

***WOLSEY-WESSINGTON
SCHOOL DISTRICT NO. 2-6
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2020***

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020

Board Members:

Ted Haeder – Board President
Tara Hochhalter – Vice President
Suzanne Hamilton
Mike McCready
Jamie Flemming
Kevin Clarke
Jenna Miedema

Superintendent:

Jennifer Boomsma-Kelsey

Business Manager:

Amy Langbehn

TABLE OF CONTENTS

	PAGE
<i>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</i>	1-2
<i>SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS</i>	3-4
<i>INDEPENDENT AUDITOR’S REPORT</i>	5-6
<i>MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)</i>	7-16
<i>GOVERNMENT-WIDE FINANCIAL STATEMENTS</i>	
Statement of Net Position.....	17
Statement of Activities	18
<i>FUND FINANCIAL STATEMENTS</i>	
<i>GOVERNMENTAL FUNDS</i>	
Balance Sheet.....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances	21-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statements of Activities	24
<i>PROPRIETARY FUNDS</i>	
Statement of Net Position.....	25
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	26
Statement of Cash Flows.....	27
<i>FIDUCIARY FUNDS</i>	
Statement of Fiduciary Net Position.....	28
Statement of Changes in Net Position.....	29
<i>NOTES TO THE FINANCIAL STATEMENTS</i>	30-55
<i>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A</i>	
Budgetary Comparison Schedule – General Fund – Budgetary Basis	56
Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis	57-58
Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis	59
Budgetary Comparison Schedule – Special Education Fund – Budgetary Basis.....	60
Notes to the Required Supplementary Information	61-62
Schedule of the Proportionate Share of the Net Pension Liability (Asset)	63
Schedule of the School District Contributions	64
Notes to the Required Supplementary Information	65



***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
Wolsey-Wessington School District No. 2-6
Beadle County, South Dakota**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wolsey-Wessington School District No. 2-6, Beadle County, South Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon January 19, 2021.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as findings 2020-01 and 2020-02 to be a *significant deficiencies*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wolsey-Wessington School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the 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 District's Response to Findings

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

Purpose of This Report

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

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

Huron, South Dakota
January 19, 2021

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

CURRENT AUDIT FINDING

Finding Number 2020-01:

A significant deficiency in internal controls was disclosed by our audit for a lack of proper segregation of duties for revenues, expenditures and payroll.

Internal Control – Related Finding – Significant Deficiency

Criteria: The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

Condition: The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

Effect: As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Repeat Finding from Prior Years: Yes

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

CURRENT AUDIT FINDING

Compliance and Other Matters Findings:

Finding Number 2020-02:

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures in accordance with generally accepted accounting principles.

Internal Control – Related Finding – Significant Deficiency:

Criteria: The District’s internal control structure should provide for the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Cause: The District does not have adequate staff trained to prepare the financial statements and footnotes.

Effect: This condition may affect the District’s ability to report financial data in accordance with generally accepted accounting principles.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Managements Response: Management agrees with the finding.

Repeat Finding from Prior Years: Yes



INDEPENDENT AUDITOR'S REPORT

**School Board
Wolsey-Wessington School District No. 2-6
Beadle County, South Dakota**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wolsey-Wessington School District No. 2-6, Beadle County, South Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Wolsey-Wessington School District's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, 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, business-type activities, each major fund and the aggregate remaining fund information of Wolsey-Wessington School District No. 2-6 as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Huron, South Dakota
January 19, 2021

*WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020*

This section of Wolsey-Wessington School District No. 2-6 annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$50,370 less than the \$5,060,422 governmental and business-type program expenditures.
- The total cost of the School's programs decreased by .46% showing that expenditures virtually stayed the same.
- The General Fund reported a \$190,499 current year loss primarily due to controlling expenditure costs. The school also did not pass an opt out that would have been used to pay some expenditures. Revenue was also short due to a larger amount of taxes was paid in July to the school that usually shows up in the prior year.
- In the governmental funds, total fund balance increase was \$168,571. There was a decrease of \$190,499 in General Fund, an increase of \$265,780 in Capital Outlay Fund, a decrease of \$83,064 in Special Education Fund, an increase of \$237,260 in Debt Service Fund and a decrease of \$60,906 in the Other Governmental Funds. The Debt Service Fund will eventually payoff the Qualified School Construction Term Bond. The decrease in the Other Governmental Funds was due to the Pension Fund transferring the remaining fund balance to General Fund due to the closing the fund as was required by law.

OVERVIEW OF THE FINANCIAL STATEMENTS

This 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 School.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general governmental 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 School are the Food Service Operation (Fund 51), and the Drivers Education/Preschool funds (Fund 53).
- Fiduciary fund statements provide information about the financial relationships – like student organization club accounts – in which the School 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.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Wolsey-Wessington School's Government-wide and Fund Financial Statements				
	<i>Government-wide Statements</i>	<i>Fund Statements</i>		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers’ education program	Instances in which the School is the trustee or agent for someone else’s resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets 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 School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. 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 School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School'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 School are reported in two categories:

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, and federal grants finance most of these activities.
- **Business-type Activities** – The School charges fees and receives federal and state reimbursements to cover the costs of providing lunch services to all students and also charges fees to cover the costs of providing drivers education and preschool services to students. The Food Service, Drivers' Education and Preschool funds are the only business-type activities of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School 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.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’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 fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School 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, Drivers Education, and Preschool Enterprise funds are the only proprietary funds maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position increased as follows:

Table A-1
Wolsey-Wessington School District 2-6
Statement of Net Position

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>		<i>Total Percentage Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019-2020</i>
Current and Other Assets	\$ 7,446,985	\$ 7,962,168	\$ 20,813	\$ 48,400	\$ 7,467,798	\$ 8,010,568	7.27%
Capital Assets (Net of Depreciation)	7,958,932	7,769,454	34,977	31,112	7,993,909	7,800,566	-2.42%
<i>Total Assets</i>	<u>15,405,917</u>	<u>15,731,622</u>	<u>55,790</u>	<u>79,512</u>	<u>15,461,707</u>	<u>15,811,134</u>	<u>2.26%</u>
Pension Related Deferred Outflows	809,930	538,377	--	--	809,930	538,377	-33.53%
<i>Total Deferred Outflows or Resources</i>	<u>809,930</u>	<u>538,377</u>	<u>--</u>	<u>--</u>	<u>809,930</u>	<u>538,377</u>	<u>-33.53%</u>
Long-Term Liabilities Outstanding	6,948,918	6,712,622	1,347	1,744	6,950,265	6,714,366	-3.39%
Other Liabilities	477,159	440,891	16,623	38,794	493,782	479,685	-2.85%
<i>Total Liabilities</i>	<u>7,426,077</u>	<u>7,153,513</u>	<u>17,970</u>	<u>40,538</u>	<u>7,444,047</u>	<u>7,194,051</u>	<u>-3.36%</u>
Taxes Levied for Future Period	1,469,669	1,816,157	--	--	1,469,669	1,816,157	23.58%
Pension Related Deferred Inflows	191,721	223,473	--	--	191,721	223,473	16.56%
<i>Total Deferred Inflows of Resources</i>	<u>1,661,390</u>	<u>2,039,630</u>	<u>--</u>	<u>--</u>	<u>1,661,390</u>	<u>2,039,630</u>	<u>22.77%</u>
Net Investment in Capital Assets	1,204,308	1,196,573	34,977	31,112	1,239,285	1,227,685	-0.94%
Restricted	4,960,610	5,079,558	--	--	4,960,610	5,079,558	2.40%
Unrestricted	963,462	800,725	2,843	7,862	966,305	808,587	-16.32%
<i>Total Net Assets</i>	<u>7,128,380</u>	<u>7,076,856</u>	<u>37,820</u>	<u>38,974</u>	<u>7,166,200</u>	<u>7,115,830</u>	<u>-0.70%</u>
<i>Beginning Net Position</i>	<u>6,644,891</u>	<u>7,128,380</u>	<u>69,846</u>	<u>37,820</u>	<u>6,714,737</u>	<u>7,166,200</u>	<u>6.72%</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 483,489</u>	<u>\$ (51,524)</u>	<u>\$ (32,026)</u>	<u>\$ 1,154</u>	<u>451,463</u>	<u>(50,370)</u>	<u>-111.16%</u>
<i>Percentage of Increase (Decrease) in Net Position</i>	<u>7.28%</u>	<u>-0.72%</u>	<u>-45.85%</u>	<u>3.05%</u>	<u>6.72%</u>	<u>-0.70%</u>	

