

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2021



**Ketel Thorstenson, LLP**

Certified Public Accountants/Business & Personal Consultants

**[ktllp.com](http://ktllp.com)**

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

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## INDEPENDENT AUDITOR'S REPORT

School Board  
Spearfish School District No. 40-2  
Lawrence County, 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 **SPEARFISH SCHOOL DISTRICT NO. 40-2** (the District), Lawrence County, South Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***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 District, as of June 30, 2021, 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 Matter - Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and pension information on pages 6 through 14 and 49 through 58, 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.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on pages 60 through 61, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP  
Certified Public Accountants

January 10, 2022

## **SPEARFISH SCHOOL DISTRICT NO. 40-2**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2021**

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The District's net position from governmental and business-type activities increased \$1,566,357.
- The total cost of the District's programs increased by approximately 11 percent, primarily due to COVID, salary and corresponding benefits increases.
- The general fund reported a \$6,191,213 current year fund balance.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services were financed in the short-term, as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities that the school operates like businesses. The proprietary funds operated by the District are Food Service and Driver's Education.
  - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

## **SPEARFISH SCHOOL DISTRICT NO. 40-2**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2021**

#### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

##### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

- **Governmental Activities** - This category includes the District's basic instructional services (elementary, high school educational programs, etc.), support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-Type Activities** - The District charges a fee to students to help cover the costs of providing lunch services to all students. The District also charges for services provided to teach Driver's Education for the community. The Food Service and Driver's Education Funds are the business-type activities of the District.

##### Fund Financial Statements

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

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Fund Financial Statements (Continued)

The District has three kinds of funds:

- Governmental Funds – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service and Driver's Education Funds are the proprietary funds maintained by the District.
- Fiduciary Funds – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.



**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

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

<b>Figure A-1</b>				
	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
<b>Scope</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>	
<b>Scope</b>	Entire District government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the District operates similar to private business- food service and driver's education	Instances in which the District is the trustee or agent for someone else's resources
<b>Required Financial Statements</b>	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances	Balance Sheet; Statement of Revenues, Expenses and Changes in Fund Net Position; and Statement of Cash Flows	Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/ Liability Information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can
<b>Type of Inflow/ Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net Position

The District’s combined net position increased as follows:

	<b>Table A-1</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2020	2021	2020	2021	2020	2021
Current and Other Assets	\$ 20,188,680	<b>\$ 21,899,176</b>	\$ 252,360	<b>\$ 335,374</b>	\$ 20,441,040	<b>\$ 22,234,550</b>
Capital Assets	32,538,885	<b>32,944,483</b>	8,815	<b>17,370</b>	32,547,700	<b>32,961,853</b>
Total Assets	52,727,565	<b>54,843,659</b>	261,175	<b>352,744</b>	52,988,740	<b>55,196,403</b>
Pension Related Deferred Outflows of Resources	\$ 1,736,878	<b>\$ 695,771</b>	\$ 2,972	<b>\$ 1,315</b>	\$ 1,739,850	<b>\$ 697,086</b>
Long-Term Liabilities	\$ 6,530,888	<b>\$ 5,946,305</b>	\$ -	<b>\$ -</b>	\$ 6,530,888	<b>\$ 5,946,305</b>
Other Liabilities	1,625,444	<b>1,746,021</b>	4,840	<b>29,817</b>	1,630,284	<b>1,775,838</b>
Total Liabilities	8,156,332	<b>7,692,326</b>	4,840	<b>29,817</b>	8,161,172	<b>7,722,143</b>
Taxes Levied for Future Period	\$ 6,227,897	<b>\$ 6,184,480</b>	\$ -	<b>\$ -</b>	\$ 6,227,897	<b>\$ 6,184,480</b>
Net Position:						
Net Investment in Capital Assets	\$ 26,132,664	<b>\$ 27,134,711</b>	\$ 8,815	<b>\$ 17,370</b>	\$ 26,141,479	<b>\$ 27,152,081</b>
Restricted	9,190,929	<b>8,472,394</b>	3,069	<b>1,359</b>	9,193,998	<b>8,473,753</b>
Unrestricted	4,756,621	<b>6,055,519</b>	247,423	<b>305,513</b>	5,004,044	<b>6,361,032</b>
Total Net Position	\$ 40,080,214	<b>\$ 41,662,624</b>	\$ 259,307	<b>\$ 324,242</b>	\$ 40,339,521	<b>\$ 41,986,866</b>
Beginning Net Position	\$ 38,822,234	<b>\$ 40,080,214</b>	\$ 181,338	<b>\$ 259,307</b>	\$ 39,003,572	<b>\$ 40,339,521</b>
Change in Net Position	\$ 1,257,980	<b>\$ 1,582,410</b>	\$ 77,969	<b>\$ 64,935</b>	\$ 1,335,949	<b>\$ 1,647,345</b>
Percentage of Change in Net Position	3.24%	<b>3.95%</b>	43.00%	<b>25.04%</b>	3.43%	<b>4.08%</b>

This section explains the differences between the current and prior year’s assets, liabilities, and changes in net position.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of compensated absences payable and early retirement benefits payable, have been reported in this manner on the Statement of Net Position. The difference between the District’s assets and liabilities is its net position.

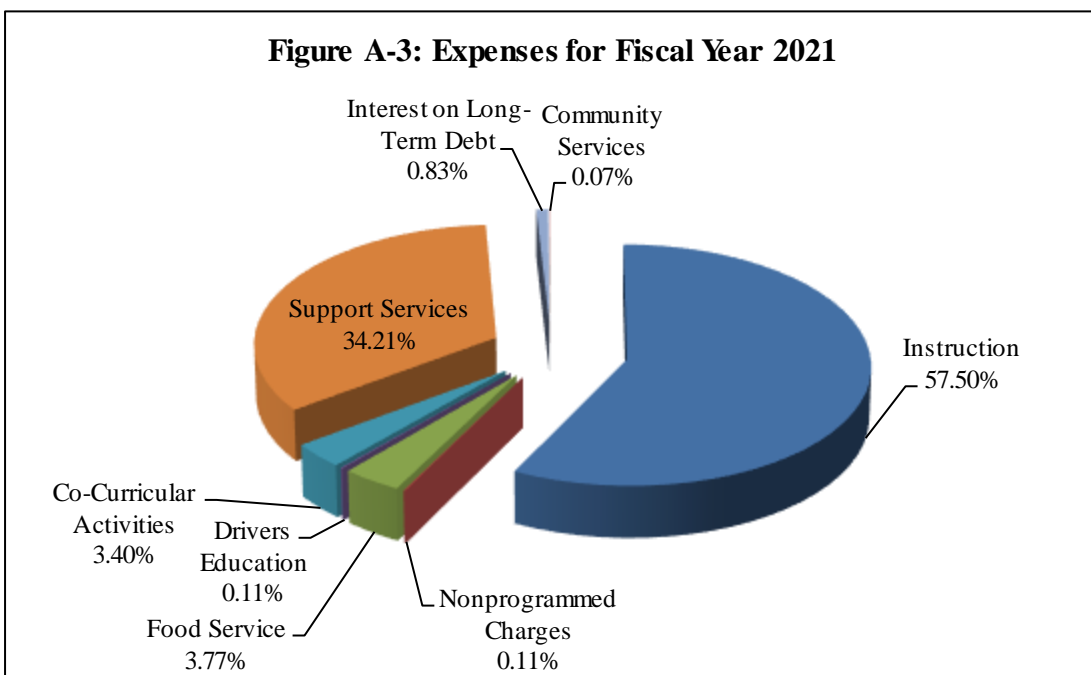
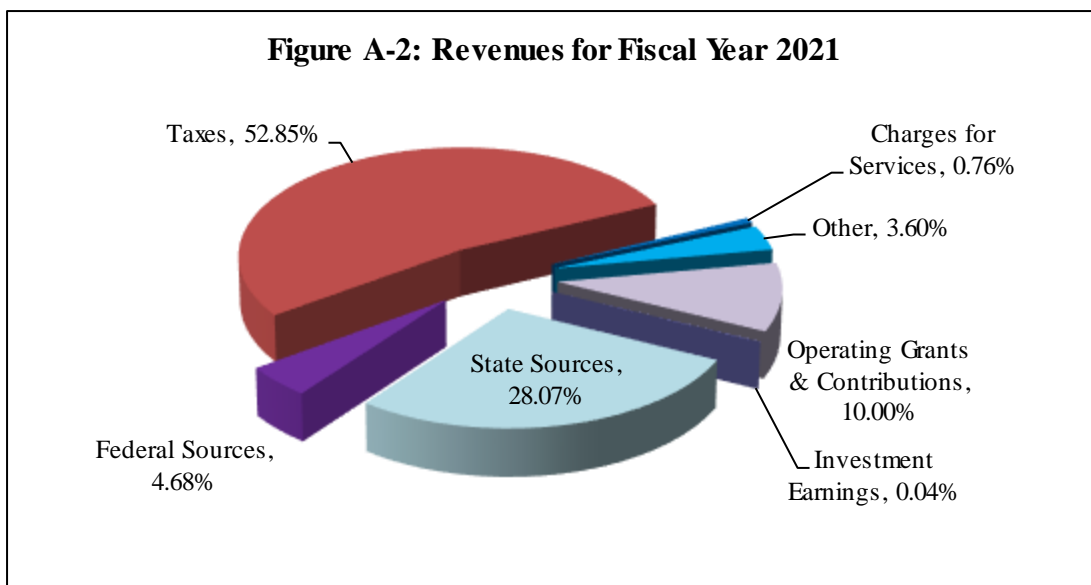
**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Changes in Net Position

This section illustrates condensed financial comparison of revenues and expenses and provides explanations for significant differences. The District's revenues totaled \$27,307,083 for the year ended June 30, 2021. (See Table A-2.) Approximately 53 percent of the District's revenue comes from property and other taxes, with another 28 percent coming from state aid. (See Figure A-2). The total cost of all programs and services was \$25,740,726 for the year. The District's expenses cover a range of services, encompassing instruction, support services, and food services. (See Figure A-3)



**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Changes in Net Position (Continued)

Table A-2 and the narrative that follows consider the operations of the governmental and business-type activities.

