
Total National Foundation on the Arts and Humanities			<u>3,392</u>
<u>Department of Education</u>			
Direct Federal Funding:			
Impact Aid	84.041	N/A	4,162,765
Indian Education - Grants to Local Educational Agencies	84.060	N/A	87,399
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	TIA-54002-20 and 1003-54002-20	798,266
Special Education Cluster:			
Special Education - Grants to States	84.027	611-54002-20	312,439
Special Education - Preschool Grants	84.173	619-54002-20	11,648
Total for Special Education Cluster			<u>324,087</u>
Special Education - Grants for Infants and Families	84.181	Q186A080043	2,031
Career and Technical Education - Basic Grants to States	84.048	PRPI-54002-20	19,498
State Personnel Development Grant	84.323	Unknown	43,576
Rural Education	84.358	RLIS-54002-20	16,302
Improving Teacher Quality State Grants	84.367	TIIA-54002-20	156,061
Title IV Student Support and Academic Enrichment Program	84.424	TIVA-54002-20	2,336
COVID-19 ESF Education Stabilization Fund	84.425	Unknown	172,120
Total Department of Education			<u>5,784,441</u>
<u>Department of Homeland Security</u>			
Pass-Through the SD Department of Education:			
Homeland Security Grant Program	97.067	Unknown	7,046
Total Federal Financial Assistance			<u>\$ 6,335,517</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the School 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 School District, it is not intended to, and does not, present the financial position, changes in net position or fund balance, or cash flows of the School District.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting for all funds. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The School District does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Note 4 - Food Donation

Non-monetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the School District had food commodities totaling \$4,648 in inventory.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

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

Section II – Financial Statement Findings

Finding 2020-001 Lack of Segregation of Duties

Significant Deficiency

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: Sisseton School District 54-2 does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Cause: The School District's system of internal controls is not adequately designed so that duties are appropriately segregated.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected.

Recommendation: We recommend that the School District consider changes to the system of internal controls so that incompatible duties are appropriately segregated within the revenue, expenditures, and payroll functions. Additionally, we recommend that the School Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.

Finding 2020-002 Preparation of Financial Statements, Footnotes, and Significant Journal Entries

Material Weakness

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: Sisseton School District 54-2 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2020. As part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes, and could cause the need for auditors to, at times, propose material journal entries.

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

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

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – South Dakota Legal Compliance Findings

Finding 2020-003 Failure to Publish School Board Minutes within Required Timeframe

Criteria: A good system of internal controls contemplates an adequate system for ensuring compliance with SDCL requirements.

Condition: During the course of our engagement, we discovered that in five out of the twelve instances that were tested by us, the official School Board minutes were not published in the official newspaper within the twenty day requirement established by SDCL 13-8-35. The publications were, at various times, late by between 2 to 9 days.

Cause: The School District's system of internal controls is not adequately designed to ensure that School Board minutes are published within the required timeframe. The School District misunderstood the state law requirement to be within 20 business days and the state law requirement is within 20 calendar days.

Effect: This condition decreases transparency in government reporting.

Recommendation: We recommend that the School District consider changes to its system of internal controls to ensure that School Board minutes are published within the required timeframe.

Views of Responsible Officials: Management agrees with the finding.

SISSETON SCHOOL DISTRICT 54-2

516 8th Avenue West

Sisseton, SD 57262

Phone (605) 698-7613 Fax (605) 698-3032

www.sisseton.k12.sd.us

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2020

Prepared by Management of
Sisseton School District 54-2

Financial Statement Findings

Finding 2019-001 Lack of Segregation of Duties

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: The School District does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Status: Ongoing. We will continue to examine and modify our internal control procedures to improve segregation of duties.

Finding 2019-002 Preparation of Financial Statements and Footnotes and Significant Journal Entries

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements, which included proposing significant journal entries, including restatements of beginning balances.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements.

South Dakota Legal Compliance Finding

Finding 2019-003 Failure to Publish School Board Minutes within Required Timeframe

Initial Fiscal Year Finding Occurred: 2019

Finding Summary: Eide Bailly LLP notes that in ten out of the twelve instances tested the official school board minutes were not published in the official newspaper within the 20 day requirement established by SDCL 13-8-35.

Status: Ongoing.

Financial Statement Findings

Finding 2020-001 Lack of Segregation of Duties

Finding Summary: The School District does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Responsible Individuals: Lori Kuschel, Business Manager

Corrective Action Plan: We will continue to examine and modify our internal control procedures to improve segregation of duties.

Anticipated Completion Date: Ongoing

Finding 2020-002 Preparation of Financial Statements and Footnotes and Significant Journal Entries

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Lori Kuschel, Business Manager

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepared the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

South Dakota Legal Compliance Finding

Finding 2020-003 Failure to Publish School Board Minutes within Required Timeframe

Finding Summary: Eide Bailly LLP notes that in five out of the twelve instances tested the official school board minutes were not published in the official newspaper within the 20 day requirement established by SDCL 13-8-35.

Responsible Individuals: Lori Kuschel, Business Manager

Corrective Action Plan: After fully understanding the 20 day requirement, we are implementing a process to ensure that board minute summaries are completed timely after board minutes for publication deadlines can be met.

Anticipated Completion Date: December 31, 2020