The District's combined net position of approximately \$7.1 million is approximately \$50,000 or .7% smaller than on June 30, 2019. Keeping the net position virtually the same occurred by controlling expenditures throughout the year.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 School, consisting of compensated absences payable, early retirement payable, energy efficiency loans, limited tax general obligation capital outlay certificates and QSCB bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

Changes in Net Position

The District's revenues (excluding transfers) totaled \$5,010,052 (See Table A-4). This was approximately a 9% decrease. Approximately 58% of the District's revenues come from property and other taxes, with another 27% coming from state aid. (See Table A-2.)

**Table A-2
Wolsey-Wessington School District 2-6
Sources of Revenues
Fiscal Year 2019-2020**

Taxes	\$ 2,889,306	57.67%
State Sources	1,359,540	27.14%
Operating Grants & Contributions	450,558	8.99%
Charges for Services	125,434	2.50%
Other General Revenues	124,042	2.48%
Unrestricted Investment Earnings	44,112	0.88%
Revenue from Federal Sources	17,060	0.34%
<i>Total Revenue</i>	\$ 5,010,052	100.00%

The District's expenses totaled \$5,060,422. (See Table A-4.) This was a .46% decrease. The School's expenses cover a range of services, encompassing instruction, support services, co-curricular, food services, community services, debt service, preschool services and driver's education. (See Table A-3.)

**Table A-3
Wolsey-Wessington School District 2-6
Statement of Expenditures
Fiscal Year 2019-2020**

Instruction	\$ 2,416,515	47.75%
Support Services	1,834,606	36.25%
Food Service	262,566	5.19%
Co-Curricular Activities	234,260	4.63%
Interest on Long-Term Debt	157,980	3.12%
Community Services	102,165	2.02%
Preschool Program	47,014	0.93%
Drivers Education	5,316	0.11%
<i>Total Expenditures</i>	\$ 5,060,422	100.00%

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School.

Table A-4

	<i>Government Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Total Percentage Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	
<i>Revenues</i>							
Program Revenues							
Charge for Services	\$ 26,232	\$ 26,647	\$ 126,953	\$ 98,787	\$ 153,185	\$ 125,434	-18.12%
Operating Grants/Contributions	376,529	315,370	86,600	135,188	463,129	450,558	-2.71%
General Revenues							
Taxes	3,441,636	2,889,306	--	--	3,441,636	2,889,306	-16.05%
Revenue State Sources	1,271,162	1,358,858	855	682	1,272,017	1,359,540	6.88%
Other							
Revenue from federal sources	8,074	17,060	--	--	8,074	17,060	111.30%
Other general revenues	159,111	107,649	6,345	16,393	165,456	124,042	-25.03%
Unrestricted Investment Earnings	31,747	44,112	--	--	31,747	44,112	38.95%
	<u>5,314,491</u>	<u>4,759,002</u>	<u>220,753</u>	<u>251,050</u>	<u>5,535,244</u>	<u>5,010,052</u>	-9.49%
<i>Expenses</i>							
Instruction	2,329,548	2,416,515	--	--	2,329,548	2,416,515	3.73%
Support Services	1,981,787	1,834,606	--	--	1,981,787	1,834,606	-7.43%
Community Services	102,307	102,165	--	--	102,307	102,165	-0.14%
Interest on long-term debt	159,525	157,980	--	--	159,525	157,980	-0.97%
Co-curricular Activities	257,835	234,260	--	--	257,835	234,260	-9.14%
Food Service	--	--	213,516	262,566	213,516	262,566	22.97%
Drivers Education	--	--	6,342	5,316	6,342	5,316	-16.18%
Preschool Program	--	--	32,921	47,014	32,921	47,014	42.81%
	<u>4,831,002</u>	<u>4,745,526</u>	<u>252,779</u>	<u>314,896</u>	<u>5,083,781</u>	<u>5,060,422</u>	-0.46%
Excess (Deficiency) of Revenues Over Expenses	483,489	13,476	(32,026)	(63,846)	451,463	(50,370)	-111.16%
Transfers	--	(65,000)	--	65,000	--	--	0.00%
Increase (Decrease) in Net Position	483,489	(51,524)	(32,026)	1,154	451,463	(50,370)	-111.16%
Beginning Adjusted Net Position	6,644,891	7,128,380	69,846	37,820	6,714,737	7,166,200	6.72%
Ending Net Position	\$ 7,128,380	\$ 7,076,856	\$ 37,820	\$ 38,974	\$ 7,166,200	\$ 7,115,830	-0.70%

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

GOVERNMENTAL ACTIVITIES

Revenues for the School's governmental activities decreased by approximately \$555,500 while expenses for governmental activities decreased by approximately \$85,500. Most of the decrease in net position comes from receiving no opt out and receiving a larger amount of taxes in July instead of in June.

BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities increased by approximately \$30,300 and expenses increased by approximately \$62,100. The School's net position increased by approximately \$1,200. The main reason for this is that the School's General Fund transferred \$65,000 to both enterprise funds in FY20 but did not in FY19. Due to COVID, we provided lunches to families throughout the summer by using the SSO program which increased expenses and revenues.

Other factors contributing to these results include:

- Decrease in revenue was due to a decrease in reimbursement money.
- The primary reason for the increase in expenses was due to running a summer feeding program.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Overall, the governmental funds have an approximately \$51,524 decrease in net position over last year. The main cause was controlling expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget. These amendments fall into two categories:

- Supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to increases in gas and heating costs and grants received throughout the year in the General Fund. There were supplements made to the budget for the increase in grant money received in the General Fund.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

CAPITAL ASSET ADMINISTRATION

By the end of June 30, 2020, the School had invested \$7,800,566 (net of depreciation) in a broad range of capital assets, including, land, buildings, and various machinery and equipment. (See Table A-5.) This amount represents a net decrease (including additions and deductions) of \$193,343, or 2.42%, over last year due mostly to the natural increase of accumulated depreciation.

Table A-5
Capital Assets
(net of depreciation)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Dollar Change</i>	<i>Total % Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>		
Land	\$ 46,040	\$ 46,040	\$ --	\$ --	\$ --	0.00%
Buildings	7,385,069	7,230,869	--	--	(154,200)	-4.06%
Improvements other than Buildings	156,550	141,265	--	--	(15,285)	-18.30%
Machinery & Equipment	371,273	351,280	34,977	31,112	(23,858)	-6.48%
Total Capital Assets	\$ 7,958,932	\$ 7,769,454	\$ 34,977	\$ 31,112	\$ (193,343)	-2.42%

This year's major capital asset purchases were primarily purchasing books, football scoreboard, and new 15 passenger van.

LONG-TERM DEBT

At year-end, the School had \$6,714,366 in long-term obligations. This is a decrease of 4.5% as shown on Table A-6 below.