	Table A-2					
	Total Governmental Activities		Total Business-Type Activities		Grand Total	
	2020	2021	2020	2021	2020	2021
<b>Revenues</b>						
<i>Program Revenues</i>						
Charges for Services	\$ 52,024	\$ 38,153	\$ 442,591	\$ 171,103	\$ 494,615	\$ 209,256
Operating Grants and Contributions	1,651,510	1,841,837	541,100	892,672	2,192,610	2,734,509
<i>General Revenues</i>						
Taxes	13,748,984	14,477,714	-	-	13,748,984	14,477,714
Revenue State Sources	7,429,463	7,690,070	-	-	7,429,463	7,690,070
Revenue Federal Sources	105,670	1,281,809	-	-	105,670	1,281,809
Other General Revenues	501,797	903,504	-	-	501,797	903,504
Unrestricted Investment Earnings	95,903	10,221	130	-	96,033	10,221
<b>Total Revenues</b>	<b>\$ 23,585,351</b>	<b>\$ 26,243,308</b>	<b>\$ 983,821</b>	<b>\$ 1,063,775</b>	<b>\$ 24,569,172</b>	<b>\$ 27,307,083</b>
<b>Expenses</b>						
Instruction	\$ 13,905,554	\$ 14,802,393	\$ -	\$ -	\$ 13,905,554	\$ 14,802,393
Support Services	7,132,467	8,805,332	-	-	7,132,467	8,805,332
Community Services	38,835	17,782	-	-	38,835	17,782
Non-programmed Charges	128,987	27,308	-	-	128,987	27,308
Co-Curricular Activities	875,424	874,835	-	-	875,424	874,835
Interest on Long-Term Debt	246,104	214,236	-	-	246,104	214,236
Food Service	-	-	877,320	969,875	877,320	969,875
Driver's Education	-	-	28,532	28,965	28,532	28,965
<b>Total Expenses</b>	<b>22,327,371</b>	<b>24,741,886</b>	<b>905,852</b>	<b>998,840</b>	<b>23,233,223</b>	<b>25,740,726</b>
<b>Change in Net Position</b>	<b>1,257,980</b>	<b>1,501,422</b>	<b>77,969</b>	<b>64,935</b>	<b>1,335,949</b>	<b>1,566,357</b>
<b>Ending Net Position</b>	<b>\$ 40,080,214</b>	<b>\$ 41,662,624</b>	<b>\$ 259,307</b>	<b>\$ 324,242</b>	<b>\$ 40,339,521</b>	<b>\$ 41,986,866</b>

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONCLUDED)**

Governmental Activities

While the District experienced normal individual revenue fluctuations during the 2021 year compared to 2020, the total revenues of the District’s governmental activities increased approximately 11.3 percent across all funding sources but predominately in the federal funding area. The increase in expenditures of approximately 10.8 percent was due to salary and benefit increases to all staff and the cost of online instruction for virtual learning students.

Business-Type Activities

Revenues of the District’s business-type activities increased approximately 8.1 percent, and expenses increased approximately 10.3 percent. The increase in revenues and expenses were due to increased participation primarily related to the District offering all students free meals.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

The General Fund increased mainly due to additional unrestricted grants received from the federal government. The Capital Outlay Fund increased due to an increase in property tax assessments. The Special Education Fund increased due to assessed value increases and state impairment level funding increases.

**BUDGETARY HIGHLIGHTS**

The General Fund revenue budget increased mainly due to an unrestricted grant revenue, Coronavirus Relief Fund. The Special Education revenue budget increased due to state funding changes. The corresponding expenditure budgets increased due to staffing increases and increases in compensation. The Capital Outlay Fund revenue budget increased due to an increase in assessed valuation due to new construction. The Capital Outlay expenditure budget increased due to the increase in the cost of summer projects.

**CAPITAL ASSET ADMINISTRATION**

By the end of 2021, the District had invested \$32,961,853 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, and various machinery and equipment. (See Table A-3.) This represents an increase of approximately \$400,000 from last year.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	2020	2021	2020	2021
Land	\$ 1,645,272	\$ 1,645,272	\$ -	\$ -
Buildings	29,427,066	29,834,809	-	-
Construction in Process	192,911	97,383	-	-
Machinery and Equipment	1,273,636	1,367,019	8,815	17,370
<b>Total Capital Assets (Net)</b>	<b>\$ 32,538,885</b>	<b>\$ 32,944,483</b>	<b>\$ 8,815</b>	<b>\$ 17,370</b>

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**LONG-TERM DEBT**

<b>Table A-4 Outstanding Debt and Obligations</b>				
	2020	2021	Total Dollar Change	Total Percentage Change
General Obligation Bonds (QSCB) - 2010	\$ 1,500,000	\$ <b>1,500,000</b>	\$ -	0%
General Obligation Refunding Certificates - 2017	4,860,000	<b>4,270,000</b>	(590,000)	-12%
Premium on Refunding Certificates	46,221	<b>39,772</b>	(6,449)	-14%
Compensated Absences	124,667	<b>136,533</b>	11,866	10%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 6,530,888</b>	<b>\$ 5,946,305</b>	<b>\$ (584,583)</b>	<b>-9%</b>

At year end, the District had \$5,946,305 in General Obligation Bonds and other long-term debt. This is a decrease of \$584,583 as shown on Table A-4 above. The decrease is due primarily to payments on the general obligation certificates.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

Total property valuation increased \$46,117,168 or 3.1 percent from the prior year. The growth factor, which in part determines Capital Outlay revenue availability increased by \$31,117,314. Due to the state funding formula, the Capital Outlay Fund is limited to the percentage of new growth plus CPI or 3% whichever is greater in dollars per thousand.

The state aid formula ensures property taxes, plus state aid will equal \$5,960.67 per pupil. The per student allocation for fiscal year 2021 increased to \$5,960.67. Even though student enrollment decreased by 33 students, the increase in per pupil allocation offset the enrollment decrease and netted the district an increase of \$275,822 in state aid revenue.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Spearfish School District’s Business Office, 525 East Illinois, Spearfish, SD 57783.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**STATEMENT OF NET POSITION  
JUNE 30, 2021**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 14,042,341	\$ 312,991	\$ 14,355,332
Taxes Receivable (Note 2)	6,330,210	-	6,330,210
Due from State Government (Note 3)	327,143	22,339	349,482
Prepaid Expenses	145,629	-	145,629
Net Pension Asset (Note 4)	23,103	44	23,147
Restricted Cash (Note 6)	1,030,750	-	1,030,750
Capital Assets (Note 5):			
Land	1,645,272	-	1,645,272
Buildings, Net of Depreciation	29,834,809	-	29,834,809
Equipment, Net of Depreciation	1,367,019	17,370	1,384,389
Construction in Process	97,383	-	97,383
<b>TOTAL ASSETS</b>	<b>54,843,659</b>	<b>352,744</b>	<b>55,196,403</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension Related Deferred Outflows (Note 4)	695,771	1,315	697,086
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 55,539,430</b>	<b>\$ 354,059</b>	<b>\$ 55,893,489</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 108,337	\$ -	\$ 108,337
Other Current Liabilities	1,637,684	25,417	1,663,101
Unearned Revenue	-	4,400	4,400
Long-Term Liabilities (Note 6):			
Due Within One Year	752,982	-	752,982
Due in More than One Year	5,193,323	-	5,193,323
<b>TOTAL LIABILITIES</b>	<b>7,692,326</b>	<b>29,817</b>	<b>7,722,143</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Taxes Levied for Future Period (Note 2)	6,184,480	-	6,184,480
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	27,134,711	17,370	27,152,081
Restricted for:			
Capital Outlay	5,800,644	-	5,800,644
Special Education	922,126	-	922,126
Debt Service	1,030,750	-	1,030,750
Pension - SDRS (Note 4)	718,874	1,359	720,233
Unrestricted	6,055,519	305,513	6,361,032
<b>TOTAL NET POSITION</b>	<b>41,662,624</b>	<b>324,242</b>	<b>41,986,866</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 55,539,430</b>	<b>\$ 354,059</b>	<b>\$ 55,893,489</b>