Table A-6
Outstanding Debt and Obligations

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Dollar Change</i>	<i>Total % Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>		
Qualified School Construction Bonds	\$ 3,090,000	\$ 3,090,000	\$ --	\$ --	\$ --	0.00%
Limited Tax General Obligation Capital						
Outlay Certificates	3,635,000	3,455,000	--	--	(180,000)	-4.74%
Plus: Unamortized Premiums	29,624	27,881	--	--	(1,743)	-0.05%
Energy Efficiency Loan	166,333	128,808	--	--	(37,525)	-0.99%
Compensated absences	10,797	10,933	1,683	1,744	197	0.01%
Early retirement plan payable	17,164	--	--	--	(17,164)	-0.45%
Total Outstanding Debt	\$ 6,948,918	\$ 6,712,622	\$ 1,683	\$ 1,744	\$ (236,235)	-4.50%

The School is liable for the accrued sick leave payable to the various employees who have tenure at the School District.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020**

The School District also has an early retirement benefit for those employees meeting certain qualifications to retire early and can receive a monthly check, reduced by all required deductions according to federal and state statutes, equal to the amount of a monthly insurance payment. These benefits are only offered for a maximum of 24 months after the employee's retirement date and the school will only pay no more than two Wolsey-Wessington teachers in any one year. If there are more than two applicants for early retirement/insurance, the teacher with the most total years employed in the Wolsey-Wessington School District shall be allowed to retire and receive benefits first. As of the end of FY19, the School District will have two employees that will utilize this option during FY20.

The School paid \$61,800 in interest on the Quality School Construction Bonds and paid \$95,898 in interest on the Limited Tax General Obligation bonds for fiscal year 2020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown an increase in valuations. The School total property valuation for the 2019 taxes payable in 2020 is \$522,353,249. The School did experience an increase in total property valuation of \$10,306,620 or approximately 1.97% from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

One of the primary sources of revenue to the School is based on a target student to teacher ratio set by the State of South Dakota Legislature. This revised state aid to education formula did increase the district's total need by \$142,205 from the previous year. With this decrease, the district had to watch over expenditure spending. The reason for the increase was due to a lower student count. Additionally, revenue along with stable enrollment will help ensure that the school district remains financially sound for the next year.

The School's enrollment for the last three years has been as follows:

**Table A-7
Wolsey-Wessington School District
ADM for the Last Three Years**

<u>YEAR</u>	<u>ADM</u>	<u>Percent (Decrease) in ADM</u>
2020	357	3.18%
2019	346	-4.42%
2018	362	1.40%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Wolsey-Wessington School's Business Office, 375 Ash St. SE, Wolsey, SD 57384.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF NET POSITION – GOVERNMENT-WIDE
JUNE 30, 2020

	<i>PRIMARY GOVERNMENT</i>		
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$ 3,655,727	\$ 19,738	\$ 3,675,465
Incidental imprest account	2,000	--	2,000
Taxes receivable	1,867,824	--	1,867,824
Inventories	--	5,147	5,147
Other assets	286,455	23,515	309,970
Net pension asset	10,554	--	10,554
Restricted Assets:			
Cash and cash equivalents	2,139,608	--	2,139,608
Capital Assets:			
Land and construction in progress	46,040	--	46,040
Other capital assets, net of depreciation	7,723,414	31,112	7,754,526
TOTAL ASSETS	<u>15,731,622</u>	<u>79,512</u>	<u>15,811,134</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	538,377	--	538,377
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>538,377</u>	<u>--</u>	<u>538,377</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>16,269,999</u>	<u>79,512</u>	<u>16,349,511</u>
LIABILITIES:			
Accounts payable	102,327	14,270	116,597
Other current liabilities	338,564	24,524	363,088
Noncurrent Liabilities:			
Due within one year	220,268	--	220,268
Due in more than one year	6,492,354	1,744	6,494,098
TOTAL LIABILITIES	<u>7,153,513</u>	<u>40,538</u>	<u>7,194,051</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,816,157	--	1,816,157
Pension related deferred inflows	223,473	--	223,473
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,039,630</u>	<u>--</u>	<u>2,039,630</u>
NET POSITION:			
Net investment in capital assets	1,196,573	31,112	1,227,685
Restricted for:			
Capital outlay	1,989,405	--	1,989,405
Special education	625,087	--	625,087
Debt service	2,139,608	--	2,139,608
SDRS pension purposes	325,458	--	325,458
Unrestricted	800,725	7,862	808,587
TOTAL NET POSITION	<u>\$ 7,076,856</u>	<u>\$ 38,974</u>	<u>\$ 7,115,830</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE
FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<i>Primary Government:</i>							
<i>Governmental Activities:</i>							
Instruction	\$ 2,416,515	\$ --	\$ 315,370	\$ --	\$ (2,101,145)	\$ --	\$ (2,101,145)
Support services	1,834,606	10,187	--	--	(1,824,419)	--	(1,824,419)
Community services	102,165	--	--	--	(102,165)	--	(102,165)
Interest on long term debt*	157,980	--	--	--	(157,980)	--	(157,980)
Co-curricular activities	234,260	16,460	--	--	(217,800)	--	(217,800)
Total Governmental Activities	4,745,526	26,647	315,370	--	(4,403,509)	--	(4,403,509)
<i>Business-Type Activities:</i>							
Food service	262,566	83,847	135,188	--	--	(43,531)	(43,531)
Driver's education	5,316	8,675	--	--	--	3,359	3,359
Preschool program	47,014	6,265	--	--	--	(40,749)	(40,749)
Total Business-Type Activities	314,896	98,787	135,188	--	--	(80,921)	(80,921)
Total Primary Government	\$ 5,060,422	\$ 125,434	\$ 450,558	\$ --	(4,403,509)	(80,921)	(4,484,430)
GENERAL REVENUES:							
<i>Taxes:</i>							
					2,822,555	--	2,822,555
					66,751	--	66,751
<i>Revenue from State Sources:</i>							
					1,358,858	682	1,359,540
<i>Revenue from federal sources</i>							
					17,060	--	17,060
<i>Unrestricted investment earnings</i>							
					44,112	--	44,112
<i>Other general revenues</i>							
					107,649	16,393	124,042
<i>Transfers</i>							
					(65,000)	65,000	--
					4,351,985	82,075	4,434,060
					(51,524)	1,154	(50,370)
					7,128,380	37,820	7,166,200
					\$ 7,076,856	\$ 38,974	\$ 7,115,830

*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 to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:						
Cash and cash equivalents	\$ 871,665	\$ 2,141,743	\$ 642,319	\$ --	\$ --	\$ 3,655,727
Taxes receivable - current	596,447	735,293	484,417	--	--	1,816,157
Taxes receivable - delinquent	19,560	19,652	12,455	--	--	51,667
Due from other government	236,882	--	49,573	--	--	286,455
Advance payments	2,000	--	--	--	--	2,000
Restricted cash	--	--	--	2,139,608	--	2,139,608
TOTAL ASSETS	<u>\$ 1,726,554</u>	<u>\$ 2,896,688</u>	<u>\$ 1,188,764</u>	<u>\$ 2,139,608</u>	<u>\$ --</u>	<u>\$ 7,951,614</u>
LIABILITIES AND FUND BALANCES:						
<i>Liabilities:</i>						
Accounts payable	\$ 36,965	\$ 43,182	\$ 22,180	\$ --	\$ --	\$ 102,327
Contracts payable	216,823	--	41,535	--	--	258,358
Payroll deductions and withholding and employer matching payable	67,476	--	12,730	--	--	80,206
Total Liabilities	<u>321,264</u>	<u>43,182</u>	<u>76,445</u>	<u>--</u>	<u>--</u>	<u>440,891</u>
<i>Deferred Inflows of Resources:</i>						
Taxes levied for a future period	596,447	735,293	484,417	--	--	1,816,157
Unavailable revenue - property taxes	19,560	19,652	12,455	--	--	51,667
Total Deferred Inflows of Resources	<u>616,007</u>	<u>754,945</u>	<u>496,872</u>	<u>--</u>	<u>--</u>	<u>1,867,824</u>
<i>Fund Balances:</i>						
Restricted						
Capital outlay fund	--	2,098,561	--	--	--	2,098,561
Special education fund	--	--	615,447	--	--	615,447
Debt service requirements	--	--	--	2,139,608	--	2,139,608
Assigned	150,363	--	--	--	--	150,363
Unassigned	638,920	--	--	--	--	638,920
Total Fund Balances	<u>789,283</u>	<u>2,098,561</u>	<u>615,447</u>	<u>2,139,608</u>	<u>--</u>	<u>5,642,899</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,726,554</u>	<u>\$ 2,896,688</u>	<u>\$ 1,188,764</u>	<u>\$ 2,139,608</u>	<u>\$ --</u>	<u>\$ 7,951,614</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances - Governmental Funds \$ 5,642,899

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

<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	<p>The cost of capital assets are Accumulated depreciation is <i>Net</i></p>	<p>10,429,803 <u>(2,660,349)</u></p>	<p>7,769,454</p>
<p>Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.</p>			<p>538,377</p>
<p>Long-term liabilities, including bonds payable, capital outlay certificates, energy efficiency loans, accrued leave payable and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.</p>	<p>Quality school construction bonds Limited tax general obligation capital outlay certificates Energy efficiency loan Accrued leave payable <i>Net</i></p>	<p>(3,090,000) (3,482,881) (128,808) <u>(10,933)</u></p>	<p>(6,712,622)</p>
<p>Assets, such as taxes receivable (delinquent) that are not available to pay for current period expenditures, are deferred in the funds.</p>			<p>51,667</p>
<p>Proportionate share of net pension asset</p>			<p>10,554</p>
<p>Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.</p>			<p><u>(223,473)</u></p>
<p><i>Net Position-Governmental Funds</i></p>			<p><u><u>\$ 7,076,856</u></u></p>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES						
<i>Revenue from Local Sources:</i>						
<i>Taxes:</i>						
Ad valorem taxes	\$ 1,000,466	\$ 1,073,369	\$ 696,470	\$ --	\$ --	\$ 2,770,305
Prior years' ad valorem taxes	5,861	5,906	3,739	--	89	15,595
Gross receipts taxes	66,751	--	--	--	--	66,751
Penalties and interest on taxes	3,211	3,192	2,054	--	37	8,494
<i>Earnings on Investments and Deposits</i>	6,207	--	--	37,905	--	44,112
<i>Co-curricular Activities:</i>						
Admissions	16,460	--	--	--	--	16,460
<i>Other Revenue from Local Sources:</i>						
Charges for services	8,822	--	1,365	--	--	10,187
Other	29,594	18,992	38,273	--	--	86,859
<i>Revenue from Intermediate Sources:</i>						
<i>County sources:</i>						
County apportionment	15,139	--	--	--	--	15,139
<i>Revenue from State Sources:</i>						
<i>Grants-in-Aid:</i>						
Unrestricted grants-in-aid	1,351,169	--	--	--	--	1,351,169
Restricted grants-in-aid	1,910	--	--	--	--	1,910
<i>Other State Revenue</i>	5,779	--	--	--	--	5,779
<i>Revenue from Federal Sources:</i>						
<i>Grants-in-Aid:</i>						
Unrestricted grants-in-aid received from federal government through an intermediate source	17,060	--	--	--	--	17,060
Restricted grants-in-aid received from federal government through the state	216,005	--	76,678	--	--	292,683
<i>Other Federal Revenue</i>	22,687	--	--	--	--	22,687
TOTAL REVENUES	\$ 2,767,121	\$ 1,101,459	\$ 818,579	\$ 37,905	\$ 126	\$ 4,725,190

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
EXPENDITURES:						
<i>Instruction:</i>						
<i>Regular Programs:</i>						
Elementary	\$ 546,257	\$ 38,428	\$ --	\$ --	\$ --	\$ 584,685
Middle/junior high	292,305	40,307	--	--	--	332,612
High school	508,268	51,991	--	--	--	560,259
<i>Special Programs:</i>						
Programs for special education	--	250	526,632	--	--	526,882
Educationally deprived	135,511	--	--	--	--	135,511
<i>Support Services:</i>						
<i>Pupils:</i>						
Guidance	96,046	--	39,123	--	--	135,169
Health	7,862	--	--	--	--	7,862
Psychological	--	--	48,796	--	--	48,796
Speech pathology	--	--	137,308	--	--	137,308
Student therapy services	--	--	33,129	--	--	33,129
<i>Instructional Staff:</i>						
Improvement of instruction	8,277	--	--	--	--	8,277
Educational media	74,529	--	--	--	--	74,529
<i>General Administration:</i>						
Board of education	12,618	--	--	--	--	12,618
Executive administration	105,883	4,264	--	--	--	110,147
<i>School Administration:</i>						
Office of the principal	154,438	--	--	--	--	154,438
Other	990	--	--	--	--	990
<i>Business:</i>						
Fiscal services	103,006	--	--	--	--	103,006
Operation and maintenance of plant	499,244	61,490	--	--	--	560,734
Pupil transportation	153,578	4,024	--	--	--	157,602

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)

	<u>GENERAL FUND</u>	<u>CAPITAL OUTLAY FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
EXPENDITURES:						
<i>Special Education:</i>						
Administrative costs	\$ --	\$ --	\$ 36,532	\$ --	\$ --	\$ 36,532
Transportation costs	--	--	2,058	--	--	2,058
Other special education costs	--	--	78,065	--	--	78,065
<i>Community Services:</i>						
Care and custody of children	96,264	--	--	--	--	96,264
<i>Debt Services</i>						
	--	377,248	--	--	--	377,248
<i>Cocurricular Activities:</i>						
Male activities	55,156	5,184	--	--	--	60,340
Female activities	37,999	6,002	--	--	--	44,001
Transportation	9,256	--	--	--	--	9,256
Combined activities	56,165	2,295	--	--	--	58,460
<i>Capital Outlay</i>						
	--	50,492	--	--	--	50,492
TOTAL EXPENDITURES	<u>2,953,652</u>	<u>641,975</u>	<u>901,643</u>	<u>--</u>	<u>--</u>	<u>4,497,270</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(186,531)</u>	<u>459,484</u>	<u>(83,064)</u>	<u>37,905</u>	<u>126</u>	<u>227,920</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	61,032	--	--	199,355	--	260,387
Transfers out	(65,000)	(199,355)	--	--	(61,032)	(325,387)
Sale of surplus property	--	5,651	--	--	--	5,651
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,968)</u>	<u>(193,704)</u>	<u>--</u>	<u>199,355</u>	<u>(61,032)</u>	<u>(59,349)</u>
<i>Net Change in Fund Balances</i>	(190,499)	265,780	(83,064)	237,260	(60,906)	168,571
<i>FUND BALANCE - Beginning of Year</i>	979,782	1,832,781	698,511	1,902,348	60,906	5,474,328
<i>FUND BALANCE - End of Year</i>	<u>\$ 789,283</u>	<u>\$ 2,098,561</u>	<u>\$ 615,447</u>	<u>\$ 2,139,608</u>	<u>\$ --</u>	<u>\$ 5,642,899</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds \$ 168,571

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 50,492

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (239,970)

Payment of principal on long-term debt is an expenditure in the government funds but the payment reduces long-term liabilities in the statement of assets. 219,268

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 fund's 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". 28,161

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits 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 or elect to retire early.