The accompanying notes are an integral part of this statement.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<i>Governmental Activities:</i>						
Instruction	\$ 14,802,393	\$ -	\$ 1,841,837	\$ (12,960,556)	\$ -	\$ (12,960,556)
Support Services	8,805,332	-	-	(8,805,332)	-	(8,805,332)
Community Services	17,782	-	-	(17,782)	-	(17,782)
Non-programmed Charges	27,308	-	-	(27,308)	-	(27,308)
Co-Curricular Activities	874,835	38,153	-	(836,682)	-	(836,682)
Interest on Long- Term Debt *	214,236	-	-	(214,236)	-	(214,236)
	<u>24,741,886</u>	<u>38,153</u>	<u>1,841,837</u>	<u>(22,861,896)</u>	<u>-</u>	<u>(22,861,896)</u>
<i>Business-Type Activities:</i>						
Food Service	969,875	143,493	892,672	-	66,290	<b>66,290</b>
Driver's Education	28,965	27,610	-	-	(1,355)	<b>(1,355)</b>
	<u>998,840</u>	<u>171,103</u>	<u>892,672</u>	<u>-</u>	<u>64,935</u>	<u><b>64,935</b></u>
<b>Total Primary Government</b>	<b>\$ 25,740,726</b>	<b>\$ 209,256</b>	<b>\$ 2,734,509</b>	<b>(22,861,896)</b>	<b>64,935</b>	<b>(22,796,961)</b>
<b>General Revenues</b>						
Taxes:						
Property Taxes				14,341,664	-	<b>14,341,664</b>
Gross Receipts Taxes				136,050	-	<b>136,050</b>
Revenue from State Sources:						
State Aid				7,690,070	-	<b>7,690,070</b>
Revenue from Federal Sources						
Unrestricted Investment Earnings				1,281,809	-	<b>1,281,809</b>
Other General Revenues				10,221	-	<b>10,221</b>
<b>Total General Revenues</b>				<b>24,363,318</b>	<b>-</b>	<b>24,363,318</b>
<b>Change in Net Position</b>				<b>1,501,422</b>	<b>64,935</b>	<b>1,566,357</b>
Net Position -- June 30, 2020, as Previously Reported				40,080,214	259,307	<b>40,339,521</b>
Change in Accounting Principle (Note 11)				80,988	-	<b>80,988</b>
Net Position, Beginning, as Restated				<b>40,161,202</b>	<b>259,307</b>	<b>40,420,509</b>
<b>Net Position -- June 30, 2021</b>				<b>\$ 41,662,624</b>	<b>\$ 324,242</b>	<b>\$ 41,986,866</b>

\* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The accompanying notes are an integral part of this statement.



**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2021**

	<b>General Fund</b>	<b>Capital Outlay Fund</b>	<b>Special Education Fund</b>
<b>ASSETS</b>			
Cash and Investments	\$ 7,083,497	\$ 5,843,782	\$ 1,115,062
Taxes Receivable -- Current (Note 2)	3,076,341	2,081,125	1,170,945
Taxes Receivable -- Delinquent (Note 2)	839	626	334
Due from Other Governments (Note 3)	317,182	-	9,961
Prepaid Expenses	121,876	-	23,753
Restricted Cash (Note 6)	-	-	-
<b>Total Assets</b>	<b>\$ 10,599,735</b>	<b>\$ 7,925,533</b>	<b>\$ 2,320,055</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 10,993	\$ 90,187	\$ 7,157
Contracts Payable	1,196,943	-	207,339
Accrued Expenses	194,796	-	38,606
<b>Total Liabilities</b>	<b>1,402,732</b>	<b>90,187</b>	<b>253,102</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Levied for Future Period (Note 2)	3,004,951	2,034,702	1,144,827
Unavailable Revenue - Property Taxes (Note 2)	839	626	334
<b>Total Deferred Inflows of Resources</b>	<b>3,005,790</b>	<b>2,035,328</b>	<b>1,145,161</b>
<b>FUND BALANCES</b>			
Nonspendable - Prepaid Expenses	121,876	-	-
Restricted - Capital Outlay	-	5,800,018	-
Restricted - Special Education	-	-	921,792
Restricted - Debt Service	-	-	-
Assigned - Subsequent Year's Budget	20,309	-	-
Unassigned	6,049,028	-	-
<b>Total Fund Balances</b>	<b>6,191,213</b>	<b>5,800,018</b>	<b>921,792</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 10,599,735</b>	<b>\$ 7,925,533</b>	<b>\$ 2,320,055</b>

The accompanying notes are an integral part of this statement.

<b>QSCB Redemption Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ 14,042,341
-	6,328,411
-	1,799
-	327,143
-	145,629
1,030,750	1,030,750
<b>\$ 1,030,750</b>	<b>\$ 21,876,073</b>

\$ -	\$ 108,337
-	1,404,282
-	233,402
-	1,746,021

-	6,184,480
-	1,799
-	6,186,279

-	121,876
-	5,800,018
-	921,792
1,030,750	1,030,750
-	20,309
-	6,049,028
<b>1,030,750</b>	<b>13,943,773</b>

<b>\$ 1,030,750</b>	<b>\$ 21,876,073</b>
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**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total Fund Balances - Governmental Funds	\$ 13,943,773
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.	32,944,483
Long-term liabilities, including general obligation bonds, unamortized premium on bond, compensated absences, OPEB, and early retirement payable, are not due in the current period and, therefore, are not reported in the funds.	(5,946,305)
Assets such as delinquent taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	1,799
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	23,103
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	695,771
<b>Net Position - Governmental Funds</b>	<b>\$ 41,662,624</b>

The accompanying notes are an integral part of this statement.

SPEARFISH SCHOOL DISTRICT NO. 40-2

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

	General Fund	Capital Outlay Fund	Special Education Fund
<b>REVENUES</b>			
<i>Revenue from Local Sources:</i>			
Ad Valorem Taxes	\$ 7,004,776	\$ 4,691,110	\$ 2,615,419
Prior Years' Ad Valorem Taxes	8,554	5,590	3,015
Gross Receipts Taxes	136,050	-	-
Penalties and Interest on Taxes	10,700	6,187	3,394
Interest Earned	1,239	8,982	-
<i>Co-Curricular Activities:</i>			
Admissions	33,633	-	-
Pupil Organization Memberships	4,520	-	-
<i>Other Local Revenue:</i>			
Rentals	160	-	-
Charges for Services - Medicaid	9,794	-	17,757
Other	222,576	329,924	-
<i>Revenue from Intermediate Sources:</i>			
County Apportionment	323,293	-	-
<i>Revenue from State Sources -- Grants-in-Aid:</i>			
Unrestricted Grants-in-Aid	7,690,070	-	-
Restricted Grants-in-Aid	-	-	448,882
Other State Revenue	-	-	-
<i>Revenue from Federal Sources -- Grants-in-Aid:</i>			
Unrestricted Grants-in-Aid Received from Federal Government Through State	1,204,011	-	-
Restricted Grants-in-Aid Received from Federal Government Through State	1,023,740	-	369,215
Other Federal Revenue	-	77,798	-
<b>Total Revenues</b>	<b>17,673,116</b>	<b>5,119,591</b>	<b>3,457,682</b>
<b>EXPENDITURES</b>			
<i>Instruction Regular Programs:</i>			
Elementary	4,628,035	109,079	-
Middle/Junior High School	2,239,173	28,625	-
High School	2,691,565	80,701	-
Class Size Reduction	441,534	-	-
<i>Instruction Special Programs:</i>			
Programs for Special Education	-	22,081	2,657,873
Culturally Different	49,099	-	-
Educationally Deprived	531,259	-	-
<i>Support Services Pupils:</i>			
Guidance	419,728	-	-
Health Services	127,975	-	-
Psychological	-	-	125,849
Speech Pathology	-	-	400,587
Student Therapy Services	-	-	180,941

**QSCB Redemption Total Governmental**

<b>Fund</b>	<b>Funds</b>
-------------	--------------

\$ -	\$ 14,311,305
-	17,159
-	136,050
-	20,281
-	10,221
-	33,633
-	4,520
-	160
-	27,551
-	552,500
-	323,293
-	7,690,070
-	448,882
-	-
-	1,204,011
-	1,392,955
-	77,798
-	<b>26,250,389</b>

-	4,737,114
-	2,267,798
-	2,772,266
-	441,534
-	2,679,954
-	49,099
-	531,259
-	419,728
-	127,975
-	125,849
-	400,587
-	180,941

SPEARFISH SCHOOL DISTRICT NO. 40-2

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund
<b>EXPENDITURES (Continued)</b>			
<i>Support Services Instructional Staff:</i>			
Improvement of Instruction	-	118,525	-
Educational Media	447,544	1,454,778	-
<i>Support Services General Administration:</i>			
Board of Education	95,961	-	-
Executive Administration	273,342	-	-
Office of the Principal	1,153,974	-	-
<i>Support Services Business:</i>			
Fiscal Services	322,387	61,453	-
Facilities Acquisition and Construction	-	763,655	-
Operation and Maintenance of Plant	1,953,867	65,191	-
Pupil Transportation	273,833	-	-
Direction of Central Support Services	20,295	-	-
<i>Support Services Special Education:</i>			
Administrative Costs	-	-	137,871
Transportation Costs	-	-	43,009
Community Service Other	16,537	-	-
Early Retirement	27,308	-	-
Debt Service (Note 6)	-	727,485	-
<i>Co-Curricular Activities:</i>			
Male Activities	221,693	-	-
Female Activities	251,270	-	-
Combined Activities	247,043	84,222	-
Capital Outlay	29,627	1,049,107	-
<b>Total Expenditures</b>	<b>16,463,049</b>	<b>4,564,902</b>	<b>3,546,130</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,210,067</b>	<b>554,689</b>	<b>(88,448)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In (Note 9)	-	-	-
Transfers Out (Note 9)	-	(219,663)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(219,663)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,210,067</b>	<b>335,026</b>	<b>(88,448)</b>
Fund Balance -- June 30, 2020, as Previously Reported	4,900,158	5,464,992	1,010,240
Change in Accounting Principle (Note 11)	80,988	-	-
Fund Balance, Beginning, as Restated	4,981,146	5,464,992	1,010,240
<b>Fund Balance -- June 30, 2021</b>	<b>\$ 6,191,213</b>	<b>\$ 5,800,018</b>	<b>\$ 921,792</b>

The accompanying notes are an integral part of this statement.

<b>QSCB Redemption Fund</b>	<b>Total Governmental Funds</b>
-	118,525
-	1,902,322
-	95,961
-	273,342
-	1,153,974
-	383,840
-	763,655
-	2,019,058
-	273,833
-	20,295
-	137,871
-	43,009
-	16,537
-	27,308
83,200	810,685
-	221,693
-	251,270
-	331,265
-	1,078,734
<b>83,200</b>	<b>24,657,281</b>
<b>(83,200)</b>	<b>1,593,108</b>
219,663	219,663
-	(219,663)
<b>219,663</b>	<b>-</b>
<b>136,463</b>	<b>1,593,108</b>
894,287	12,269,677
-	80,988
894,287	12,350,665
<b>\$ 1,030,750</b>	<b>\$ 13,943,773</b>

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,593,108
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.	405,598
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 property 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.	(7,081)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits.	(11,866)
Repayment of debt principal and payment made to escrow agent, is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	590,000
Premium on bond issue is a revenue in the fund statements but is capitalized and recognized as interest expense in the Statement of Activities.	6,449
Changes in the pension related deferred outflows/inflows, pension asset and related pension expenses are not reported in the governmental fund statements.	(1,074,786)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,501,422</b>

The accompanying notes are an integral part of this statement.



**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**PROPRIETARY FUNDS BALANCE SHEET  
JUNE 30, 2021**

	<b>Food Service Fund</b>	<b>Driver's Education Fund</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 304,686	\$ 8,305	\$ 312,991
Due from Other Governments (Note 3)	22,339	-	22,339
<b>Total Current Assets</b>	<b>327,025</b>	<b>8,305</b>	<b>335,330</b>
Noncurrent Assets:			
Net Pension Asset (Note 4)	-	44	44
Capital Assets (Note 5):			
Machinery and Equipment	227,089	-	227,089
Less Accumulated Depreciation	(209,719)	-	(209,719)
<b>Total Noncurrent Assets</b>	<b>17,370</b>	<b>44</b>	<b>17,414</b>
<b>TOTAL ASSETS</b>	<b>344,395</b>	<b>8,349</b>	<b>352,744</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Outflows (Note 4)	-	1,315	1,315
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 344,395</b>	<b>\$ 9,664</b>	<b>\$ 354,059</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 25,417	\$ -	\$ 25,417
Unearned Revenue	-	4,400	4,400
<b>Total Current Liabilities</b>	<b>25,417</b>	<b>4,400</b>	<b>29,817</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	17,370	-	17,370
Restricted Pension (Note 4)	-	1,359	1,359
Unrestricted Net Position	301,608	3,905	305,513
<b>Total Net Position</b>	<b>318,978</b>	<b>5,264</b>	<b>324,242</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 344,395</b>	<b>\$ 9,664</b>	<b>\$ 354,059</b>

The accompanying notes are an integral part of this statement.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Food Service Fund</b>	<b>Driver's Education Fund</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenue</b>			
<i>Sales:</i>			
To Pupils	\$ 139,795	\$ -	\$ 139,795
To Adults	3,698	-	3,698
Non-credit Tuition from Students, Parents, or Other	-	27,610	27,610
<b>Total Operating Revenue</b>	<b>143,493</b>	<b>27,610</b>	<b>171,103</b>
<b>Operating Expenses</b>			
Salaries	-	22,360	22,360
Employee Benefits	728	4,762	5,490
Purchased Services	860,207	1,843	862,050
Supplies	18,118	-	18,118
Cost of Sales - Purchased Food	3,785	-	3,785
Cost of Sales - Donated Food	85,033	-	85,033
Depreciation	2,004	-	2,004
<b>Total Operating Expenses</b>	<b>969,875</b>	<b>28,965</b>	<b>998,840</b>
<b>Operating Loss</b>	<b>(826,382)</b>	<b>(1,355)</b>	<b>(827,737)</b>
<b>Nonoperating Revenue</b>			
<i>Local Sources:</i>			
Interest Earnings	-	-	-
Cash Reimbursements	3,996	-	3,996
<i>Federal Sources:</i>			
Cash Reimbursements	803,643	-	803,643
Donated Food	85,033	-	85,033
<b>Total Nonoperating Revenue</b>	<b>892,672</b>	<b>-</b>	<b>892,672</b>
<b>Change in Net Position</b>	<b>66,290</b>	<b>(1,355)</b>	<b>64,935</b>
Net Position -- June 30, 2020	252,688	6,619	259,307
<b>Net Position -- June 30, 2021</b>	<b>\$ 318,978</b>	<b>\$ 5,264</b>	<b>\$ 324,242</b>

The accompanying notes are an integral part of this statement.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Food Service Fund</b>	<b>Driver's Education Fund</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 143,493	\$ 28,640	\$ 172,133
Payments to Suppliers	(856,693)	(1,843)	(858,536)
Payments to Employees	(728)	(25,412)	(26,140)
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<b>(713,928)</b>	<b>1,385</b>	<b>(712,543)</b>
<b>Cash Flows Provided by Noncapital Financing Activities:</b>			
Operating Subsidies	838,436	-	838,436
<b>Cash Flows Used in Capital and Related Financing Activities:</b>			
Purchase of Equipment	(10,559)	-	(10,559)
<b>Net Increase in Cash During the Fiscal Year</b>	<b>113,949</b>	<b>1,385</b>	<b>115,334</b>
Cash -- June 30, 2020	190,737	6,920	197,657
<b>Cash -- June 30, 2021</b>	<b>\$ 304,686</b>	<b>\$ 8,305</b>	<b>\$ 312,991</b>

**Reconciliation of Operating Loss to Net Cash Flows**

<b>Used in Operating Activities</b>			
Operating Loss	\$ (826,382)	\$ (1,355)	\$ (827,737)
<i>Adjustments to Reconcile Operating Loss to Net</i>			
<i>Cash Provided by (Used in) Operating Activities:</i>			
Cost of Sales - Donated Food	85,033	-	85,033
Depreciation Expense	2,004	-	2,004
<i>Changes in Assets and Liabilities:</i>			
Accounts Receivable	-	1,470	1,470
Net Pension Asset	-	53	53
Pension Related Deferred Outflows	-	1,657	1,657
Accounts Payable	25,417	-	25,417
Unearned Revenue	-	(440)	(440)
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<b>\$ (713,928)</b>	<b>\$ 1,385</b>	<b>\$ (712,543)</b>

**Noncash Investing, Capital and Financing Activities:**

Value of Commodities Received	\$ 85,033	\$ -	\$ 85,033
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The accompanying notes are an integral part of this statement.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021**

	<b>Private-Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b><u>ASSETS</u></b>		
Cash	\$ 67,326	\$ 377,012
<b><u>NET POSITION</u></b>		
Restricted:		
Scholarships	\$ 67,326	\$ -
Individuals, Organizations, and Other Governments	-	377,012