	Accrued leave	(136)	
	Early retirement	<u>17,164</u>	
	<i>Net</i>		17,028

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (e.g., pension expense). (295,074)

Change in Net Position of Governmental Activities \$ (51,524)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2020

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD SERVICE FUND</i>	<i>OTHER ENTERPRISE FUNDS</i>	<i>TOTAL</i>
ASSETS:			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 6,792	\$ 12,946	\$ 19,738
Accounts receivable	1,431	1,155	2,586
Due from other government	20,929	–	20,929
Inventory of supplies	772	–	772
Inventory of stores purchased for resale	3,527	–	3,527
Inventory of donated food	848	–	848
<i>Total Current Assets</i>	34,299	14,101	48,400
<i>Capital Assets:</i>			
Machinery and equipment - local funds	66,832	–	66,832
Accumulated depreciation	(35,720)	–	(35,720)
<i>Total Noncurrent Assets</i>	31,112	–	31,112
TOTAL ASSETS	\$ 65,411	\$ 14,101	\$ 79,512
LIABILITIES AND NET POSITION:			
<i>Liabilities:</i>			
<i>Current Liabilities:</i>			
Accounts payable	\$ 13,837	\$ 433	\$ 14,270
Contract payable	3,376	8,864	12,240
Payroll deductions and withholdings	1,229	2,227	3,456
Unearned revenue	8,663	165	8,828
<i>Total Current Liabilities</i>	27,105	11,689	38,794
<i>Noncurrent Liabilities:</i>			
Accrued leave payable	1,744	–	1,744
<i>Total Noncurrent Liabilities</i>	1,744	–	1,744
<i>Net Position:</i>			
Net investment in capital assets	31,112	–	31,112
Unrestricted net position	5,450	2,412	7,862
<i>Total Net Position</i>	36,562	2,412	38,974
TOTAL LIABILITIES AND NET POSITION	\$ 65,411	\$ 14,101	\$ 79,512

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	ENTERPRISE FUNDS		
	FOOD SERVICE FUND	OTHER ENTERPRISE FUND	TOTAL
OPERATING REVENUES:			
<i>Sales:</i>			
To pupils	\$ 73,192	\$ –	\$ 73,192
To adults	7,320	–	7,320
Ala Carte	3,335		3,335
Other charges for goods and services	1,181	30,152	31,333
<i>Total Operating Revenue</i>	<u>85,028</u>	<u>30,152</u>	<u>115,180</u>
OPERATING EXPENSES:			
Salaries	95,824	31,281	127,105
Employee benefits	28,814	10,451	39,265
Purchased services	1,866	–	1,866
Supplies	5,438	10,598	16,036
Cost of sales - purchased food	109,609	–	109,609
Cost of sales - donated food	16,662	–	16,662
Miscellaneous	488	–	488
Depreciation - local funds	3,865	–	3,865
<i>Total Operating Expenses</i>	<u>262,566</u>	<u>52,330</u>	<u>314,896</u>
<i>Operating Income (Loss)</i>	<u>(177,538)</u>	<u>(22,178)</u>	<u>(199,716)</u>
Non-operating Revenue (Expense):			
<i>State Sources:</i>			
Cash reimbursements	682	–	682
<i>Federal Sources:</i>			
Cash reimbursements	118,194	–	118,194
Donated food	16,994	–	16,994
<i>Total Non-operating Revenue (Expense)</i>	<u>135,870</u>	<u>–</u>	<u>135,870</u>
<i>Income (Loss) Before Transfers</i>	(41,668)	(22,178)	(63,846)
<i>Transfers in</i>	<u>40,000</u>	<u>25,000</u>	<u>65,000</u>
<i>Change in Net Position</i>	(1,668)	2,822	1,154
NET POSITION - Beginning of Year	<u>38,230</u>	<u>(410)</u>	<u>37,820</u>
NET POSITION - End of Year	<u>\$ 36,562</u>	<u>\$ 2,412</u>	<u>\$ 38,974</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<i>ENTERPRISE FUNDS</i>		
	<i>FOOD</i>	<i>OTHER</i>	<i>TOTALS</i>
	<i>SERVICE</i>	<i>ENTERPRISE</i>	
	<i>FUND</i>	<i>FUND</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 70,221	\$ 30,812	\$ 101,033
Cash payments to suppliers	(105,614)	(10,511)	(116,125)
Cash payments to employees	(119,636)	(43,219)	(162,855)
NET CASH (USED) BY OPERATING ACTIVITIES	(155,029)	(22,918)	(177,947)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers from general fund	40,000	25,000	65,000
Cash reimbursements - state	682	-	682
Cash reimbursements - federal	118,194	-	118,194
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	158,876	25,000	183,876
NET DECREASE IN CASH AND CASH EQUIVALENTS	3,847	2,082	5,929
CASH AND CASH EQUIVALENTS, Beginning of Year	2,945	10,864	13,809
CASH AND CASH EQUIVALENTS, End of Year	\$ 6,792	\$ 12,946	\$ 19,738
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:			
Operating (loss)	\$ (177,538)	\$ (22,178)	\$ (199,716)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:			
Depreciation expense	3,865	-	3,865
Noncash cost of sales - commodities	16,662	-	16,662
Change in Assets and Liabilities:			
Accounts receivable	(19,828)	495	(19,333)
Inventories	(1,993)	-	(1,993)
Accounts and other payables	13,780	87	13,867
Unearned revenue	5,021	165	5,186
Accrued wages payable	5,002	(1,487)	3,515
NET CASH (USED) BY OPERATING ACTIVITIES	\$ (155,029)	\$ (22,918)	\$ (177,947)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 16,994	-	\$ 16,994

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	<i>Private -Purpose Trust Funds</i>	<i>Agency Funds</i>	<i>Totals</i>
ASSETS			
Cash and cash equivalents	\$ 4,950	\$ 84,411	\$ 89,361
TOTAL ASSETS	\$ 4,950	\$ 84,411	\$ 89,361
LIABILITIES			
Amounts held for others	\$ --	\$ 84,411	\$ 84,411
TOTAL LIABILITIES	--	84,411	84,411
NET POSITION			
Held in trust for others	4,950	--	4,950
TOTAL LIABILITIES AND NET POSITION	\$ 4,950	\$ 84,411	\$ 89,361

The accompanying Notes to Financial Statements are an integral part of these financial statements.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2020

	<i>Private-Purpose Trust Funds</i>
DEDUCTIONS	
Other deductions	<u>\$ 550</u>
CHANGE IN NET POSITION	<u>(550)</u>
NET POSITION - BEGINNING	<u>5,500</u>
NET POSITION - ENDING	<u><u>\$ 4,950</u></u>

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a. Financial Reporting Entity:

The reporting entity of Wolsey-Wessington School District No. 2-6, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

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

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

b. Basis of Presentation: (continued)

Fund Financial Statements: (continued)

Governmental Funds: (continued)

Special Revenue Fund Types: (continued)

Pension Fund – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District’s share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund. This fund was closed out at the end of FY20.

Debt Service Fund – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Bond Redemption Fund – The QSCB Fund is the only debt service fund. This fund was established to collect money in the sinking funds for payment of term bonds. The Capital Outlay fund transfers money to this fund on a yearly basis. At the end of the term, the bonds will be paid off. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods and services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- 1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)**
- 2. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.**
- 3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).**

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

b. ***Basis of Presentation: (continued)***

Fund Financial Statements: (continued)

Proprietary Funds: (continued)

Enterprise Funds: (continued)

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

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education and the preschool program. 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 all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains the Scholarship Fund as its only private-purpose trust fund which is used to administer scholarships for students. The fund is financed through contributions and interest.

Agency Funds – Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains several agency funds for various class years, clubs, and athletic teams which account for the monies earned for the various class, club or team projects.

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

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

Measurement Focus:

Government-Wide Financial Statements:

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

Measurement Focus: (continued)

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2020 are utility taxes, revenues due from state government, and grants due from federal governments.

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. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as deferred inflow of resources.

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 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.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

d. **Interfund Eliminations and Reclassifications:**

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

e. **Inventory:**

Inventory is valued at the lower of cost or market. The cost valuation method is first in first out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

For the governmental activities and proprietary fund types, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the government-wide and the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a Nonspendable fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. No material inventories were on hand at June 30, 2020.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

f. **Deposits and Investments:**

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

g. **Capital Assets:**

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

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

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 the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized. Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2020 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

g. **Capital Assets:** (continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All	—	—
Land improvements	\$5,000	Straight-line	10-20 years
Buildings	\$5,000	Straight-line	50-75 years
Machinery and equipment	\$5,000	Straight-line	5-20 years

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

Fund Financial Statements:

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

h. **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 bonds payable, capital outlay certificates, energy efficiency loans, retirement payable and compensated absences.