The accompanying notes are an integral part of this statement.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

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

	<b>Private-Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>ADDITIONS</b>		
Member Contributions	\$ -	\$ 209,693
Employee Contributions	-	67,472
Interest Earnings	532	364
<b>Total Additions</b>	<b>532</b>	<b>277,529</b>
<b>DEDUCTIONS</b>		
Payments to Individuals and Organizations	-	262,310
Payments to Cafeteria Plan Provider	-	54,927
Scholarships Awarded	6,000	-
<b>Total Deductions</b>	<b>6,000</b>	<b>317,237</b>
<b>Change in Net Position</b>	<b>(5,468)</b>	<b>(39,708)</b>
Net Position - June 30, 2020, as Previously Reported	72,794	497,708
Change in Accounting Principle (Note 11)	-	(80,988)
Net Position, Beginning, as Restated	72,794	416,720
<b>Net Position - June 30, 2021</b>	<b>\$ 67,326</b>	<b>\$ 377,012</b>

The accompanying notes are an integral part of this statement.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies**

**Reporting Entity**

The reporting entity of Spearfish School District No. 40-2 (the District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The funds included in this report are controlled by or dependent upon the District's Board of Education. The District participates in a cooperative service unit with 11 other school districts. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are disclosed in these notes because of the nature of their relationship with the District. See Note 7 entitled "Joint Venture" for specific disclosures. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments.

**Basis of Presentation**

*Government-wide Statements:*

The Statement of Net Position and the Statement of Activities display information about the primary government of the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

*Fund Financial Statements:*

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

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

*Fund Financial Statements (Continued):*

A fund is considered major if it is the primary operating fund of the District or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least 5 percent of the corresponding total of 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.

The funds of the financial reporting entity are described below:

Governmental Funds:

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The Capital Outlay and Special Education Funds are the special revenue funds maintained by the District.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the 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 account for the costs associated with the special education of children in need of special and prolonged assistance who reside within the District. This fund is financed by grants and property taxes. This is a major fund.

Debt Service Funds - Debt Service Funds are used to account for resources for, and the payment of, general long-term debt principal, interest, and related costs. There is one debt service fund.

Qualified School Construction Bond (QSCB) Redemption Fund – A fund established to account for the payment of interest on qualified school construction bonded debt, as well as the establishment and maintenance of a bond sinking fund. This is a major fund.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Concluded)**

*Fund Financial Statements (Concluded):*

Proprietary Funds:

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

Food Service Fund - A fund established to record the financial transactions related to the K-12 food services operation. This fund is financed by user charges and grants. This is a major fund.

Driver's Education Fund - A fund established to record the financial transactions related to the driver's education operation. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

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

Custodial Funds - Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes and clubs. Another Custodial Fund accounts for the monies contributed by employees for health and dependent care expenses.

**Measurement Focus and Basis of Accounting**

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

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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



**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

Basis of Accounting:

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

All proprietary 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, as follows:

1. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses," including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

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

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

*Government-wide Financial Statements:*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

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 Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) for land, buildings, improvements, and equipment are all set at \$5,000. The depreciation method used for buildings and machinery and equipment is straight-line. Land and construction in process are not depreciated.

The estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

Buildings	50-100 years
Equipment	7-30 years

*Fund Financial Statements:*

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

**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 consist of compensated absences, general obligation bonds, and general obligation certificates and related premium (see Note 6).

Funding for compensated absences are expended in the general fund and special education fund.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for the proprietary fund long-term debt is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies (Continued)**

**Deferred Inflows and Outflows of Resources**

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

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

**Pension**

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

**Program Revenues**

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

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

**Proprietary Funds Revenue and Expense Classifications**

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

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies (Continued)**

**Deposits and Investments**

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

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

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. State law limits eligible investments for the District. The District has no investment policy that would further limit its investment choices or limit maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2021, the District’s cash and investments consisted only of checking, savings and SDFIT money market. The bank balances at June 30, 2021 are as follows, excluding SDFIT, described below:

	<u>Bank Balance</u>
Insured - FDIC	\$ 1,000,000
Uninsured, collateralized in accordance with SDCL 4-6A-3	13,541,561
<b>Total Deposits</b>	<b>\$ 14,541,561</b>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. The balance of SDFIT at June 30, 2021 was **\$1,030,750**. SDFIT is measured as a Level 2 recurring fair value measurement according to the fair value hierarchy.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies (Continued)**

**Deposits and Investments (Continued)**

*Assignment of Investment Income:*

State law allows income from deposits to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits to the fund making the investment.

*Interest Rate Risk:*

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

*Credit Risk:*

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

*Custodial Credit Risk:*

The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, none of the District's deposits were exposed to custodial credit risk.

*Concentration Risk:*

The District places no limit on the amount that may be invested in any one issuer.

**Cash and Cash Equivalents**

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

**Equity Classifications**

*Government-wide Statements:*

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

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

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

*Fund Financial Statements:*

Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes, and restricted for individuals, organizations, and other governments.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(1) Summary of Significant Accounting Policies (Concluded)**

**Equity Classifications (Continued)**

Governmental fund equity is classified 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. There were no commitments at June 30, 2021.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School Board, Superintendent, 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 District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar-for-dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

**Accounting Standard Adopted**

In 2021, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required the District to present a Statement of Changes in Fiduciary Net Position for Custodial Funds for the year ended June 30, 2021. The implementation of this standard required the District to reclassify previously reported agency funds as custodial funds. See Note 11.

**Emerging Accounting Standards**

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

**Subsequent Events**

Subsequent events were evaluated through January 10, 2022, which is the date which the financial statements were available to be issued.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(2) Property Taxes**

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

District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Current year property taxes receivable, which are not available as a resource that can be used to finance the current year's appropriations and therefore are not susceptible to accrual, have been deferred and are not reported as revenue in the fund or government-wide financial statements.

**(3) Due from Other Governments**

Amounts due from other governments include grant reimbursements and gross receipts due from the State of South Dakota in the amount of **\$276,821** and gross receipts due from Lawrence County totaling **\$72,661**.

**(4) Pension Plan**

All employees working more than 20 hours per week during the school year participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer, defined benefit pension plan administered by SDRS, established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to 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 retirements that do not meet the above criteria may be payable at a reduced level.

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

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(4) Pension Plan (Continued)**

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25 percent.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5 percent and no greater than 3.5 percent.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5 percent 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 COLA.

*Contributions*

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The District’s share of contributions to the System for the fiscal years ended June 30, 2021, 2020, and 2019 were **\$736,664**, \$711,026, and \$696,151 respectively, equal to the required contributions each year.

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

At June 30, 2020, SDRS is 100.04 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability of South Dakota Retirement System, for the District as of June 30, 2021 are as follows:

	Governmental Activities	Business-Type Activities	Total
Proportionate Share of Net Position Restricted for Pension Benefits	\$ 65,418,022	\$ 123,667	\$ 65,541,689
Less: Proportionate Share of Total Pension Liability	(65,394,919)	(123,623)	(65,518,542)
<b>Proportionate Share of Net Pension Asset</b>	<b>\$ 23,103</b>	<b>\$ 44</b>	<b>\$ 23,147</b>

At June 30 2021, the District reported an asset of **\$23,147** for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension asset used to calculate the net pension asset was based on a projection of the District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the District’s proportion was approximately 0.5329746 percent, which is a decrease of 0.0037595 from its proportion measured at June 30, 2019.



**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2021**

**(4) Pension Plan (Continued)**

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

For the year ended June 30, 2021, the District recognized pension expense of **\$1,803,966**. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 70,417	\$ -
Changes in Assumption	-	2,261,394
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,151,399	-
District Contributions Subsequent to the Measurement Date	736,664	-
<b>Total</b>	<b>\$ 2,958,480</b>	<b>\$ 2,261,394</b>

Deferred outflow of resources includes **\$736,664** resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ending June 30, 2022. 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:

2022	\$ (267,180)
2023	(206,016)
2024	32,540
2025	401,078
	<u><u>\$ (39,578)</u></u>

*Actuarial Assumptions*

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

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

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

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

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

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(4) Pension Plan (Concluded)**

*Actuarial Assumptions (Continued)*

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2020 (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%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
	<u>100.0%</u>	

*Discount Rate*

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

*Sensitivity of Asset to Changes in the Discount Rate*

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District’s Proportionate Share of the Net Pension (Asset)/Liability	\$ 8,979,495	\$ (23,147)	\$ (7,387,131)

*Pension Plan Fiduciary Net Position*

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

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(5) Changes in Capital Assets**

Changes in capital assets used in governmental activities were as follows during the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Transfers/ Retirements	Balance June 30, 2021
<b>Governmental Activities</b>				
<i>Capital Assets, not Depreciated</i>				
Land	\$ 1,645,272	\$ -	\$ -	\$ 1,645,272
Construction in Process	192,911	97,383	(192,911)	97,383
<i>Capital Assets, Depreciated</i>				
Buildings	37,752,346	894,194	-	38,646,540
Outdoor Equipment	208,243	-	-	208,243
Equipment -- Local Funds	3,304,709	280,068	-	3,584,777
	43,103,481	1,271,645	(192,911)	44,182,215
<i>Less Accumulated Depreciation</i>				
Buildings	8,325,280	486,451	-	8,811,731
Outdoor Equipment	90,980	7,143	-	98,123
Equipment -- Local Funds	2,148,336	179,542	-	2,327,878
	10,564,596	673,136	-	11,237,732
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 32,538,885</b>	<b>\$ 598,509</b>	<b>\$ (192,911)</b>	<b>\$ 32,944,483</b>

Depreciation expense was charged to functions within governmental activities as follows during the year then ended:

Instruction	\$ 519,518
Support Services	111,779
Co-Curricular Activities	41,839
<b>Total Depreciation Expense</b>	<b>\$ 673,136</b>

Changes in capital assets used in business-type activities were as follows during the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Transfers/ Retirements	Balance June 30, 2021
<b>Business -Type Activities</b>				
Machinery and Equipment	\$ 216,530	\$ 10,559	\$ -	\$ 227,089
Less Accumulated Depreciation	207,715	2,004	-	209,719
<b>Business -Type Activity Capital Assets, Net</b>	<b>\$ 8,815</b>	<b>\$ 8,555</b>	<b>\$ -</b>	<b>\$ 17,370</b>

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2021**

**(6) Long-Term Debt**

The compensated absences will be paid from the General and Special Education Funds, and the early retirement payable will be paid from the General Fund.

	General Obligation	Premium on Refunding Certificates	Compensated Absences Payable	<b>Total</b>
<b>Governmental Activities</b>				
June 30, 2020 Balance	\$ 6,360,000	\$ 46,221	\$ 124,667	\$ <b>6,530,888</b>
Repayments	(590,000)	(6,449)	-	(596,449)
Compensated Absences Earned	-	-	147,250	147,250
Compensated Absences Used	-	-	(135,384)	(135,384)
<b>June 30, 2021 Balance</b>	<b>\$ 5,770,000</b>	<b>\$ 39,772</b>	<b>\$ 136,533</b>	<b>\$ 5,946,305</b>
Due Within One Year	\$ 610,000	\$ 6,449	\$ 136,533	\$ <b>752,982</b>

Long-term liabilities, other than compensated absences, are comprised of the following:

2010 Limited Tax General Obligation Taxable Certificates (Qualified School Construction Bonds - Direct Pay); mature December 2026; semi-annual, interest-only payments with a balloon payment in December 2026; bearing interest at 5.50 percent; paid from the QSCB Redemption Fund. The certificates require sinking fund deposits to generate a total balance of the principal due on maturity (a). The District receives a credit from the Federal Government for 100 percent of the interest paid on the certificates. (b)	\$ 1,500,000
2017 Limited Tax General Obligation Refunding Certificates; mature December 2027; semi-annual payments; bearing interest at a fixed rate of 2.90 percent; paid from the Capital Outlay Fund.	4,270,000
Unamortized deferred premium on 2017 Limited Tax General Obligation Refunding Certificates	39,772
Total 2017 Limited Tax General Obligation Refunding Certificates	4,309,772
	<b>\$ 5,809,772</b>

(a) The Qualified School Construction Bonds sinking fund balance required at June 30, 2021 was \$1,000,000. The sinking fund balance of **\$1,030,750** is included in restricted cash in the QSCB Redemption Fund.

(b) The credit received from the Federal Government can be reduced at certain times during sequestration.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(6) Long-Term Debt (Continued)**

The annual requirements to amortize all debt outstanding as of June 30, 2021, excluding compensated absences, are as follows:

Year Ending June 30,	General Obligation		Totals
	Principal	Interest	
2022	\$ 610,000	\$ 208,357	\$ 818,357
2023	625,000	190,594	815,594
2024	640,000	172,324	812,324
2025	665,000	153,619	818,619
2026	680,000	134,189	814,189
2027-2028	2,550,000	79,372	2,629,372
	<u>\$ 5,770,000</u>	<u>\$ 938,455</u>	<u>\$ 6,708,455</u>

**(7) Joint Venture**

The District participates in the Black Hills Special Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special educational services to the member school districts. During the year ended June 30, 2021, the District paid **\$1,390,664** for services provided by the co-op.

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

Spearfish School District No. 40-2	8.33%
Lead-Deadwood School District No. 40-1	8.33%
Oelrichs School District No. 23-3	8.33%
Meade School District No. 46-1	8.33%
Rapid City Area School District No. 51-4	8.33%
Belle Fourche School District No. 9-1	8.33%
Custer School District No. 16-1	8.33%
Douglas School District No. 51-1	8.33%
Edgemont School District No. 23-1	8.33%
Haakon School District No. 27-1	8.33%
Hill City School District No. 51-2	8.33%
Hot Springs School District No. 23-2	8.33%

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

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

Separate financial statements for this joint venture are available from Black Hills Special Services Cooperative. At June 30, 2021, this joint venture had total fund equity of \$6,391,781 (unaudited) and long-term debt of \$202,938 (unaudited).

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021**

**(8) Risk Management**

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

*Property/Liability Insurance:*

During the year ended June 30, 2021, the District no longer is a part of 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 for property and liability insurance. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities 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 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 District. The District pays an annual premium to the pool to provide coverage for automobile, general liability, property damage, and professional liability errors and omissions. The premiums are accrued based on the ultimate cost of the coverage of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage.

The agreement with the ASBSD-PLF provided that the above coverage will be provided to a \$5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The District carried a \$5,000 deductible for the property damage, commercial automobile coverage, non-monetary professional liability, and a monetary deductible totaling \$10,000 for the school leader's professional liability coverage.

The District purchased property/liability insurance through Employers Mutual Casualty Company (EMC) during the year ended June 30, 2021, for risks related to theft, litigation, damage to property, and errors and omissions of public officials. Settled claims for the year ended June 30, 2021 resulting from these risks did not exceed the coverage.

*Workmen's Compensation:*

The District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota (ASBSD) Worker's Compensation Fund Pool (the Fund), which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for the coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy. The District's premiums are accrued based on the ultimate cost of the experience to date of the Fund members.

The District is responsible for payment of a premium to the insurance pool along with other pool participants. The 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 District does not carry additional insurance to cover claims in excess of the upper limit.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)  
JUNE 30, 2021**

**(8) Risk Management (Continued)**

*Health Insurance:*

The District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$1,000,000 lifetime maximum payment per person.

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

*Unemployment Benefits:*

The 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.

**(9) Individual Fund Interfund Transactions**

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

Fund	Transfer Out	Transfer In
Capital Outlay Fund	\$ 219,663	\$ -
QSCB Redemption Fund	-	219,663
<b>Total Transfers</b>	<b>\$ 219,663</b>	<b>\$ 219,663</b>

Transfers during the current year pertained to a transfer of capital outlay funds to QSCB to make the QSCB debt payments.

**(10) Current Economic Conditions**

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

**(11) Change in Accounting Principle**

In fiscal year 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Under the new guidance, it was determined that agency funds did not meet the conditions necessary to be classified as fiduciary funds. As a result, beginning fund balance and net position for the General Fund and Governmental Activities have been restated by \$80,988.

REQUIRED SUPPLEMENTARY INFORMATION



**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
<i>Revenue from Local Sources:</i>				
Taxes:				
Ad Valorem Taxes	\$ 6,736,451	\$ 6,736,451	\$ 7,004,776	\$ 268,325
Prior Years' Ad Valorem Taxes	4,500	4,500	8,554	4,054
Gross Receipts Taxes	139,000	139,000	136,050	(2,950)
Penalties and Interest on Taxes	11,000	11,000	10,700	(300)
Earnings on Interest-Bearing Accounts:				
Interest Earned	10,000	10,000	1,239	(8,761)
Co-Curricular Activities:				
Admissions	33,000	33,000	33,633	633
Pupil Organization Memberships	13,000	13,000	4,520	(8,480)
Other Local Revenue:				
Rentals	850	850	160	(690)
Charges for Services - Medicaid	6,200	6,200	9,794	3,594
Other	174,000	174,000	222,576	48,576
<i>Revenue from Intermediate Sources:</i>				
County Sources:				
County Apportionment	225,000	225,000	323,293	98,293
<i>Revenue from State Sources:</i>				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	7,534,406	7,534,406	7,690,070	155,664
<i>Revenue from Federal Sources:</i>				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through State	-	-	1,204,011	1,204,011
Restricted Grants-in-Aid Received from Federal Government Through State	1,206,432	1,206,432	1,023,740	(182,692)
<b>Total Revenues</b>	<b>16,093,839</b>	<b>16,093,839</b>	<b>17,673,116</b>	<b>1,579,277</b>