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

i. Program Revenues:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Accumulated Unpaid Vacation and Sick Leave:

Annual leave is earned by the employees at the rate of ten days per year depending on position. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of ten to twelve days per year depending on position. Upon termination, only tenured, certified and non-certified, employees are entitled to receive \$10 per day for unused sick leave days if they leave the School District.

l. Unavailable Revenue:

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

m. **Cash and Cash Equivalents:**

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

n. **Equity Classifications:**

Government-Wide Financial 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 do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

o. **Application of Net Position:**

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

p. **Fund Balance Classification Policies and Procedures:**

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

Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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

q. **Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

r. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, and pension expense (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. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

s. Emerging Accounting Standards:

In March 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, which expand disclosure requirements for certain types of debt. The School District has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the School District's year ending June 30, 2021.

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

In 2019, the GASB issued Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The School District has not yet determined the specific impact of this statement on the financial statements. The standard is effective for the School District's year ending June 30, 2022.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

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

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

No investments were held as of June 30, 2020 or during the year then ended.

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

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

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

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

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

State law allows income from deposits and investments 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 and investments to the General Fund for all governmental funds except for Debt Service Fund which accumulates interest to help pay off the term bonds.

The United States generally accepted accounting principles, on the other hand, requires income from deposits and investments to be recorded in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

3. PROPERTY TAX:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

4. DUE FROM OTHER GOVERNMENTS:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$309,970 due from various individuals and county, state and federal governments.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

5. CHANGES IN CAPITAL ASSETS:

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

	<i>Balance 7/1/2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance 6/30/2020</i>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 46,040	\$ --	\$ --	\$ 46,040
<i>Total capital assets not being depreciated</i>	<u>46,040</u>	<u>--</u>	<u>--</u>	<u>46,040</u>
Capital assets being depreciated:				
Buildings	8,686,266	--	--	8,686,266
Improvements	319,857	--	--	319,857
Equipment	1,327,148	50,492	--	1,377,640
<i>Total capital assets being depreciated</i>	<u>10,333,271</u>	<u>50,492</u>	<u>--</u>	<u>10,383,763</u>
Less accumulated depreciation for:				
Buildings	1,301,199	154,198	--	1,455,397
Improvements	163,307	15,285	--	178,592
Equipment	955,873	70,487	--	1,026,360
<i>Total accumulated depreciation</i>	<u>2,420,379</u>	<u>239,970</u>	<u>--</u>	<u>2,660,349</u>
<i>Total capital assets being depreciated, net</i>	<u>7,912,892</u>	<u>(189,478)</u>	<u>--</u>	<u>7,723,414</u>
<i>Net Capital Assets</i>	<u>\$ 7,958,932</u>	<u>\$ (189,478)</u>	<u>\$ --</u>	<u>\$ 7,769,454</u>

Depreciation expenses was charged to functions as follows:

Instruction	\$ 113,599
Support services	73,020
Co-curricular activities	53,351
<i>Total Depreciation Expense</i>	<u>\$ 239,970</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

5. CHANGES IN CAPITAL ASSETS: (continued)

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

	<i>Balance</i> <u>7/1/2019</u>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i> <u>6/30/2020</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 66,832	\$ --	\$ --	\$ 66,832
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>31,855</u>	<u>3,865</u>	<u>--</u>	<u>35,720</u>
<i>Total capital assets being depreciated, net</i>	<u>\$ 34,977</u>	<u>\$ (3,865)</u>	<u>\$ --</u>	<u>\$ 31,112</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 3,865</u>

6. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

	<i>Balance</i> <u>7/1/2019</u>	<i>Increase</i>	<i>Decrease</i>	<i>Balance</i> <u>6/30/2020</u>	<i>Amounts Due</i> <i>Within 1 Year</i>
Governmental Activities:					
Qualified zone construction bonds	\$ 3,090,000	\$ --	\$ --	\$ 3,090,000	\$ --
Limited tax capital outlay certificates	3,635,000	--	180,000	3,455,000	180,000
Plus: Unamortized Premiums	29,624	--	1,743	27,881	1,743
Energy efficiency loan	28,079	--	5,775	22,304	5,775
Energy efficiency conservation block grant	138,254	--	31,750	106,504	31,750
Early Retirement Payable - Governmental Funds	17,164	--	17,164	--	--
Compensated Absences	<u>10,797</u>	<u>2,864</u>	<u>2,728</u>	<u>10,933</u>	<u>1,000</u>
<i>Total Governmental Activities</i>	<u>6,948,918</u>	<u>2,864</u>	<u>239,160</u>	<u>6,712,622</u>	<u>220,268</u>
Business-type Activities:					
Compensated Absences	<u>1,347</u>	<u>429</u>	<u>32</u>	<u>1,744</u>	<u>--</u>
<i>Total Business-type</i>	<u>\$ 1,347</u>	<u>\$ 429</u>	<u>\$ 32</u>	<u>\$ 1,744</u>	<u>\$ --</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

6. LONG-TERM LIABILITIES: (continued)

Debt payable at June 30, 2020 is comprised of the following:

	<i>TERMS</i>	
Qualified School Construction Bonds	During December 2009, the School District entered into an agreement to receive Qualified School Construction Bonds in the amount of \$3,090,000. Interest rate is 2.0%. Final payment is December 2025. The Debt Service Fund makes payment on this debt.	<u>\$ 3,090,000</u>
Limited Tax Capital Outlay Certificates	The School District issued \$3,985,000 of limited tax capital outlay certificates, Series 2016. The certificates are payable December 15, 2017 through December 15, 2035 with fixed interest rates from .80% to 3.50% that vary depending on the term of maturity. The Capital Outlay Fund makes this payment.	<u>\$ 3,455,000</u>
Energy Efficiency School Loan	Starting July 1, 2013, the School District entered into a loan agreement with the South Dakota Energy Management Office in the amount of \$56,954. The School was able to purchase pre-approved energy efficient expenditures with the understanding that the School is required to track energy usage and cost savings information. There is no interest on this loan. Final payment is due July 1, 2022. The Capital Outlay Fund makes payments on this debt.	<u>\$ 22,304</u>
Energy Efficiency Conservation Block Grant Loan	Starting October 1, 2015, the School District entered into a loan agreement with South Dakota Energy Management Office in the amount of \$201,754. The School was able to purchase LED lighting with the understanding that the School is required to track energy usage and cost savings information. There is no interest on this loan. Final payment is due July 31, 2027. The Capital Outlay Fund makes payments on this debt.	<u>\$ 106,504</u>
Compensated Absences	Payable from the fund to which payroll expenditures are charged.	<u>\$ 10,933</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

6. LONG-TERM LIABILITIES: (continued)

The annual requirements to amortize the Qualified School Construction Bonds, the Limited Tax General Obligation Capital Outlay Certificates, and the Energy Efficiency Loans outstanding at June 30, 2020, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Quality School Construction</u> <u>Bonds</u>		<u>Limited Tax General Obligation</u> <u>Capital Outlay Certificates</u>		<u>Energy Efficiency Loans</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ --	\$ 61,800	\$ 180,000	\$ 94,008	\$ 37,525	\$ --	\$ 217,525	\$ 155,808
2022	--	61,800	185,000	92,091	37,525	--	222,525	153,891
2023	--	61,800	185,000	89,270	42,504	--	227,504	151,070
2024	--	61,800	190,000	85,520	11,254	--	201,254	147,320
2025	--	61,800	190,000	80,770	--	--	190,000	142,570
2026-2030	3,090,000	30,900	1,050,000	316,550	--	--	4,140,000	347,450
2031-2035	--	--	1,210,000	149,187	--	--	1,210,000	149,187
2036-2037	--	--	265,000	4,638	--	--	265,000	4,638
TOTALS	\$ 3,090,000	\$ 339,900	\$ 3,455,000	\$ 912,034	\$ 128,808	\$ --	\$ 6,673,808	\$ 1,251,934