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)  
GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>				
<i>Instruction:</i>				
Regular Programs:				
Elementary	3,645,223	3,645,223	4,628,035	(982,812)
Middle/Junior High School	2,215,148	2,215,148	2,239,173	(24,025)
High School	2,675,666	2,675,666	2,691,565	(15,899)
Class Size Reduction	902,617	902,617	441,534	461,083
Special Programs:				
Culturally Different	48,944	48,944	49,099	(155)
Educationally Deprived	567,183	567,183	531,259	35,924
Perkins	28,000	28,000	-	28,000
<i>Support Services:</i>				
Pupils:				
Guidance	482,328	482,328	419,728	62,600
Health Services	149,818	149,818	127,975	21,843
Instructional Staff:				
Educational Media	487,285	487,285	447,544	39,741
General Administration:				
Board of Education	65,244	65,244	125,588	(60,344)
Executive Administration	253,606	253,606	273,342	(19,736)
School Administration:				
Office of the Principal	1,149,342	1,149,342	1,153,974	(4,632)
Other	700	700	-	700
Business:				
Fiscal Services	468,273	468,273	318,434	149,839
Operation and Maintenance of Plant	1,886,940	1,886,940	1,953,867	(66,927)
Pupil Transportation	314,107	314,107	277,786	36,321
Unemployment	5,000	5,000	-	5,000
Central:				
Direction of Central Support Services	23,970	23,970	20,295	3,675
<i>Community Services:</i>				
Other	32,686	32,686	16,537	16,149
<i>Non-programmed Charges:</i>				
Accumulated Leave Payout	35,000	35,000	27,308	7,692
<i>Co-Curricular Activities:</i>				
Male Activities	203,224	203,224	221,693	(18,469)
Female Activities	174,595	174,595	251,270	(76,675)
Combined Activities	314,330	314,330	247,043	67,287
State Events	20,000	20,000	-	20,000
<b>Total Expenditures</b>	<b>16,149,229</b>	<b>16,149,229</b>	<b>16,463,049</b>	<b>(313,820)</b>

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)  
GENERAL FUND (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Net Change in Fund Balance</b>	<b>(55,390)</b>	<b>(55,390)</b>	<b>1,210,067</b>	<b>1,265,457</b>
Fund Balance -- June 30, 2020, as Previously Reported	4,900,158	4,900,158	4,900,158	-
Change in Accounting Principle	-	-	80,988	80,988
<b>Fund Balance, Beginning, as Restated</b>	<b>4,900,158</b>	<b>4,900,158</b>	<b>4,981,146</b>	<b>80,988</b>
<b>Fund Balance -- June 30, 2021</b>	<b>\$ 4,844,768</b>	<b>\$ 4,844,768</b>	<b>\$ 6,191,213</b>	<b>\$ 1,346,445</b>

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

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
<i>Revenue from Local Sources:</i>				
Taxes:				
Ad Valorem Taxes	\$ 4,467,417	\$ 4,467,417	\$ 4,691,110	\$ 223,693
Prior Years' Ad Valorem Taxes	4,600	4,600	5,590	990
Penalties and Interest on Taxes	4,800	4,800	6,187	1,387
Earnings on Interest-Bearing Accounts:				
Interest Earned	30,000	30,000	8,982	(21,018)
Other Local Revenue:				
Other	1,000	1,000	329,924	328,924
Other State Revenue				
Other Federal Revenue	75,000	75,000	77,798	2,798
<b>Total Revenues</b>	<b>4,582,817</b>	<b>4,582,817</b>	<b>5,119,591</b>	<b>536,774</b>
<b>EXPENDITURES</b>				
<i>Instruction:</i>				
Regular Programs:				
Elementary	138,000	138,000	109,079	28,921
Middle/Junior High School	71,000	71,000	74,360	(3,360)
High School	100,000	100,000	80,701	19,299
Special Programs:				
Programs for Special Education	16,000	16,000	22,081	(6,081)
<i>Support Services:</i>				
Instructional Staff:				
Improvement of Instruction	310,000	310,000	118,525	191,475
Educational Media	1,228,000	1,228,000	1,454,778	(226,778)
Business:				
Fiscal Services	-	-	194,722	(194,722)
Facilities Acquisition and Construction	1,579,500	1,579,500	1,611,720	(32,220)
Operation and Maintenance of Plant	117,000	117,000	87,229	29,771
Contract Bussing	64,000	64,000	-	64,000
<i>Debt Service:</i>				
Principal	590,000	590,000	590,000	-
Interest	136,735	136,735	136,735	-
Fees	750	750	750	-
<i>Co-Curricular Activities:</i>				
Combined Activities	82,250	82,250	84,222	(1,972)
<b>Total Expenditures</b>	<b>4,433,235</b>	<b>4,433,235</b>	<b>4,564,902</b>	<b>(131,667)</b>

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)  
CAPITAL OUTLAY FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Excess of Revenue Over Expenditures</b>	<b>149,582</b>	<b>149,582</b>	<b>554,689</b>	<b>405,107</b>
<b>Other Financing Uses</b>				
<b>Transfers Out</b>	(92,159)	(92,159)	(219,663)	(127,504)
<b>Net Change in Fund Balance</b>	<b>57,423</b>	<b>57,423</b>	<b>335,026</b>	<b>277,603</b>
Fund Balance -- June 30, 2020	5,464,992	5,464,992	5,464,992	-
<b>Fund Balance -- June 30, 2021</b>	<b>\$ 5,522,415</b>	<b>\$ 5,522,415</b>	<b>\$ 5,800,018</b>	<b>\$ 277,603</b>

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

## SPEARFISH SCHOOL DISTRICT NO. 40-2

**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS (UNAUDITED)**  
**SPECIAL EDUCATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
<i>Revenue from Local Sources:</i>				
Taxes:				
Ad Valorem Taxes	\$ 2,499,584	\$ 2,499,584	\$ 2,615,419	\$ 115,835
Prior Years' Ad Valorem Taxes	3,150	3,150	3,015	(135)
Penalties and Interest on Taxes	800	800	3,394	2,594
Earnings on Interest-Bearing Accounts:				
Interest Earned	35	35	-	(35)
Other Local Revenue:				
Medicaid Direct	26,000	26,000	-	(26,000)
Charges for Services - Medicaid	750	750	17,757	17,007
<i>Revenue from State Sources:</i>				
Grants-in-Aid:				
Restricted Grants-in-Aid	587,661	587,661	448,882	(138,779)
<i>Revenue from Federal Sources:</i>				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through State	460,000	460,000	369,215	(90,785)
<b>Total Revenues</b>	<b>3,577,980</b>	<b>3,577,980</b>	<b>3,457,682</b>	<b>(120,298)</b>
<b>EXPENDITURES</b>				
<i>Instruction:</i>				
Special Programs:				
Programs for Special Education	2,685,582	2,685,582	2,657,873	27,709
<i>Support Services:</i>				
Pupils:				
Psychological	118,200	118,200	125,849	(7,649)
Speech Pathology	365,872	365,872	400,587	(34,715)
Student Therapy Services	169,981	169,981	180,941	(10,960)
Special Education:				
Administrative Costs	162,758	162,758	137,871	24,887
Transportation Costs	21,000	21,000	43,009	(22,009)
Other Special Education Costs	14,000	14,000	-	14,000
<b>Total Expenditures</b>	<b>3,537,393</b>	<b>3,537,393</b>	<b>3,546,130</b>	<b>(8,737)</b>
<b>Net Change in Fund Balance</b>	<b>40,587</b>	<b>40,587</b>	<b>(88,448)</b>	<b>(129,035)</b>
Fund Balance -- June 30, 2020	1,010,240	1,010,240	1,010,240	-
<b>Fund Balance -- June 30, 2021</b>	<b>\$ 1,050,827</b>	<b>\$ 1,050,827</b>	<b>\$ 921,792</b>	<b>\$ (129,035)</b>

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

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS (UNAUDITED)  
JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 736,664	\$ 711,026	\$ 696,151	\$ 673,630
Contributions in Relation to the Contractually Required Contribution	736,664	711,026	696,151	673,630
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 12,159,728	\$ 11,697,175	\$ 11,415,395	\$ 11,038,663
Contributions as a Percentage of Covered- Employee Payroll	6.1%	6.1%	6.1%	6.1%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually Required Contribution	\$ 650,161	\$ 576,318	\$ 569,027	
Contributions in Relation to the Contractually Required Contribution	650,161	576,318	569,027	
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's Covered-Employee Payroll	\$ 10,527,816	\$ 9,503,551	\$ 9,497,361	
Contributions as a Percentage of Covered- Employee Payroll	6.2%	6.1%	6.0%	