7. INTERFUND ACTIVITY:

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

Transfer from Pension Fund to the General Fund to close out that fund.	\$ 61,032
Transfer from the Capital Outlay Fund to the Debt Service Fund to deposit money towards paying off the Qualified School Construction Bonds when their term is complete.	\$ 199,355
Transfer from the General fund to the Food Service Fund to assist in covering costs of the school breakfast and lunch programs.	\$ 40,000
Transfer from the General fund to the Preschool Fund to assist in covering costs of the school's preschool program.	\$ 25,000

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

8. RESTRICTED NET POSITION:

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
<i>Major Purposes:</i>		
Capital Outlay	Law	\$ 1,989,405
Special Education	Law	625,087
Debt Service	Debt covenants	2,139,608
SDRS Pension Purposes	Law	325,458
<i>Total</i>		<u>\$ 5,079,558</u>

9. ASSIGNED FUND BALANCES FOR CASH FLOW:

As authorized by SDCL 13-11-12, the School Board has determined that a year-end minimum fund balance of \$150,363 is necessary to protect the School District's cash liquidity from July 1, through mid-November of the subsequent fiscal year. This amount is reported as Assigned Fund Balance in the General Fund.

10. OPERATING LEASES:

The School District entered into an agreement to lease a copier for a sixty (60) month period in July 2016. The monthly payment is approximately \$2,200 for the lease. The agreement contains various covenants, restrictions, and provisions. Payments are made from the Capital Outlay Fund.

The following are the minimum payments on existing operating copier lease:

<u>Year</u>	<u>Copier</u>
2021	\$ 26,400
2022	\$ 2,200

The School District entered into an agreement to lease a skid steer for a five (5) year period in August 2018. The yearly payment is \$4,024 for the lease. Payments are made from the Capital Outlay Fund.

The following are the minimum payments on existing operating copier lease:

<u>Year</u>	<u>Copier</u>
2021	\$ 4,024
2022	\$ 4,024
2023	\$ 4,024

*WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

11. *PENSION PLAN:*

a. *Plan Information:*

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

b. *Benefits Provided:*

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation 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.

*WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020*

11. *PENSION PLAN: (continued)*

b. *Benefits Provided: (continued)*

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

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

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

c. *Contributions:*

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

<i>Year</i>	<i>Amount</i>
2020	\$131,848
2019	\$127,061
2018	\$125,149

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

11. PENSION PLAN: (continued)

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

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

Proportionate share of pension liability	\$ 12,412,229
Less proportionate share of net pension restricted for pension benefits	<u>12,422,784</u>
<i>Proportionate share of net pension (asset)</i>	<u><u>\$ (10,555)</u></u>

At June 30, 2020, the School District reported an (asset) of (10,555) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2019 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District's proportion was .09959900%, which is a decrease of (.0000169%) from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$295,074. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 41,402	\$ 4,777
Changes in assumption	364,534	149,441
Net difference between projected and actual earnings on pension plan investments	--	60,804
Changes in proportion and difference between district contributions and proportionate share of contributions	592	8,451
District contributions subsequent to the measurement date	<u>131,849</u>	<u>--</u>
TOTAL	<u><u>\$ 538,377</u></u>	<u><u>\$ 223,473</u></u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

11. PENSION PLAN: (continued)

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

\$131,848 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year Ended</i> <i>June 30,</i>		
2021	\$	224,924
2022		(37,833)
2023		(24,273)
2024		20,238
2025		—
Thereafter		—
TOTAL	\$	183,056

e. Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

Mortality rates were based on 97% of the RP-2014 Mortality Table, 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, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

11. PENSION PLAN: (continued)

e. 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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
Global equity	58.0%	4.7%
Fixed income	30.0%	1.7%
Real estate	10.0%	4.3%
Cash	2.0%	0.9%
TOTAL	100.0%	

f. Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension (asset)	<u>\$ 1,751,885</u>	<u>\$ (10,555)</u>	<u>\$ (1,446,624)</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

11. PENSION PLAN: (continued)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

12. RESTRICTED CASH AND INVESTMENT:

Assets are restricted for use for a specific purpose through segregation of balances in separate accounts. As of June 30, 2020, \$2,139,608 was restricted in the Debt Service Fund for sinking fund requirements in the debt covenants.

13. RISK MANAGEMENT:

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

Employee Health Insurance – The School 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 School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not have a maximum payment per person.

Liability Insurance – The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

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

Workers' Compensation – The School District purchases liability insurance for workers' compensation from a commercial carrier.

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

13. RISK MANAGEMENT: (continued)

Unemployment Benefits – The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2020, no unemployment benefits were paid. At June 30, 2020, no claims had been filed for unemployment benefits, but the school does expect to pay unemployment during FY21.

14. EARLY RETIREMENT PLAN:

The District has an early retirement benefit for those employees meeting certain qualifications to retire early and can receive a monthly check, reduced by all required deductions according to federal and state statutes, equal to the amount of a monthly insurance payment. These benefits are only offered for a maximum of 24 months after the employee’s retirement date and the school will only pay no more than two Wolsey-Wessington teachers in any one year. If there are more than two applicants for early retirement/insurance, the teacher with the most total years employed in the Wolsey-Wessington School District shall be allowed to retire and receive benefits first. As of the end of FY20, the School District did not have any retirees utilizing the option.

15. SUBSEQUENT EVENTS:

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

Subsequent events have been evaluated through the date of the independent auditor’s report which is the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A***