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION (ASSET)/LIABILITY (UNAUDITED)  
JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's Proportion of the Net Pension (Asset)/Liability	0.5329746%	0.5367341%	0.5310185%	0.5180577%
District's Proportionate Share of Net Pension (Asset)/Liability	\$ (23,147)	\$ (56,879)	\$ (12,385)	\$ (47,014)
District's Covered-Employee Payroll	\$ 11,697,175	\$ 11,415,395	\$ 11,038,663	\$ 10,527,816
District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	-0.20%	-0.50%	-0.11%	-0.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	100%	100%	100%	100%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
District's Proportion of the Net Pension (Asset)/Liability	0.4998431%	0.5194554%	0.5177378%	
District's Proportionate Share of Net Pension (Asset)/Liability	\$ 1,688,422	\$ (2,203,159)	\$ (3,730,089)	
District's Covered-Employee Payroll	\$ 9,503,551	\$ 9,497,361	\$ 9,053,816	
District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered-Employee Payroll	17.77%	-23.20%	-41.20%	
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	97%	104%	107%	



**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**(1) Basis of Presentation**

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

**(2) Budgetary Legal Requirements**

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

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

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
JUNE 30, 2021**

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

**Changes from Prior Valuation**

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

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

**Benefit Provision Changes**

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

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

**Actuarial Assumption Changes**

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

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

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

**Actuarial Method Changes**

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

SINGLE AUDIT SECTION

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Assistance Listing Numbers	Grant Identifying Number	Amount
<i>U.S. Department of Agriculture:</i>			
Pass-Through the S.D. Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 5)	10.555	N/A	\$ 85,033
Cash Assistance (Note 4):			
National School Lunch Program	10.555	N/A	623,882
COVID National School Lunch Program	10.555	N/A	48,656
CANS Menu Certification - 6 cents	10.555	N/A	13,489
CANS Performance Based Reimbursement	10.555	N/A	970
National School Breakfast Program	10.553	N/A	90,447
COVID National School Breakfast Program	10.553	N/A	26,199
Total Child Nutrition Cluster			888,676
Pass-Through Lawrence County:			
School and Roads -- Grants to States (National Forest -- SDCL 41-16-14) (Note 1)	10.665	N/A	24,502
Total U.S. Department of Agriculture			913,178
<i>U.S. Department of the Interior:</i>			
Pass-Through the S.D. Department of Education:			
National Mineral Leasing (Note 1)	15.227	N/A	9
<i>U.S. Department of the Treasury:</i>			
Pass-Through the S.D. Department of Education:			
Coronavirus Relief Fund (Note 1)	21.019	2021G-307	1,179,500
<i>U.S. Department of Education:</i>			
Pass-Through the S.D. Department of Education:			
Title I Programs -- Local Educational Agencies	84.010	N/A	516,458
Special Education Cluster:			
Special Education -- State Grants (P.L. 99-94-142)	84.027	N/A	350,206
Special Education -- Preschool Grants (P.L. 99-457)	84.173	N/A	19,012
Total Special Education Cluster			369,218
Improving Teacher Quality State Grants (Title II Part A)	84.367	N/A	122,015
Student Support and Academic Enrichment Program (Title IV)	84.424	N/A	72,667
CARES ESSER I Funds	COVID-19, 84.425D	N/A	312,600
Total U.S. Department of Education			1,392,958
<b>Total</b>			<b>\$ 3,485,645</b>

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
JUNE 30, 2021**

Note 1: Federal reimbursements are not based upon specific expenditures; therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 2: The District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

Note 4: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

Note 5: These amounts include non-monetary assistance which is reported at fair market value of the commodities received and disbursed.



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

School Board  
Spearfish School District No. 40-2  
Spearfish, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **SPEARFISH SCHOOL DISTRICT NO. 40-2** (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2022.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as #2021-001 and #2021-002 that we consider to be material weaknesses.

**Compliance and Other Matters**

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

School Board  
Spearfish School District No. 40-2

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**District's Response to Findings**

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

**Purpose of this Report**

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



KETEL THORSTENSON, LLP  
Certified Public Accountants

January 10, 2022



# Ketel Thorstenson, LLP

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

School Board  
Spearfish School District No. 40-2  
Spearfish, South Dakota

### **Report on Compliance for Each Major Federal Program**

We have audited the **SPEARFISH SCHOOL DISTRICT NO. 40-2's** (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

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



School Board  
Spearfish School District No. 40-2

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*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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 the internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



KETEL THORSTENSON, LLP  
Certified Public Accountants

January 10, 2022

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**SCHEDULE OF FINDINGS**

**JUNE 30, 2021**

**A. Summary of Audit Results**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Spearfish School District No. 40-2 (the District).
2. Material weaknesses were disclosed during the audit of the financial statements as reported in the 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*.
3. No instances of noncompliance material to the District's financial statements were disclosed during the audit.
4. No material weaknesses were disclosed during the audit of the major federal award programs and none are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance as Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses unmodified opinions on all major programs.
6. The programs tested as major programs (or clusters) were:
  - a. Coronavirus Relief Funds (CRF), Assistance Listing #21.019
  - b. Elementary and Secondary School Emergency Relief (ESSER) Fund, Assistance Listing #84.425D.
7. The threshold for distinguishing type A and B programs was \$750,000.
8. The District was not determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Material Weaknesses**

**#2021-001 FINDING: Financial Statement Preparation**

*Federal Program Affected:* None

*Compliance Requirement:* Not Applicable

*Questioned Costs:* None

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

*Criteria and Effect:* This deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the District's management.

*Repeat Finding from Prior Year:* Yes, prior year finding #2020-001.

**SPEARFISH SCHOOL DISTRICT NO. 40-2**

**SCHEDULE OF FINDINGS (CONTINUED)**

**JUNE 30, 2021**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

**Material Weaknesses (Continued)**

**#2020-001 FINDING: Financial Statement Preparation (Continued)**

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

*Response/Corrective Action Plan:* Management is in agreement with the finding. See Corrective Action Plan.

**#2021-002 FINDING: Audit Adjustments**

*Federal Program Affected:* None

*Compliance Requirement:* Not Applicable

*Questioned Costs:* None

*Condition and Cause:* As in prior years, during the course of our engagement we proposed material audit adjustments. We also assisted in recording the current year effects of GASB 68 *Accounting and Reporting for Pensions*. Furthermore, other entries were proposed as part of the audit, but were not recorded due to the overall insignificance on the financial statements.

*Criteria and Effect:* District management is responsible for year-end account balances. These adjustments were not identified as a result of the District's existing internal controls and could have resulted in a material misstatement of the District's financial statements.

*Repeat Finding from Prior Year:* Yes, prior year finding #2020-002.

*Recommendation:* We recommend the following:

- Driver's Education fund balance should be rolled forward from the prior year financial statements.
- Record capital assets according to District policy and depreciation activity should be adjusted to the general ledger.
- Management should continue to review and approve the pension entries.
- Record amortization of premium on bond issue.
- Adjust grant revenue for proper cut off at year end based on timing of expenditures.

*Response/Corrective Action Plan:* Management is in agreement with the finding. See Corrective Action Plan.

**C. FINDINGS – COMPLIANCE AUDIT**

None

## MANAGEMENT RESPONSE

# SPEARFISH SCHOOL DISTRICT 40-2

Office of the Business Manager  
Phone: 605-717-1201 Fax: 605-717-1200

525 East Illinois  
Spearfish, SD 57783-2521

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2021

Spearfish School District No. 40-2 (the District) respectfully submits the following summary schedule of prior audit findings from the June 30, 2020 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2020 Schedule of Findings.

### **#2020-001: Financial Statement Preparation**

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

*Initial Year Report:* Originally issued years ago.

*Reasons for Recurrence and Corrective Action Plan:* As the District has accepted, the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2021. See Corrective Action Plan.

### **#2020-002: Audit Adjustments**

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

*Initial Year Report:* Originally issued years ago.

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

# SPEARFISH SCHOOL DISTRICT 40-2

Office of the Business Manager  
Phone: 605-717-1201 Fax: 605-717-1200

525 East Illinois  
Spearfish, SD 57783-2521

## **CORRECTIVE ACTION PLAN JUNE 30, 2021**

Spearfish School District No. 40-2 (the District) respectfully submits the following corrective action plan from the June 30, 2021 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

### **#2021-001: Financial Statement Preparation**

*Responsible Individuals:* Craig Crosswait, Business Manager

*Corrective Action Plan:* The District has accepted the risk associated with requesting the auditors to prepare the financial statements and continues to plan for the auditors to prepare the reports.

*Anticipated Completion Date:* Ongoing

### **#2021-002: Audit Adjustments**

*Responsible Individuals:* Craig Crosswait, Business Manager

*Corrective Action Plan:* The District has accepted the non-questioned cost risk of the auditors preparing a small number of adjusting entries. The District will continue the ongoing process of attempting to record all year end entries.

*Anticipated Completion Date:* Ongoing