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>BUDGETARY</u> <u>BASIS</u>	<u>FINAL BUDGET-</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,168,093	\$ 1,168,093	\$ 1,000,466	\$ (167,627)
Prior years' ad valorem taxes	10,000	10,000	5,861	(4,139)
Gross receipts taxes	75,000	75,000	66,751	(8,249)
Penalties and interest on taxes	3,000	3,000	3,211	211
<i>Earnings on Investments and Deposits</i>	1,500	1,500	6,207	4,707
<i>Cocurricular Activities:</i>				
Admissions	17,000	17,000	16,460	(540)
Rentals	100	100	--	(100)
<i>Other Revenue from Local Sources:</i>				
Charges for services	9,000	9,000	8,822	(178)
Other	20,000	20,000	29,594	9,594
<i>Revenue from Intermediate Sources:</i>				
<i>County Sources:</i>				
County apportionment	20,000	20,000	15,139	(4,861)
<i>Revenue from State Sources:</i>				
<i>Grants-in-Aid:</i>				
Unrestricted grants-in-aid	1,363,725	1,363,725	1,351,169	(12,556)
Restricted grants-in-aid	--	--	1,910	1,910
<i>Other State Revenue</i>	--	--	5,779	5,779
<i>Revenue from Federal Sources:</i>				
<i>Grants-in-Aid:</i>				
Restricted grants-in-aid received from federal government through an intermediate source	--	--	17,060	17,060
Restricted grants-in-aid received from federal government through the state	207,530	207,530	216,005	8,475
<i>Other Federal Revenue</i>	--	--	22,687	22,687
TOTAL REVENUES:	<u>2,894,948</u>	<u>2,894,948</u>	<u>2,767,121</u>	<u>(127,827)</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS BUDGETARY</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	\$ 559,782	\$ 568,282	\$ 546,257	\$ 22,025
Middle school	303,877	303,877	292,305	11,572
High school	511,167	511,167	508,268	2,899
<i>Special Programs:</i>				
Educationally Deprived	137,969	137,969	135,511	2,458
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	91,982	91,982	96,046	(4,064)
Health	--	8,000	7,862	138
<i>Instructional Staff:</i>				
Improvement of instruction	1,750	8,750	8,277	473
Educational media	78,688	78,688	74,529	4,159
<i>General Administration:</i>				
Board of education	13,768	13,768	12,618	1,150
Executive administration	101,599	106,599	105,883	716
<i>School Administration:</i>				
Office of the principal	155,613	155,613	154,438	1,175
Other	--	--	990	(990)
<i>Business:</i>				
Fiscal services	101,818	103,318	103,006	312
Operation and maintenance of plant	465,163	502,163	499,244	2,919
Pupil transportation	150,299	155,799	153,578	2,221
<i>Community Services:</i>				
Custody and care of children	91,815	91,815	96,264	(4,449)
<i>Cocurricular Activities:</i>				
Male activities	65,276	65,276	55,156	10,120
Female activities	39,551	39,551	37,999	1,552
Transportation	21,690	21,690	9,256	12,434
Combined activities	80,233	80,233	56,165	24,068
Contingencies	20,000	--	--	--
Amount Transferred (Enter as Negative)	(20,000)	--	--	--
TOTAL EXPENDITURES:	<u>2,972,040</u>	<u>3,044,540</u>	<u>2,953,652</u>	<u>90,888</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(77,092)</u>	<u>(149,592)</u>	<u>(186,531)</u>	<u>(36,939)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	61,000	61,000	61,032	32
Transfers out	(48,264)	(48,264)	(65,000)	(16,736)
TOTAL OTHER FINANCING SOURCES (USES):	<u>12,736</u>	<u>12,736</u>	<u>(3,968)</u>	<u>(16,704)</u>
<i>Net Change in Fund Balances</i>	(64,356)	(136,856)	(190,499)	(53,643)
<i>FUND BALANCE, Beginning of Year</i>	979,782	979,782	979,782	--
<i>FUND BALANCE, End of Year</i>	<u>\$ 915,426</u>	<u>\$ 842,926</u>	<u>\$ 789,283</u>	<u>\$ (53,643)</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY</u>	<u>FINAL BUDGET-</u>
			<u>BASIS</u>	<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 1,251,000	\$ 1,251,000	\$ 1,073,369	\$ (177,631)
Prior years' ad valorem taxes	1,000	1,000	5,906	4,906
Penalties and interest on taxes	500	500	3,192	2,692
<i>Other Revenue From Local Sources:</i>				
Other	--	--	18,992	18,992
TOTAL REVENUES:	<u>1,252,500</u>	<u>1,252,500</u>	<u>1,101,459</u>	<u>(151,041)</u>
EXPENDITURES:				
<i>Instruction:</i>				
<i>Regular Programs:</i>				
Elementary	65,000	65,000	38,428	26,572
Middle school	65,000	65,000	40,307	24,693
High school	85,000	85,000	51,991	33,009
<i>Special Programs:</i>				
Programs for special education	--	500	250	250
<i>Support Services:</i>				
<i>Instructional Staff:</i>				
Educational media	5,000	5,000	1,797	3,203
<i>General Administration:</i>				
Executive administration	--	4,500	4,264	236
<i>Business:</i>				
Operation and maintenance of plant	216,345	216,345	86,135	130,210
Pupil transportation	180,000	180,000	28,074	151,926
Food service	50,000	50,000	--	50,000
<i>Debt Services</i>	341,800	377,800	377,248	552
<i>Cocurricular Activities:</i>				
Male activities	15,000	15,000	5,184	9,816
Female activities	15,000	15,000	6,002	8,998
Combined activities	15,000	15,000	2,295	12,705
TOTAL EXPENDITURES:	<u>1,053,145</u>	<u>1,094,145</u>	<u>641,975</u>	<u>452,170</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>199,355</u>	<u>158,355</u>	<u>459,484</u>	<u>301,129</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(199,355)	(199,355)	(199,355)	--
Sale of surplus property	--	--	5,651	5,651
Total Other Financing Sources (Uses)	<u>(199,355)</u>	<u>(199,355)</u>	<u>(193,704)</u>	<u>5,651</u>
<i>Net Change in Fund Balances</i>	--	(41,000)	265,780	306,780
<i>FUND BALANCE - Beginning of Year</i>	<u>1,832,781</u>	<u>1,832,781</u>	<u>1,832,781</u>	<u>--</u>
<i>FUND BALANCE - End of Year</i>	<u>\$ 1,832,781</u>	<u>\$ 1,791,781</u>	<u>\$ 2,098,561</u>	<u>\$ 306,780</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET-</u>
			<u>BUDGETARY</u>	<u>POSITIVE</u>
			<u>BASIS</u>	<u>(NEGATIVE)</u>
REVENUES:				
<i>Revenue from Local Sources:</i>				
<i>Taxes:</i>				
Ad valorem taxes	\$ 812,837	\$ 812,837	\$ 696,470	\$ (116,367)
Prior years' ad valorem taxes	500	500	3,739	3,239
Penalties and interest on taxes	450	450	2,054	1,604
<i>Other Revenue from Local Sources:</i>				
Charges for services	500	500	1,365	865
Other	--	--	38,273	38,273
<i>Revenue from Federal Sources:</i>				
Restricted grants-in-aid received from federal government through the state	76,678	76,678	76,678	--
TOTAL REVENUES:	<u>890,965</u>	<u>890,965</u>	<u>818,579</u>	<u>(72,386)</u>
EXPENDITURES:				
<i>Instruction:</i>				
<i>Special Programs:</i>				
Programs for special education	544,261	554,261	526,632	27,629
<i>Support Services:</i>				
<i>Pupils:</i>				
Guidance	33,163	42,163	39,123	3,040
Psychological	40,000	40,000	48,796	(8,796)
Speech pathology	124,741	124,741	137,308	(12,567)
Student therapy services	40,000	40,000	33,129	6,871
<i>Special Education:</i>				
Administrative costs	30,000	37,000	36,532	468
Transportation costs	6,000	8,500	2,058	6,442
Other special education costs	92,350	92,350	78,065	14,285
TOTAL EXPENDITURES:	<u>910,515</u>	<u>939,015</u>	<u>901,643</u>	<u>37,372</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(19,550)</u>	<u>(48,050)</u>	<u>(83,064)</u>	<u>(35,014)</u>
<i>Net Change in Fund Balances</i>	(19,550)	(48,050)	(83,064)	(35,014)
<i>FUND BALANCE - Beginning of Year</i>	698,511	698,511	698,511	--
<i>FUND BALANCE - End of Year</i>	<u>\$ 678,961</u>	<u>\$ 650,461</u>	<u>\$ 615,447</u>	<u>\$ (35,014)</u>

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING:

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

- a. Prior to the first regular Board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenues funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2020

2. USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0995990%	0.0995821%	0.0997435%	0.0934936%	0.0909451%	0.0798197%
District's proportionate share of net pension liability (asset)	\$ (10,555)	\$ (2,323)	\$ (9,052)	\$ 315,812	\$ (385,724)	\$ (575,068)
District's covered-employee payroll	\$ 2,117,886	\$ 2,086,441	\$ 2,012,681	\$ 1,762,175	\$ 1,660,399	\$ 1,395,825
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.50%	0.11%	0.45%	17.92%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

**WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 131,848	\$ 127,061	\$ 125,149	\$ 120,761	\$ 105,731	\$ 99,624
Contributions in relation to the contractually required contribution	<u>131,848</u>	<u>127,061</u>	<u>125,149</u>	<u>120,761</u>	<u>105,731</u>	<u>99,624</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,197,473	\$ 2,117,887	\$ 2,086,441	\$ 2,012,681	\$ 1,762,175	\$ 1,660,399
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

WOLSEY-WESSINGTON SCHOOL DISTRICT NO. 2-6
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Changes of benefit terms:

No significant changes.

Changes of assumptions:

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

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

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